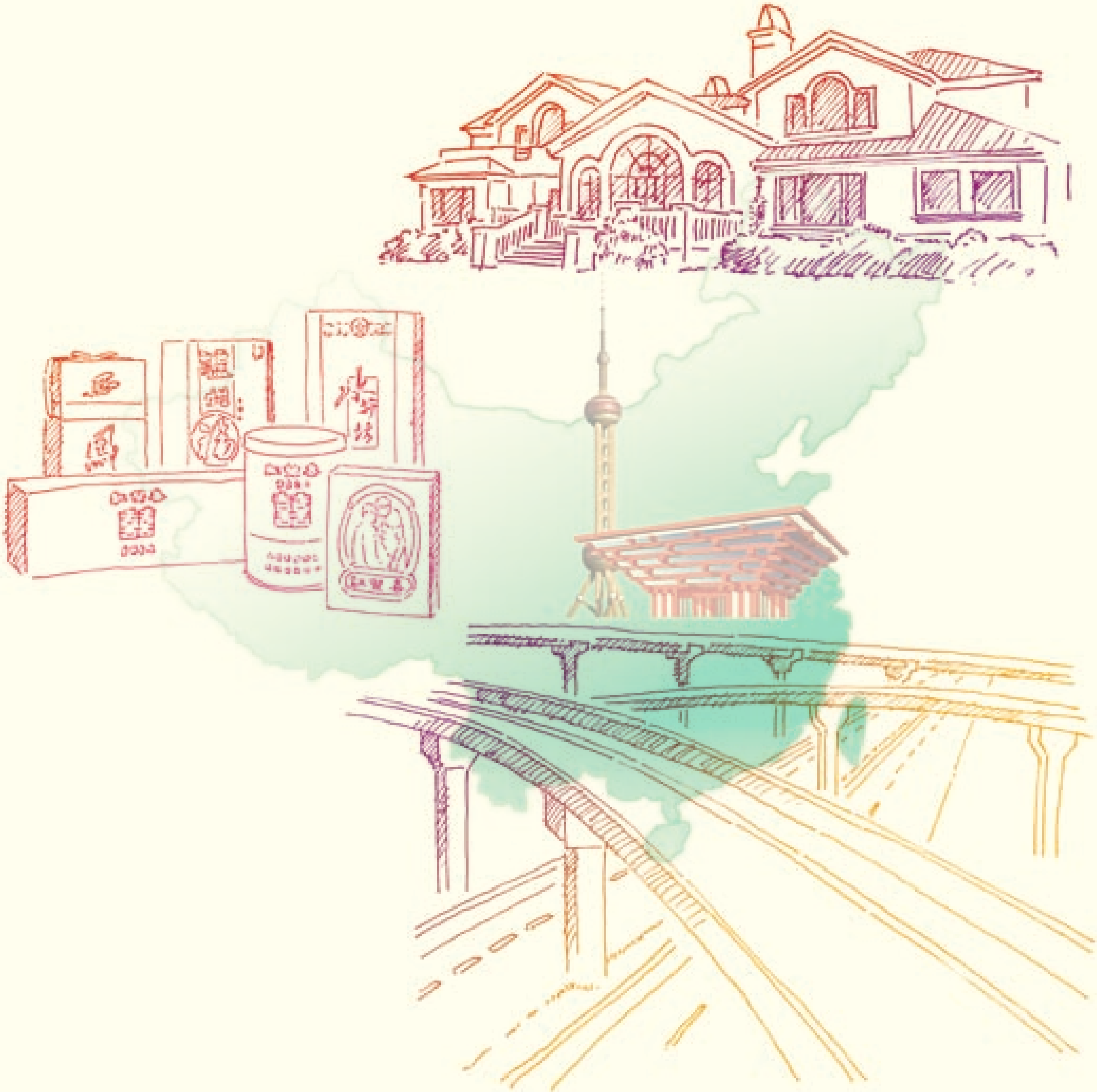
上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED

Stock Code: 363

Annual Report **2009**



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Corporate Information

Directors

Executive Directors
Mr. Teng Yi Long *(Chairman)*
Mr. Cai Yu Tian *(Vice Chairman & Chief Executive Officer)*
Mr. Lu Ming Fang
Mr. Zhou Jie *(Executive Deputy CEO)*
Mr. Qian Shi Zheng *(Deputy CEO)*
Mr. Zhou Jun *(Deputy CEO)*
Mr. Qian Yi *(Deputy CEO)*

Independent Non-Executive Directors
Dr. Lo Ka Shui
Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis

Board Committees

Executive Committee
Mr. Teng Yi Long *(Committee Chairman)*
Mr. Cai Yu Tian
Mr. Lu Ming Fang
Mr. Zhou Jie
Mr. Qian Shi Zheng
Mr. Zhou Jun

Audit Committee
Dr. Lo Ka Shui *(Committee Chairman)*
Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis

Remuneration Committee
Dr. Lo Ka Shui *(Committee Chairman)*
Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis
Mr. Zhang Zhen Bei
Mr. Guo Fa Yong

Company Secretary

Mr. Leung Lin Cheong

Qualified Accountant

Mr. Lee Kim Fung, Edward

Authorized Representatives

Mr. Cai Yu Tian
Mr. Leung Lin Cheong

Registered Office

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39 Gloucester Road, Wanchai, Hong Kong
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Company Stock Code

Stock Exchange : 363
Bloomberg : 363 HK
Reuters : 0363.HK
ADR : SGHIY

Company Website

www.sihl.com.hk

Auditor

Deloitte Touche Tohmatsu

ADR Depository Bank

The Bank of New York Mellon
BNY Mellon Shareowner Services
P.O. Box 358516,
Pittsburgh, PA 15252-8516, USA
Telephone : (1) 201 680 6825
Toll free (USA) : (1) 888 BNY ADRS
Website : www.bnymellon.com/shareowner
Email : shrrelations@bnymellon.com

Information for Shareholders

Shareholder Enquiries

Company Contact Details

Address	:	26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong
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Company Secretarial

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Investor Relations

Telephone	:	(852) 2821 3936
Facsimile	:	(852) 2866 2989

Share Registrar

Tricor Secretaries Limited

Address	:	26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong
Telephone	:	(852) 2980 1333
Facsimile	:	(852) 2861 1465

Dividend

2009 interim dividend of HK48 cents (2008: HK45 cents) per share was paid to shareholders on 5th October 2009.

2009 proposed final dividend of HK60 cents per share (2008: HK36 cents) will be paid to shareholders on or about Monday, 31st May 2010 subject to shareholders' approval.

Subject to approval by the shareholders of the final dividend and together with the interim dividend, the total dividend for the year amounts to HK108 cents per share (2008: HK81 cents per share).

Closure of Register of Members

The register of members of the Company will be closed from Friday, 14th May 2010 to Tuesday, 18th May 2010, both days inclusive, during which period no transfer of shares will be effected. Notice of dividend will be dispatched to shareholders on or about Monday, 31st May 2010. In order to qualify for the entitlement of the final dividend and be entitled to attend the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar by 4:30 p.m. on Thursday, 13th May 2010.

Financial Calendar

2009 interim results	Announced on Tuesday, 1st September 2009
2009 final results	Announced on Wednesday, 31st March 2010
2009 annual report	To be posted to shareholders on or about Friday, 16th April 2010
2010 annual general meeting	To be held on Tuesday, 18th May 2010 at 3:00 p.m.
Closure of register of members	To be closed from Friday, 14th May 2010 to Tuesday, 18th May 2010, both days inclusive
Ex-dividend date for 2009 final dividend	Wednesday, 12th May 2010
Record date for 2009 final dividend	Tuesday, 18th May 2010
Notice of 2009 final dividend	To be dispatched to shareholders on or about Monday, 31st May 2010

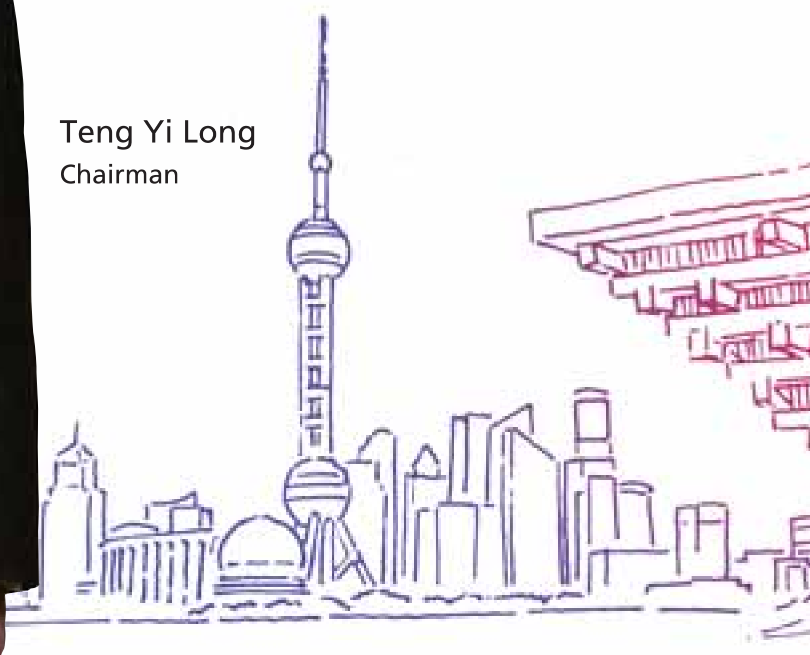
Chairman's Statement

Reaching New Heights through Business Optimization

In 2009, the Group made significant strides in the development of its business with the introduction of a number of major initiatives. Following through plans for the optimization of its business, the Group disposed of several non-core assets and withdrew from the medicine portfolio while continuing to strengthen its core businesses. Remarkable performance was achieved as a result with record earnings.

For the year ended 31st December 2009, the Group recorded profits attributable to shareholders of HK$2,860 million, representing an increase of 36.1% over the previous year. Earnings per share rose 35.2% to HK$2.65. Revenue (including those of the medicine business) amounted to HK$12,762 million, an increase of 0.2% over last year. As at the end of 2009, the Group's total assets and net assets reached HK$60,229 million and HK$24,891 million, up 16.5% and 6.4% respectively over last year.

Teng Yi Long
Chairman



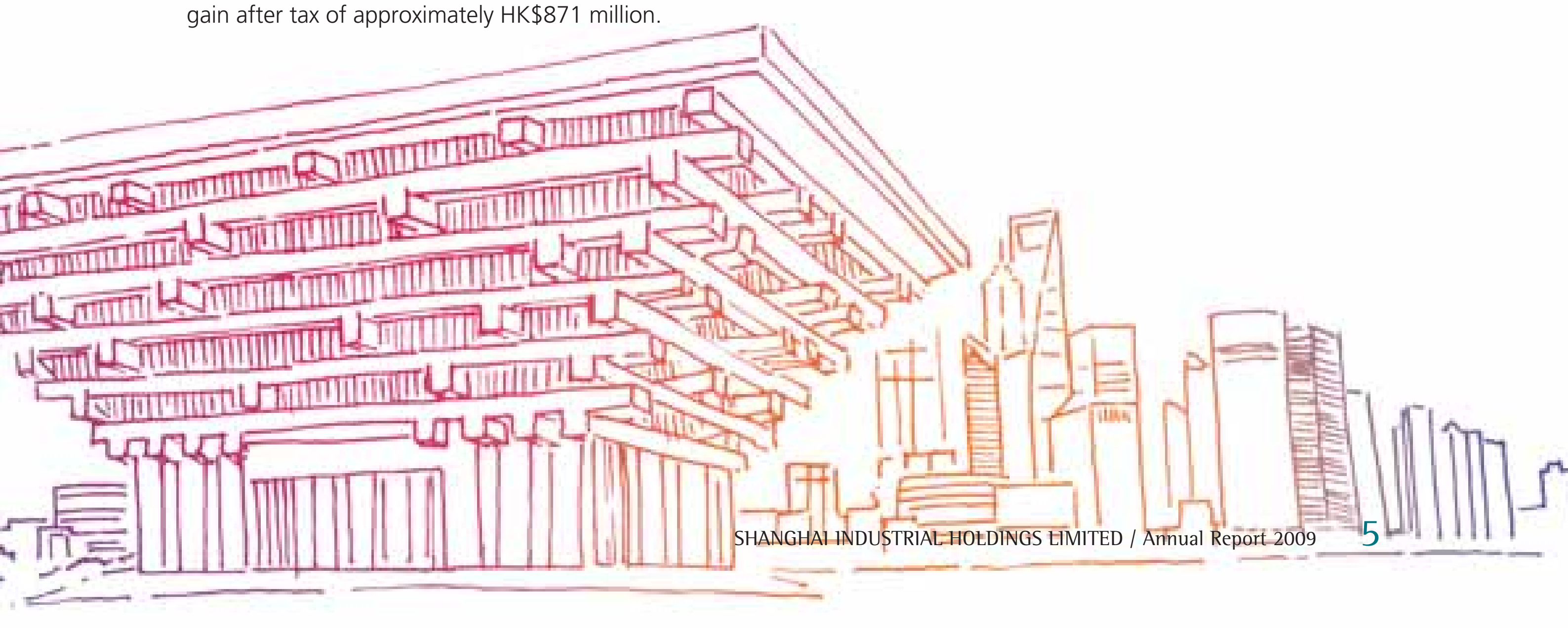
In 2009, the Group recorded satisfactory results for its core businesses. Profit contribution from the infrastructure facilities segment increased 17.8% to HK$729 million excluding the disposal of a non-controlling road project and a water service operation in the previous year. The consumer products segment showed strong performance and recorded a profit contribution of HK$1,881 million to the Group, representing an increase of 38.9%, despite deducting disposal gains from the supermarket and dairy businesses during the year. The real estate segment achieved major breakthroughs. Profit contribution from the segment amounted to HK$731 million and, without taking property revaluation into account, this represented an increase of 196.4% over last year. A moderate improvement in profit was seen in the medicine business, with an increase of 0.1% recorded after deducting gains from the disposal of certain pharmaceutical enterprises during the year as well as the year before.

With sound financial planning and flexible allocation of capital, the Group secured a syndicated loan of HK$4.9 billion from major local and foreign banks to finance future mergers and acquisitions requirements, providing ample resources for the Group's future investment activities.

The Board of Directors has recommended a final dividend of HK60 cents per share. Together with the interim dividend of HK48 cents per share paid during the year, total dividends for the year amounted to HK108 cents. The dividend payout ratio is 40.8%.

Strategic transformation accomplished to facilitate business structure optimization

During the year, the Group adopted a dual strategy of acquisition and divestment in accordance with its future direction. Announcements were made for the disposal of its entire interests in Lianhua Supermarket, MicroPort Medical, SMIC, Bright Dairy and pharmaceutical assets respectively. All these transactions were completed. Sale proceeds amounting to HK$5,750 million from the disposal of the pharmaceutical assets were received subsequent to the year end and gains from the disposal will be recorded in the accounts of 2010. The profit and loss for the rest of these transactions have been recorded in the accounts for the year. Sale proceeds for the year arising therefrom amounted to approximately HK$3,768 million (excluding the sale proceeds from Lianhua Supermarket) with a disposal gain after tax of approximately HK$871 million.



With continued support from the parent company, premium assets including four land lots located in the Qingpu District of Shanghai and the Hu-Yu Expressway (Shanghai Section) were injected into the Group during the year, significantly reflecting its unique position of having a strong Shanghai background. In June, the Group acquired four prime residential blocks under development in Shanghai Bay located in the Xuhui District of the city. The acquisition is expected to enhance profits for the Group's real estate business. In the same month, the Group further expanded its water services through the acquisition of shares in Asia Water, a listed company in Singapore. A total consideration of HK$6,984 million was paid for the above acquisitions. With the completion of these acquisition and disposal transactions, the strategic business restructuring plans for the year were accomplished. As a result, the Group is now able to focus on the strengthening of its infrastructure facilities and real estate segments while counting on support from the established consumer products segment.

Building up a robust infrastructure platform with dominant position in Shanghai's road network

In December 2009, the Company announced the acquisition from the parent company of a 100% stake in the operating concession of Hu-Yu Expressway (Shanghai Section) for a consideration of HK$1,388 million. As a constituent of the National Highway Network linking Shanghai to Chongqing, the expressway is both the west-bound transportation trunk line from Shanghai to inland provinces and the direct expressway to downtown Shanghai from the provinces and cities along the G50 National Highway, as well as from the western suburbs of Shanghai.

Upon completion of the acquisition of Hu-Yu Expressway (Shanghai Section) along with Jing-Hu Expressway (Shanghai Section) (formerly known as Hu-Ning Expressway (Shanghai Section)) and Hu-Kun Expressway (Shanghai Section) (formerly known as Hu-Hang Expressway (Shanghai Section)) currently owned by the Group, it will be operating three key toll roads in Shanghai. These represent Shanghai's dominant traffic gateways in the south-west, west and north-west. As at the end of February 2010, the three toll roads accounted for approximately 19% of the total mileage of toll roads in Shanghai and represented approximately 40% of the total toll revenues in the city. These investment projects are expected to deliver stable revenue and recurring cash flow to the Group.

The projects from General Water of China successively generated profits for the Group. Apart from this, the Group expanded its investment in water services during the year by means of acquisition of equity interests in Asia Water, a listed company in Singapore, for a consideration of approximately HK$215 million. Completed in mid February 2010, the acquisition is expected to help rapidly expand the Group's capacity in water services. Asia Water owns 11 water projects in mainland China with a total capacity of 1,123,500 tonnes per day. Taking into account the total daily capacity from General Water of China, the Group now maintains an aggregate daily capacity of 5,406,500 tonnes. The new investment not only creates synergy for the Group's existing water business but increases economic efficiency

for the operation. The Company and its co-investor in General Water of China have pledged to implement plans for the continued expansion of the water services business.

Real estate investment boom to tap sustainable growth potential

During the year, Shanghai Urban Development achieved steady profit growth. To add momentum to the profitability of its core businesses, the Group has taken active steps to increase its investment in the real estate business. In June, the Company announced the acquisition of four prime residential blocks under development in Shanghai Bay for a consideration of RMB2,000 million. Located along the Huangpu River and opposite the Shanghai World Expo venues, the acquisition comprises a total of 396 residential units with a total gross floor area of about 100,000 square meters. The site is next to the Nanpu subway station on Line 7 of the Shanghai Metro which commenced operation in 2009. A profit contribution of about HK$409 million for the year was recorded from this project.

In August and December 2009, respective announcements were made by the Company regarding the acquisition from the parent company of four lots of premier land resources with a total site area of approximately 1,698,500 square meters, for a total consideration of HK$3,109 million. Located by the lakeside of Dianshan Lake, Qingpu District of Shanghai, and adjoining the Zhujiajiao Town, an ancient water town in the south of the Yangtze River with considerable green environment features, the site is earmarked for the development of low density residential blocks and villas, offering excellent potential for growth.

The Company also announced in mid January 2010 the conditional acquisition and subscription of a total of approximately 1,184,000,000 shares in Neo-China, a listed company in Hong Kong, for an aggregate consideration of approximately HK$2,746 million, to become the single largest shareholder holding approximately 45.02% of the enlarged share capital of the company.

The transactions are expected to be completed by the second quarter of the year. Upon completion, the Group will be required to make a general offer to the existing shareholders of Neo-China. Neo-China owns 14 real estate projects in 11 cities in mainland China of which most are middle to high-end luxury residential buildings. As at 31st December 2009, the company had a total site area of approximately 7,360,000 square meters. Upon completion of the transactions, the Group will become one of China's top 20 real estate developers, thereby further consolidating its position in the industry and enhancing its future earning base.

Counting on pharmaceutical assets restructuring to fully divest from the medicine business

During the year, the Group participated in Shanghai Pharmaceutical's state-owned assets restructuring and sold its entire 43.62% stake in SI Pharmaceutical, a pharmaceutical company listed on the A shares market of the Shanghai Stock Exchange. All equity interests in the Group's medicine investments, including Hangzhou Qingchunbao, Huqingyutang Pharmaceutical, Xiamen TCM, Liaoning Herbapex and Sunway Biotech, were disposed of, realizing aggregate proceeds of approximately HK$5,750 million and a disposal gain of approximately HK$3,000 million. The transactions were completed in mid February 2010.

In June, the Company also announced the disposal of its entire interest of approximately 18.89% in MicroPort Medical for HK$516 million, resulting in a disposal gain of HK$383 million recorded in the first half of 2009. With these asset restructuring transactions, the Group has totally withdrawn from the medicine business, focusing its financial resources on the development of its core businesses. Such moves will further streamline the Group's business structure and help create greater profit contribution to the Group.

Prospects

Capitalizing on every opportunity to strive for development through business optimization and stringent risk control

Looking forward to the year ahead, the Group will continue to optimize its business portfolio and proceed with its major acquisition projects. Focus will be put on the development of its infrastructure facilities and real estate segments, capitalizing on market opportunities and strengthening the development of its core businesses. The long term goal is to be a leading enterprise engaged in the core businesses of infrastructure facilities, real estate and consumer products, striving to create favourable returns for its shareholders.

For the infrastructure facilities segment, Jing-Hu Expressway (Shanghai Section) and Hu-Kun Expressway (Shanghai Section) currently provide long-term stable cash flow to the Group. Completion of the alteration and widening works is expected to drive growth in both traffic flows and toll revenue. In addition to the scheduled completion of the acquisition of Hu-Yu Expressway (Shanghai Section) in 2010, the Group will continue to seek opportunities to acquire highway projects with profit growth potential. Meanwhile, strategic development of its water services business will be further driven to explore greater room for growth.

For real estates segment, the Group will continue to consolidate its real estate businesses. During the past year, the injection of a number of high quality projects were made and, with the acquisition of Neo-China which is scheduled to be completed within this year, the Group is well positioned to rapidly expand its investment in the real estate segment, thereby maximizing the benefits of economies of scale and business synergy, capitalizing on the opportunities for sustainable growth and creating robust growth momentum.

As for the consumer products business, Nanyang Tobacco and Wing Fat Printing both performed satisfactorily with stable business growth. The Group will actively optimize its product structure to add value to the products, expand into new markets and improve overall profitability, thereby providing strong support for the development of the Group's core businesses.

Lastly, on behalf of the Board of Directors, I wish to thank our shareholders and business partners for their continued patronage and support to the Group, and extend my sincere gratitude to our management team and staff members for their dedication and contributions in the development of our business.

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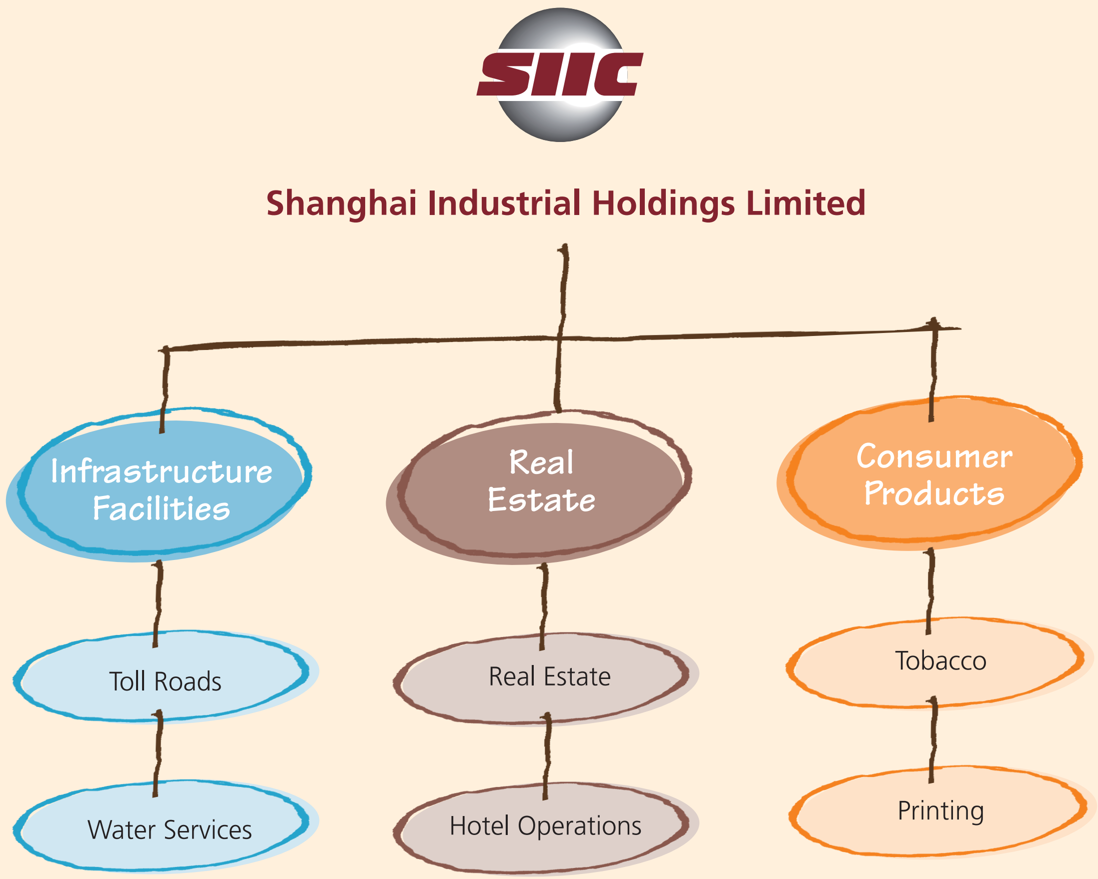
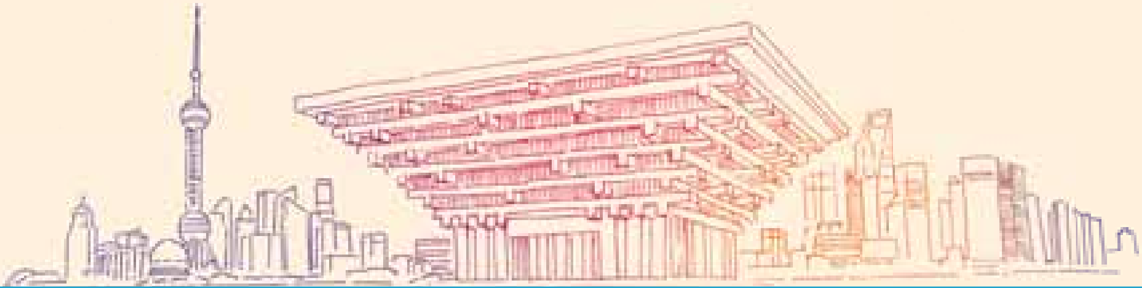
Teng Yi Long
Chairman
Hong Kong, 31st March 2010

Group Business Structure





Infrastructure Facilities

Business	Interests held by the Group	Company name	Principal business
Toll roads	100%	Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd.	Operation of Jing-Hu Expressway (Shanghai Section)
	100%	Shanghai Luqiao Development Co. Ltd.	Operation of Hu-Kun Expressway (Shanghai Section)
	100%	Shanghai Shen-Yu Development Co. Ltd.*	Operation of Hu-Yu Expressway (Shanghai Section)
Water services	50%	General Water of China Co. Ltd.	Water supply and sewage treatment
	76.8%	Asia Water Technology Ltd.	Water supply and sewage treatment

Real Estate

Business	Interests held by the Group	Company name	Principal business
Real estate	59%	Shanghai Urban Development (Holdings) Co. Ltd.	Property development and investment
	100%	Shanghai Feng Mao Properties Ltd.	Property development and investment
	100%	Shanghai Feng Qi Properties Ltd.	Property development and investment
	100%	Shanghai Feng Tao Properties Ltd.	Property development and investment
Hotel operations	87%	Shanghai SIIC South Pacific Hotel Co. Ltd.	Operation of the Four Seasons Hotel Shanghai

Consumer Products

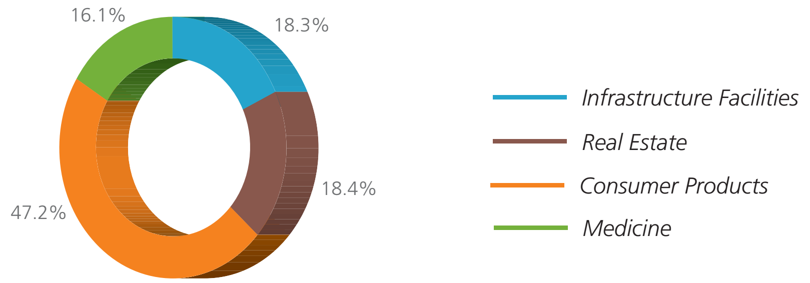
Business	Interests held by the Group	Company name	Principal business
Tobacco	100%	Nanyang Brothers Tobacco Co. Ltd.	Manufacture and sale of cigarettes
Printing	93.44%	The Wing Fat Printing Co. Ltd.	Manufacture and sale of packaging materials and printed products

* *Final approval by relevant government authorities for acquisition of Hu-Yu Expressway (Shanghai Section) was obtained.*

Business Review, Discussion and Analysis

For the year ended 31st December 2009, the Group recorded profits attributable to shareholders of HK$2,860 million, up 36.1% over last year. Revenue (including income from the medicine business) for the year amounted to HK$12,762 million, an increase of 0.2% over last year. In accordance with its strategic plans, the Group disposed of its non-core assets during the year, realizing a total proceed of HK$3,768 million (excluding the sale proceeds from Lianhua Supermarket) and disposal gains after tax of HK$871 million. Significant results were also achieved in the expansion of the Group's core businesses.

Profit Contribution from Each Business



Infrastructure Facilities

During the year, profit contribution from the infrastructure facilities segment amounted to HK$729 million, representing an increase of 17.8%, after deducting disposal gains from the disposal of Yong-Jin Expressway (Jinhua Section) and GWC Construction in the previous year, and accounting for approximately 18.3% of the Group's Net Business Profit not taking into account losses from SMIC. The Group increased its investment in the infrastructure facilities segment during the year and announced the respective acquisitions of Hu-Yu Expressway (Shanghai Section) in Shanghai and equity interests in a listed company in Singapore engaged in water service, broadening the scope of the infrastructure facilities business.

In December 2009, the Company announced the acquisition from its parent company of the operating concession of Hu-Yu Expressway (Shanghai Section) with a concession period expiring in late December 2027 for a consideration of HK$1,388 million. Hu-Yu Expressway (Shanghai Section) is a constituent of the G50 National Highway network linking Shanghai to Chongqing. The 47.2 km highway is located in the vicinity of the fast-growing "Greater Hongqiao Business Circle" connecting Shanghai to the Jiangsu Province. The Expressway recorded a traffic flow in 2009 of approximately 26.12 million vehicles. Final approval has been obtained from relevant government authorities in the PRC for the transaction, and the project is expected to offer significant growth potential.

In June 2009, the Company announced through SI Infrastructure, its wholly-owned subsidiary, in Singapore the subscription for new shares at S$0.02 per share and for the subscription of convertible bonds in Asia Water, a listed company in Singapore, for a total consideration of approximately HK$215 million. The acquisition was completed in February 2010 and the Group is currently interested in approximately 77% of the enlarged share capital of Asia Water. The investment is expected to consolidate the business operation and create synergy with the existing water projects operating under General Water of China. Asia Water currently owns 11 water projects mainly located in Hubei, Shanxi, Zhejiang and Anhui in China, with a total capacity of up to 1,123,500 tonnes per day.

Toll Roads

Jing-Hu Expressway (Shanghai Section) (formerly known as Hu-Ning Expressway (Shanghai Section))

The alteration and widening of Jing-Hu Expressway (Shanghai Section) was completed at the end of 2008 and the section commenced operation in early 2009, contributing to increases in both traffic flow and toll revenue. During the year, the expressway recorded a toll revenue of HK$480 million, an increase of 53.2%, with traffic flow amounting to 28.38 million vehicles, an increase of 45.1%. Passenger vehicles and goods vehicles accounted for 76.41% and 23.59% of the traffic respectively. Active measures have been implemented throughout the year for the preparation of the "Shanghai Expo 600 Days Countdown Campaign" including the enhancement of toll road facilities and service training and the improvement of site environment.

In June 2009, an announcement was made for the acquisition of a 20% stake in Shanghai Galaxy by Hu-Ning Expressway and for its entrustment on Shanghai Galaxy to provide investment fund management services, realizing a yearly return on the entrustment fund of HK$71.45 million. Taking into account the government subsidies received in the previous year, Hu-Ning Expressway recorded a total profit (including the share of profit in Shanghai Galaxy) of approximately HK$326 million for 2009, a decline of 20.1% over last year.

Hu-Kun Expressway (Shanghai Section) (formerly known as Hu-Hang Expressway (Shanghai Section))

The alteration and widening of the Xinsong section of Hu-Kun Expressway (Shanghai Section) commenced in January 2009. The Xinzhuang to Xinqiao section has been completely closed since mid May, resulting in respective declines in toll revenue and traffic flow. An annual toll revenue and traffic flow amounting to HK$366 million and 13.71 million vehicles were recorded, representing a decrease of 44.3% and 53.7% respectively. During the year, subsidies of approximately HK$286 million were received from the government and the construction cost paid for the alteration and widening works was about HK$1,210 million. Luqiao Development recorded a net profit of HK$362 million for 2009, representing an increase of 75.5%.

During the year, Hu-Kun Expressway (Shanghai Section) actively launched the "Shanghai Expo 600 Days Countdown Campaign" for road environment and completed a number of maintenance works for expressway, road bridges and greenery landscape, etc. The main section of the widened expressway was open on 1st January 2010 and the entire alteration and widening works will be completed before the opening of the Shanghai World Expo.

Water Services

As at 31st December 2009, General Water of China had total assets of approximately RMB5.2 billion, comprising 14 water projects with 18 water supply facilities, 14 sewage treatment facilities, three sewage stations and two reservoirs, as well as a gross storage tank volume of 18,232 cubic meters and a pipe network of 2,300 kilometers in total with a daily production capacity of 4,283,000 tonnes. During the year, the company recorded a revenue of HK$638 million from principal business and a net profit of HK$83.63 million, representing an increase of 8.6% and 57.0% respectively. In 2009, General Water of China successfully broadened its scope of business, transforming itself from an investment-driven to a system-supported enterprise. The transformation provided an integrated platform for the company for project investment and construction, equipment manufacturing, operation management as well as technical research and development. The company aims to expand the scale of its assets and enhance the overall value and competitiveness of its core businesses.

In July 2009, General Water of China announced the acquisition of a 60% stake in Hangzhou Hangyang Environmental Protection Equipment Co. Ltd. The acquisition has provided equipment and maintenance services for the company's existing and future project investments, enhancing its technical and equipment capabilities. During the year, General Water of China has been striving to expand into the project construction and equipment assembly markets to achieve asset growth and efficiency. The company has also sought to consolidate its regional resources for its projects, while actively strengthening its research and development capabilities in water environment treatment techniques. In August, the company set up a wholly-owned subsidiary in Suifenhe city to undertake urban sewage treatment projects. In December, the company totally withdrew from the water supply and sewage treatment projects in Chongqing, realizing a total of RMB260 million. In the same month, the project on reservoir and water induction works in Tiger Lake, Huzhou, being the company's first reservoir project, commenced full-scale operation. The Tiger Lake reservoir, operated as an auxiliary water supply to Huzhou City, will help facilitate the recovery of the water environment of Taihu, while driving the regional integration of the company's projects in Huzhou.

	Project name	Project type	Daily production capacity	Interests attributable to General Water of China	Project progress
1	Project on reservoir and water induction works in Tiger Lake, Huzhou, Zhejiang	Water supply	200,000 tonnes	100%	The project started its trial run in December 2009 and was completed in January 2010.
2	Sewage treatment project in eastern Wenzhou, Zhejiang	Sewage treatment	100,000 tonnes	100%	The project is in operation.
3	Sewage treatment project in central Wenzhou, Zhejiang	Sewage treatment	200,000 tonnes	70%	The project is in operation.
4	Sewage treatment project in the new district of eastern Huzhou, Zhejiang	Sewage treatment	50,000 tonnes	100%	• The project is in operation. • Starting from 1st January 2009, the water tariff has been adjusted from RMB1.19/tonne to RMB1.31/tonne.
5	Water supply project in Xiangtan, Hunan	Water supply	425,000 tonnes	70%	• The project is in operation. • Application for water tariff adjustment has been made and pending approval.
6	Sewage treatment project in river east of Xiangtan, Hunan	Sewage treatment	100,000 tonnes	100%	The project is in operation.
7	Water generation project in Xiamen, Fujian	Water generation	1,200,000 tonnes	45%	The project is in operation.
8	Sewage treatment project in Xiamen, Fujian	Sewage treatment	818,000 tonnes	55%	The project is in operation.
9	Water supply project in Bengbu, Anhui	Water supply	430,000 tonnes	60%	• The project is in operation. • Application for water tariff adjustment will be made in 2010.
10	Project on sewage treatment plant in Longhua, Shenzhen, Guangdong	Sewage treatment	150,000 tonnes	90%	The project is in operation.
11	Yinshi Guo Wei water supply project In Xianyang, Shaanxi	Water supply	180,000 tonnes	50%	The project is in preparatory stage.
12	Water generation project in Xianyang, Shaanxi	Water generation	300,000 tonnes	100%	95% of the project was completed and the whole project is expected to be completed by April 2010.
13	Project on Wuhua Mountain reservoir and water supply project in Suifenhe, Heilongjiang	Water supply	110,000 tonnes	100%	The project is in operation.
14	City sewage treatment project in Suifenhe, Heilongjiang	Sewage treatment	20,000 tonnes	100%	A new wholly-owned company was established in August 2009. The project is in design stage of construction plan and is expected to commence construction in April 2010.

Real Estate

For 2009, the real estate business contributed a profit of approximately HK$731 million to the Group, representing a significant increase of 66.2% over last year and accounting for approximately 18.4% of the Group's Net Business Profit not taking into account losses from SMIC. Profits from Shanghai Urban Development amounted to HK$350 million and, without taking into account property revaluation, this represented an increase of more than 33.4% over last year. The company has for the third consecutive year (2005 to 2008) been included on the "Top 50 Real Estate Enterprises in Shanghai" and was ranked 19th in 2008.

During the year, two separate announcements were made by the Company in respect of the acquisition from the parent company of four land lots located in the Qingpu District of Shanghai. The acquisition was intended to strengthen the Group's investment in the real estate segment with the injection of a land bank with a total site area of approximately 1,698,500 square meters. An announcement was also made in June in respect of the acquisition of four residential blocks under development in Shanghai Bay in Shanghai. A total consideration of HK$5,381 million was made for these acquisitions. The continued expansion of the real estate segment is expected to create tremendous room for future profit growth for the Group.

Subsequent to the balance sheet date, the Company further announced the conditional acquisition of 500,000,000 existing shares held by the controlling shareholders of Neo-China, a listed company in Hong Kong, and the subscription for approximately 683,700,000 new shares in Neo-China, both at HK$2.32 per share, representing a total of approximately 45.02% of its then enlarged share capital, at a total consideration of HK$2,746 million. Upon completion of these transactions, the Group will be required to make a general offer to the existing shareholders of Neo-China at the same price of HK$2.32 per share. Neo-China currently owns 14 projects in 11 cities in mainland China of which most are middle to high-end luxury residential buildings. As at the end of 2009, the company had an accumulated site area of 7,360,000 square meters. The acquisition and subscription of shares are expected to be completed by the second quarter of 2010. Upon completion, the Group will be able to rapidly expand its real estate business development across the country.

Land Reserve

As at the end of 2009, Shanghai Urban Development had a total of nine real estate projects in five regions, namely Shanghai, Jiangsu, Anhui, Hunan and Chongqing, covering a total gross floor area of approximately 2,085,800 square meters. During the year, a site area of approximately 259,200 square meters for Shanghai Jing City was newly acquired with a total investment amounting to RMB4,500 million. The project, which is located in Meilongzhen, Minhang District of Shanghai, has commenced construction in 2010 and was included as one of the 2009 Large-scale Residential Projects under the Housing Security System for Major Works Project in Shanghai. In November 2009, Shanghai Urban Development won the bid for an ancillary commodity housing construction project located in Plot West of Meilongzhen, Minhang District of Shanghai with a total planned site area of approximately 49,800 square meters and a total planned gross floor area of approximately 125,200 square meters. The project will comprise residential housing, underground car parks and other ancillary housing.

In August 2009, the Company announced the acquisition from the parent company of land lots D and E located in Shanghai's Qingpu District beside the Dianshan Lake for a total consideration of HK$1,732 million. In December, a further announcement was made for the acquisition of the nearby land lots F and G for a consideration of HK$1,377 million. The four lots of land covering a total site area of 1,698,500 square meters have boosted the Group's premier land resources. The Group will plan to develop (either on its own or with other parties) the entire site into a low density high-end residential community of luxury residential units and villas.

As at 31st December 2009, after taking into account the Qingpu land lots D, E and F, the acquisitions of which have already been completed, together with the total site area covered by the projects held under Shanghai Urban Development, the Group had a total site area of approximately 3,383,100 square meters.

Set out below is a summary of the main property developments of the Group as at 31st December 2009:

Major Development Properties

Urban Cradle (萬源城)

Location:	Minhang District, Shanghai
Type of property:	Residential
Approximate site area:	943,000 square meters, of which 560,463 square meters are for residential areas at Lots B, C, D, E and F
Approximate total GFA:	1,307,369 square meters (included basement carpark and public facilities)
Total GFA pre-sold/ GFA pre-sold in 2009:	314,811 square meters/151,829 square meters
Interests attributable to the Group:	53.1%
Date of completion:	2007 to 2012, in phases
Approximate completion progress:	64%

Royal Villa (琨城帝景園)

Location:	Kunshan, Jiangsu Province
Type of property:	Hotel, commercial and residential
Approximate site area:	205,017 square meters
Approximate total GFA:	268,021 square meters
Total GFA pre-sold/ GFA pre-sold in 2009:	77,783 square meters/40,845 square meters
Interests attributable to the Group:	53.1%
Date of completion:	2007 to 2011, in phases
Approximate completion progress:	75%

Rose Town City Villa (玫瑰紳城)

Location:	Hefei, Anhui Province
Type of property:	Commercial and residential
Approximate site area:	181,215 square meters (as adjusted) (included the site area of a parcel of land in the northern district)
Approximate total GFA:	445,551 square meters
Total GFA pre-sold/ GFA pre-sold in 2009:	130,180 square meters/106,560 square meters
Interests attributable to the Group:	59%
Date of completion:	2008 to 2010, in phases
Approximate completion progress:	53%

Toscana (托斯卡納)

Location:	Changsha, Hunan Province
Type of property:	Commercial and residential
Approximate site area:	180,541 square meters
Approximate total GFA:	202,425 square meters
Total GFA pre-sold/ GFA pre-sold in 2009:	113,119 square meters/45,705 square meters
Interests attributable to the Group:	32.45%
Date of completion:	2006 to 2011, in phases
Approximate completion progress:	92%

Location:	Chongqing
Type of property:	Residential
Approximate site area:	126,568 square meters (as adjusted)
Approximate total GFA:	79,085 square meters
Total GFA pre-sold／GFA pre-sold in 2009:	18,216 square meters／18,216 square meters
Interests attributable to the Group:	32.45%
Date of completion:	2009 to 2011, in phases
Approximate completion progress:	58%

Ivy Aroma Town (常青藤 • 緹香小鎮)
(formerly known as Ivy International Community)

Location:	Kunshan, Jiangsu Province
Type of property:	Composite
Approximate site area:	34,223 square meters
Approximate total GFA:	136,892 square meters
Total GFA pre-sold／GFA pre-sold in 2009:	–
Interests attributable to the Group:	30.68%
Date of completion:	2009 to 2011
Approximate completion progress:	18%

Yoooou.net (游站)
(formerly known as Huaqiao International Service Business Park)

Location:	Wuxi Lihu Economic Development Area
Type of property:	Hotel and commercial
Approximate site area:	24,041 square meters
Approximate total GFA:	191,660 square meters
Total GFA pre-sold／GFA pre-sold in 2009:	–
Interests attributable to the Group:	59%
Date of completion:	2009 to 2012, in phases
Approximate completion progress:	25%

Urban Development International Centre (上海中心 • 城開國際)
(formerly known as Wuxi Lihu Technology Building)

Major Future Development Properties

Project	Type of Property	Approximate Site Area	Total GFA	Interest attributable to the Group	Anticipated Project Commencement and Completion Date
Xujiahui Centre (徐家匯中心) Xuhui District, Shanghai	Composite	132,000 square meters dividing into six parcels of land (35,343 square meters obtained)	629,000 square meters (320,700 square meters obtained)	35.4% (obtained the land use rights of one parcel of land for composite use)	2010 to 2017 (works commenced subject to the progress of site clearance)
Shanghai Jing City (上海晶城) Minhang District, Shanghai	Residential	259,182 square meters	604,620 square meters	59%	2009 to 2013, in phases
Lots D, E and F, Zhujiajiao Town Qingpu District, Shanghai	Residential	1,297,265 square meters	subject to project planning	100%	subject to project planning

Property Development

In 2009, the nine projects held under Shanghai Urban Development covered a planned total gross floor area of some 3,864,600 square meters, with newly added construction area amounting to 475,249 square meters. Gross floor area presold during the year was approximately 363,156 square meters and a pre-sale amount of HK$5,618 million was recorded, including the projects of Urban Cradle in Shanghai, Royal Villa in Kunshan, Toscana in Changsha and Rose Town City Villa in Hefei. Pre-sale of Ivy Aroma Town in Chongqing also commenced in November 2009.

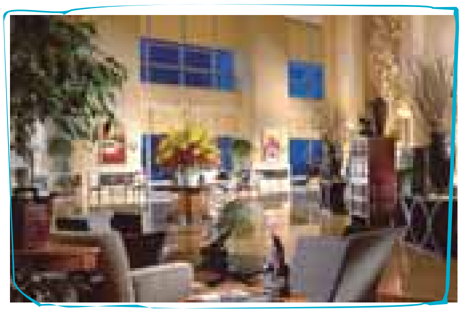
During the year, Urban Cradle – Lounge City apartments recorded continuous rise in selling price. The number of apartments released increased several times. For the year under review, a total of 905 units were presold, generating a pre-sale amount of approximately HK$2,818 million. Ivy Aroma Town is a high-end detached villa project located in Taojia Town, Jiulongpo District, Chongqing. The first batch of 42 villas were snapped up soon after the launch, realizing a pre-sale amount of HK$188 million as at the end of 2009. The number of villas planned for pre-sale is scheduled to increase.

Property Investment

As at the end of 2009, properties held for investment under Shanghai Urban Development reached a total gross floor area of approximately 77,056 square meters, realizing a total rental income of approximately HK$133 million for the year. The properties include mainly Urban Development International Tower, Huimin Commercial Tower and other properties, mostly on long term leases.

In June 2009, the Company announced the acquisition from Glorious Property of four residential blocks under development in Shanghai Bay located in the Xuhui District, Shanghai in the vicinity of the Shanghai World Expo venues for a consideration of RMB2,000 million. The residential blocks include 396 units with a total gross floor area of approximately 100,000 square meters. Glorious Property has been entrusted for the development, sale and day-to-day management of the properties. The transaction was completed during the year and a profit of about HK$409 million was recorded during the year.

Hotel Operations



Competition in the hotel industry intensified during the year due to the prolonged downturn in the general overseas economic environment and a rapid increase in the number of new top-tiered luxury hotels in Shanghai. The Four Seasons Hotel Shanghai ranked third for annual average room rates in the city following a small downward adjustment of its room rates. An EBITDA of approximately HK$20.94 million was recorded; SIIC South Pacific Hotel incurred a net loss for the year of approximately HK$39.88 million. During the year, active measures were taken to explore the domestic market through exploring business opportunities in various hotel consumables and the rollout of additional promotions in catering and dining, thereby securing a large high-end customer base. The hotel was named TL+500 World's Best Hotels and Top 25 City Hotels in Asia by *Travel + Leisure* in the United States. Following the completion of related alteration works in late July 2009, a spa with Chinese medical concept is set up to enhance the hotel's overall competitiveness. In line with the hotel's customer-oriented policy and to maintain its pre-eminent position in the industry, guest rooms and the fitness centre will also undergo renovation in phases during 2010.

Consumer Products

Profit contribution from the consumer products business for the year was HK$1,881 million, representing an increase of 285.5% and accounting for approximately 47.2% of the Group's Net Business Profit not taking into account losses from SMIC. During the year, the Group continued to reduce its non-core businesses and disposed of its entire interest of approximately 21.17% in Lianhua Supermarket in January. The Group also reduced its shareholding in Bright Dairy by 5% in June through trading in the market and subsequently entering into an agreement in July to dispose of its remaining shareholding of 30.176% in the company. The above transactions realized a total disposal gain after tax of HK$1,203 million.

In January 2009, the Group disposed of its entire shareholding of 21.17% in Lianhua Supermarket for a consideration of RMB1,056 million. Following the completion of the transaction in March, the Group has totally withdrawn from the supermarket business, making a disposal gain after tax of around HK$125 million.

Tobacco

In 2009, Nanyang Tobacco maintained steady business growth and recorded a net profit of HK$500 million, up 12.4% over last year, with a revenue of approximately HK$2,005 million, representing a growth of 1.5%. The company continued to restructure its product portfolio throughout the year with emphasis on the development of high value-added products and enhancement of its sales structure in order to increase earnings growth.

During the year, high-margin brand cigarettes such as Double Happiness Classic Deluxe were launched in the mainland market while new markets were explored, including Hubei and Shaanxi, resulting in a sales growth of approximately 12.92%. Rollout of new products has been made in the duty free market, of which Double Happiness Premium (Tin Pack) launched in commemoration of China's 60th anniversary has been a huge success, resulting in an overall sales growth of 25.86%. Sales revenue in the Hong Kong market was affected by the increase in tobacco duty and higher manufacturing cost. In the Macau market, Double Happiness Macao Collection launched in celebration of Macau's return to PRC sovereignty has been well received in spite of a decline in overall sales of approximately 39.35% due to a significant increase in tobacco duty.

Looking ahead, the company will continue to drive the development of high-margin products, improve independent innovative technologies, develop products with high growth potential and expand further sales channels.

Printing

Wing Fat Printing maintained a stable growth in production during 2009 with an income of HK$1,995 million and a net profit of HK$135 million, representing an increase of 12.2% and 32.5% respectively over the previous year. In December 2009, Wing Fat Printing increased its shareholding in Chengdu Wingfat Printing from 51% to 70% to further expand its printing business in southwest China.

A loss was incurred in the containerboard business for the first half of the year due to a significant decline in market prices and the slow-moving inventory of raw materials. Hebei Yongxin Paper has made great efforts to improve its production strategies and increase market share. The newly-built 300,000 tonne A-grade containerboard production line reached planned capacity in June and the business became profitable in August. The company's packaging business remained stable. In December, a HK$9.66 million investment was made to set up WF Top Weld Packaging, a new joint venture in which a wholly-owned subsidiary of Wing Fat Printing holds a 70% equity interest. The new company is principally engaged in the manufacturing of matt tin can and pop-top cap as well as metal packaging. This is expected to drive the company's profit growth. Chengdu Wingfat Printing's capability in wine packaging was significantly enhanced with the acquisition of additional printing and processing equipment.

Dairy

For the year ended 31st December 2009, Bright Dairy recorded a revenue of RMB7,943 million (equivalent to approximately HK$9,022 million), representing a growth of 7.94%. Net profit amounted to RMB190 million (equivalent to approximately HK$216 million) resulting from an improved operating environment and diminishing adverse impact from the "melamine" incident. A 5% shareholding in Bright Dairy was disposed of by the Group through trading in the Shanghai Stock Exchange in June 2009. The remaining interest of 30.176% in Bright Dairy was disposed of through a share transfer agreement reached in July. The total sales proceeds from the two transactions amounted to HK$2,152 million with an aggregate disposal gain after tax of HK$1,078 million recorded during the year.

Medicine

The profit from the Group's medicine business for 2009 amounted to HK$639 million, representing an increase of 141.7% over last year, accounting for 16.1% of the Group's Net Business Profit not taking into account losses from SMIC.

In June 2009, the Company announced the disposal of its entire interest of approximately 18.89% in MicroPort Medical for a total of HK$516 million, resulting in a disposal gain of HK$383 million. The transaction was completed in July. In October, the Company further announced the disposal of its entire direct interest in pharmaceutical assets to Shanghai Pharmaceutical, the parent company's listed subsidiary in mainland China, for a total consideration of HK$2,270 million. At the same time, a cash option was exercised to dispose of the corresponding equity interest in the new shares of Shanghai Pharmaceutical, which was swapped from its entire interest in 43.62% stake in SI Pharmaceutical, for a cash consideration of HK$3,480 million. Both transactions were completed in mid February 2010, realizing total sales proceeds of some HK$5,750 million. With these transactions, the Group has totally withdrawn from the medicine business.

Chinese Medicine and Health Food

In 2009, Hangzhou Qingchunbao recorded moderate growth in overall sales apart from health food, which was still relatively underperformed. The sales of pharmaceutical products achieved better performance, of which Dengfeng Shen Mai Injection reported an increase of 18.6%. During the year, a total of 15 types of products were included in the National Essential Drugs List. A project on Dengfeng Shen Mai Injection and a Key New Drug Production Project were identified as key State projects and were given subsidies from government funds.

Huqingyutang Pharmaceutical recorded a 9.6% growth in sales for the year, of which the sales of its Herba Dendrobium Grain and Stomach Rejuvenation Tablets increased by 13.7% and 11.9% respectively. During the year, Herba Dendrobium Grain was awarded the honorable title of Shanghai World Expo Global Medicine Partners – Designated Health Food.

Xiamen TCM recorded an increase in annual sales of 6.8%. With the relocation of the company in May, new facilities now cover a gross site area of 135,000 square meters. Production facilities for modern Chinese herbal medicine also commenced operation. The new product, Qi Gu Capsule, obtained new drug certificate and production approval, following seven years of research and development.

In 2009, sales of Liaoning Herbapex maintained stable growth with an increase of 7.0% over last year. Sales of its major product of Herbapex Rupixiao recorded a significant increase of about 3.7%.

Biomedicine

In 2009, Guangdong Techpool achieved remarkable growth in sales over last year, of which Techpool Luoan and Kai Li Kang recorded an increase in sales of 44.7% and 78.2% respectively. The company's Application of Human Urinary Kallidinogenase in the Preparation of Drugs for Treatment and Prevention of Cerebral project developed during the year received the 2009 Guangdong Patent Gold Award.

In June 2009, the company and its shareholders entered into an agreement with a new investor under which the new investor subscribed for 20,000,000 new shares in the company and was transferred 8,000,000 existing shares, totally holding an aggregate of 28% interest in the company. The introduction of such strategic investors will help accelerate the development of the company's products, increase its presence in the global market and enhance its overall competitiveness.

Chemical Medicine

In 2009, Changzhou Pharmaceutical realized an increase of 16.1% in revenue from principal businesses while annual sales remained stable. Changzhou Pharmaceutical Factory's Thalidomide Tablets achieved a growth in sales of 22.5% over last year.

Sales of Major Products

Product name	Type/Indication	Sales (HK$'000) 2009	2008	Change
Dengfeng Shen Mai Injection	Cardiovascular	**475,222**	400,556	18.6%
Dengfeng Dan Shen Injection	Cardiovascular	**138,316**	138,125	0.1%
Huqingyutang Stomach Rejunvenation Tablets	Gastritis	**120,091**	107,316	11.9%
Herbapex Rupixiao Tablets	Gynaecological	**156,249**	150,633	3.7%
Dinglu Xinhuang Tablets	Anti-bacterial, anti-inflammatory, pain relieving	**111,941**	109,302	2.4%
Qingchunbao Anti-ageing Tablets	Immunity strengthening	**221,840**	227,054	-19.9%
Qingchunbao Yongzhen Tablets	Health food	**41,521**	43,126	-3.7%
Qingchunbao Beauty Capsules	Health food	**35,060**	46,887	-25.2%
Huqingyutang Herba Dendrobium Grain	Health food	**38,860**	34,189	13.7%
Techpool Luoan	Urinary trypsin enzyme inhibitor	**422,074**	291,741	44.7%
Changzhou Pharmaceutical Captopril Tablets	Anti-hypertension	**43,177**	81,365	-46.9%
Compound Reserpine Tablets	Anti-hypertension	**66,808**	66,367	0.7%
Kai Li Kang	Cerebral infarct	**48,812**	27,391	78.2%

Medical Equipment

In 2009, Shanghai Medical Instruments recorded modest growth in overall sales, of which sales of consumables, in particular indwelling needle, grew at a faster pace. During the year, a total of six new products obtained registration certificates. The company will implement further independent innovative strategies to drive brand building. In June 2009, the Group further reduced its non-controlling business and disposed of its entire interest of approximately 18.89% in MicroPort Medical for about HK$516 million, resulting in a disposal gain of some HK$383 million for the Group.

Others

In July 2009, the Company announced the disposal of its entire shareholding of approximately 8.2% in SMIC to the parent company. The transaction was completed in September, realizing sale proceeds of approximately HK$1,100 million. The Group recorded a disposal loss of approximately HK$715 million during the year. The disposal is in line with the Group's strategy to divest its non-core businesses. The operating loss from SMIC attributable to the Group for the year was HK$256 million.

Financial Summary

	Year ended 31st December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
RESULTS					
Revenue	2,458,021	3,121,893	4,110,159	7,452,105	**6,917,885**
Profit before taxation	903,735	1,506,613	2,028,387	2,683,795	**3,815,115**
Income tax expense	(70,868)	(135,856)	(152,410)	(420,151)	**(1,098,996)**
Profit for the year from continuing operations	832,867	1,370,757	1,875,977	2,263,644	**2,716,119**
Profit for the year from discontinued operations	422,694	129,513	405,132	594,122	**1,005,177**
Profit for the year	1,255,561	1,500,270	2,281,109	2,857,766	**3,721,296**
Attributable to					
– Owners of the Company	1,027,940	1,257,778	1,963,023	2,101,546	**2,860,128**
– Minority interests	227,621	242,492	318,086	756,220	**861,168**
	1,255,561	1,500,270	2,281,109	2,857,766	**3,721,296**
	HK$	HK$	HK$	HK$	**HK$**
Earnings per share					
– Basic	1.07	1.30	1.94	1.96	**2.65**
– Diluted	1.06	1.29	1.93	1.95	**2.65**

	As at 31st December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000 (restated)	**2009** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	21,972,155	23,658,128	47,488,947	51,716,344	**60,228,703**
Total liabilities	(3,764,126)	(3,927,133)	(17,404,073)	(19,835,332)	**(26,141,351)**
	18,208,029	19,730,995	30,084,874	31,881,012	**34,087,352**
Equity attributable to owners of the Company	16,375,892	17,505,381	22,625,731	23,401,358	**24,891,246**
Minority interests	1,832,137	2,225,614	7,459,143	8,479,654	**9,196,106**
	18,208,029	19,730,995	30,084,874	31,881,012	**34,087,352**

Note: The Company has accounted for the acquisitions of Feng Mao and Feng Qi (as detailed and defined in note 2 to the financial statements) in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared assuming that the current group structure had been in existence since the respective date of establishment.

In addition, as mentioned and defined in note 12 to the financial statements, the Group is going to dispose of the Disposed Business and the results of the Disposed Business for the years presented have been reclassified for separate disclosure as discontinued operations above.

Financial Review

Key Figures

	2009	2008 (restated)	Change
Results			
Revenue (HK$'000)	**6,917,885**	7,452,105	-7.2%
Profit attributable to shareholders (HK$'000)	**2,860,128**	2,101,546	36.1%
Earnings per share – basic (HK$)	**2.65**	1.96	35.2%
Dividend per share (HK cents)	**108**	81	
– Interim (paid)	**48**	45	
– Final (proposed)	**60**	36	
Dividend payout ratio	**40.8%**	41.3%	
Interest cover (note (a))	**18.9 times**	11.4 times	
Financial Position			
Total assets (HK$'000)	**60,228,703**	51,716,344	16.5%
Shareholders' equity (HK$'000)	**24,891,246**	23,401,358	6.4%
Net assets per share (HK$)	**23.05**	21.74	6.0%
Gearing ratio (note (b))	**28.60%**	23.25%	
Number of shares in issue (share)	**1,079,765,000**	1,076,435,000	

Note (a): (profit before taxation, interest expenses, depreciation and amortization)/interest expenses
Note (b): interest-bearing loans/(shareholders' equity + minority interests + interest-bearing loans)

Notes:

(1) The transactions in connection to the transfer of shareholdings in pharmaceutical companies to Shanghai Pharmaceutical and the absorption and merger of SI Pharmaceutical with Shanghai Pharmaceutical were completed in February 2010. Upon completion of the transactions, the Company would totally withdraw from the medicine business and the medicine business is presented as discontinued operations according to the Hong Kong Financial Reporting Standard 5 "Non-current Assets Held for Sale and Discontinued Operations".

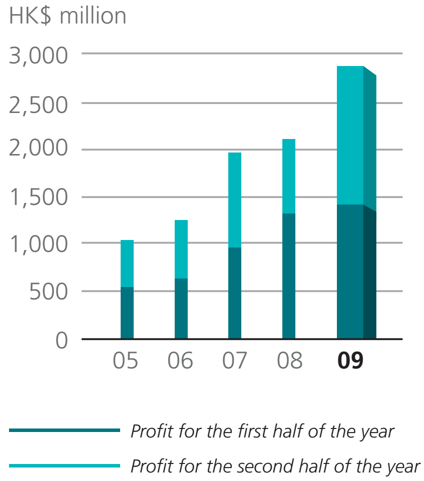
(2) The Company has adopted the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" to account for its acquisitions of Feng Mao BVI and Feng Qi BVI from SIIC. The comparative figures for 2008 contained in this "Financial Review" had been restated accordingly.

I Analysis of Financial Results

1 Profit attributable to shareholders of the Company

For the year ended 31st December 2009, the Group recorded a profit attributable to shareholders of HK$2,860.13 million, an increase of HK$758.58 million or approximately 36.1% over 2008.

The increase in profit attributable to shareholders for the year was mainly attributable to growth in operating profits of infrastructure facilities, real estate and consumer products businesses, and net gains arising from disposal of non-core assets.



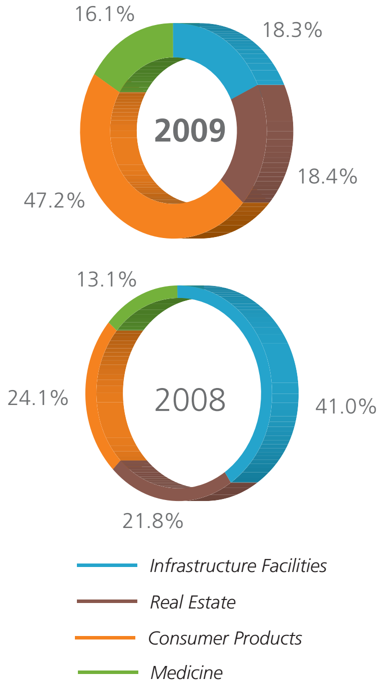
2 Profit Contribution from Each Business

The profit contributed by each business in the Group for the year 2009 and the comparative figures last year was summarized as follows:

	2009 HK$'000	2008 HK$'000	Change %
Continuing operations			
Infrastructure Facilities	729,372	828,916	-12.0
Real Estate	730,982	439,868	66.2
Consumer Products	1,880,656	487,875	285.5
Discontinued operations			
Medicine	638,838	264,285	141.7

Profit from infrastructure facilities business decreased approximately 12.0% during the year. Excluding the disposal gain such as gain of HK$207.77 million recorded in the previous year from disposing the entire 30% equity interest in Yongjin Expressway, profit from infrastructure facilities business increased 17.8%. Such increase was mainly from toll revenue compensation of RMB251.60 million received for the period of expansion works of Hu-Kun Expressway (Shanghai Section), which was sufficient to offset the decrease in profit from Jing-Hu Expressway (Shanghai Section) after the completion of its alteration and expansion. Net profit from General Water of China was HK$41.82 million, increasing 57.0% from HK$26.64 million of the previous year, attributable to the disposal gain from the divestment of its water supply and sewage treatment project in Chongqing, increase in volume of sewage treatment and financial subsidies received for its projects.

Profit from real estate business increased by 66.2% from previous year. The profit was mainly contributed by property sales in Yuxi and Lounge City of Urban Cradle, Changsha Toscana and Kunshan Royal Villa; investment income of approximately HK$408.91 million from Shanghai Bay; and revaluation gain and rental income from investment properties. For the land lot D and E located by the side of Dianshan Lake, Zhujiajiao Town, Qingpu District, Shanghai, the acquisition of which was completed in the second half of the year, as the two land lots are still pending for development, there was no contribution to the result of our real estate business for the year.



Through increasing the proportion of products with higher gross profit margin and developing end market sales, Nanyang Tobacco increased its profit contribution from HK$444.84 million to approximately HK$500 million, representing a growth of 12.4%. The packaging business of Wing Fat Printing remained stable. However, its net profit contribution increased 30.0% to approximately HK$126.35 million driven by sales growth in its paper manufacturing business. We actively proceeded with exiting from our non-controlling investments and completed the disposal of 35.176% and 21.17% equity interest in Bright Dairy and Lianhua Supermarket during the year, with disposal gains of HK$1,078.25 million and HK$124.91 million respectively.

The growth of net profit in medicine business was mainly due to the disposal gain of HK$382.97 million arising from the disposal of equity interest in MicroPort Medical. Excluding the one-off gain from disposing equity interest, profit from medicine business was basically flat. In addition, the Company completed the disposal of its shareholdings in SMIC in September of the year and recorded a disposal loss of HK$714.73 million in addition to a share of its operating loss of HK$255.62 million before the disposal.

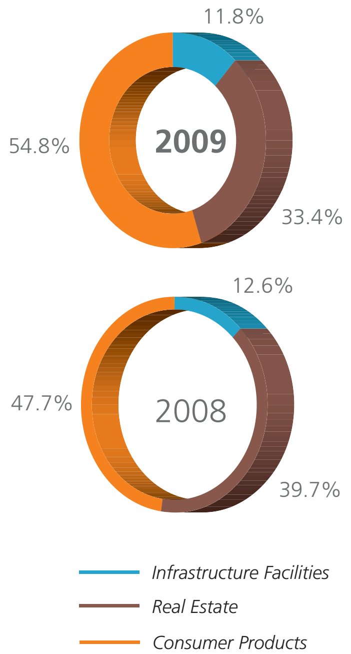
Full details of the operating performances and progress of individual businesses for the year 2009 are contained in the section headed "Business Review, Discussion and Analysis".

3 Revenue

The Group's revenue by principal activities for the year 2009 and prior year comparatives was summarized as follows:

	2009 HK$'000	2008 HK$'000	Change %
Continuing operations			
Infrastructure Facilities	**818,509**	938,802	-12.8
Real Estate	**2,309,087**	2,961,994	-22.0
Consumer Products	**3,790,289**	3,551,309	6.7
	6,917,885	7,452,105	-7.2
Discontinued operations			
Medicine	**5,844,309**	5,280,547	10.7

Overall, the revenue of 2009 was stable comparing with that of 2008. However, excluding sales recorded by discontinued medicine business, sales from continuing operations actually decreased 7.2%, of which revenue of infrastructure facilities business was affected by alteration and expansion works conducted on Hu-Kun Expressway (Shanghai Section). Both traffic flow and toll revenue were lowered, with toll revenue decreased to HK$366.17 million or down 44.3%. The alteration and expansion works of Jing-Hu Expressway (Shanghai Section) were completed in the beginning of the year, and its traffic flow and toll revenue increased 53.2% from HK$313.20 million of previous year to HK$479.77 million. However, such increase cannot compensate the impact of decrease in toll revenue of Hu-Kun Expressway (Shanghai Section), resulting in a 12.8% fall in revenue.



Sales of real estate decreased due to a reduction of saleable area delivered. During the year, The saleable area delivered in Yuxi and Lounge City of Urban Cradle, Changsha Toscana and Kunshan Royal Villa was 22,541 square meters, 23,149 square meters, 28,729 square meters and 18,736 square meters respectively, and a sales of HK$1,956.11 million was recorded, representing a decrease of 25.8% over the sales of HK$2,637.92 million from Yi Town and Yuxi of Urban Cradle, Changsha Toscana and Kunshan Royal Villa in the previous year.

Revenue of consumer products accounted for 54.8% of sales of continuing operations. Revenue growth of consumer products during the year was mainly from Wing Fat Printing. Comparing with the previous year, sales of Wing Fat Printing increased 12.2% to HK$1,994.58 million, of which sales of paper manufacturing business increased 27.4% to HK$1,052.81 million.

Through strengthening marketing and promotion efforts, medicine business achieved a double digit growth in turnover.

4 Profit before Taxation

(1) Gross profit margin

Gross profit margin for the year was 38.6%, representing an increase of approximately 5.8 percentage points comparing to 32.8% of previous year. The rise in gross profit margin was mainly attributable to the adjustment of product mix. The proportion of products with higher margin increased in consumer products business. Sales recorded by real estate business for the year were made in villa and joint-row houses with higher gross margin.

(2) Net investment income

The investment in Shanghai Bay contributed an investment income of approximately HK$408.91 million for the year. The investment market became stable in 2009, there was no downturn in fair value of investments as in the previous year, and a good return was recorded.

(3) Other income

Other income increased as compared with the previous year. It was mainly attributable to a compensation of RMB251.60 million received for the impact on traffic flow caused by the alteration and expansion works of Hu-Kun Expressway (Shanghai Section); RMB70.11 million received for the handling of receivables prior to equity acquisition; subsidies related to alteration and expansion of RMB50.00 million received by Jing-Hu Expressway (Shanghai Section); valuation increases in investment properties of about HK$220.81 million and their rental income; and rental income and land remediation income of RMB36.40 million from toll road business.

(4) Share of results of jointly controlled entities

Due to divestment in water supply and sewage treatment project in Chongqing, increase in volume of sewage treatment and financial subsidies, the result of General Water of China grew significantly. The Group's share of profit was HK$41.82 million.

(5) Share of results of associates

The Group completed the disposal of its shareholding in SMIC in September 2009. However, the Group still has to share its operating loss of approximately HK$255.62 million for the period from January to August, increasing approximately HK$88.33 million from the share of operating loss of HK$167.29 million in the previous year. The operating result of Bright Dairy has recovered from the "melamine" event in the Mainland. The Group's share of operating profit from Bright Dairy before completion of its disposal amounted to HK$43.79 million, improving significantly from a share of operating loss of HK$94.44 million in the previous year.

(6) Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities

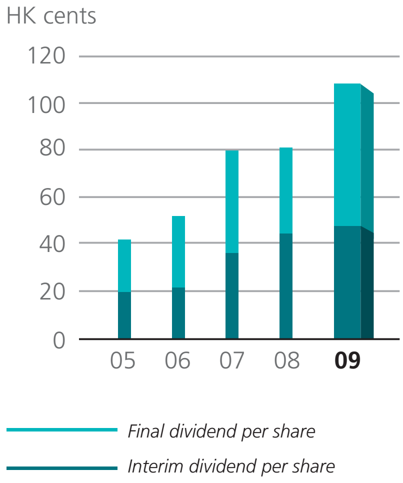
The Group completed the disposal of 35.176% and 21.17% equity interest in Bright Dairy and Lianhua Supermarket during the year, and recorded pre-tax disposal gains of HK$1,210.67 million and HK$484.56 million respectively, which partially offset the disposal loss of HK$714.73 million arising from the disposal of shareholding in SMIC. Comparative figures of 2008 were mainly comprised of pre-tax disposal gains of HK$331.98 million and HK$216.49 million from the disposal of Shanghai Information Investment and Yongjin Expressway respectively.

(7) Discount on acquisition of interests in associates and impairment loss recognised in respect of available-for-sale investments

SMIC was classified as available-for-sale investments in the beginning of the previous year, and impairment loss was provided according to its fair value. Due to the adjustment of our investment strategy, SMIC was reclassified from available-for-sale investments to interests in associates at the end of the previous year, and a discount income on acquisition was recorded basing on the appraised fair value of its assets.

5 Dividends

The Group adopts a stable dividend payout policy. The Board of Directors has proposed to declare a final dividend of HK60 cents per share, together with an interim dividend of HK48 cents per share, the total dividend amounts to HK108 cents per share for the year. The dividend payout ratio was 40.8 % for the year.

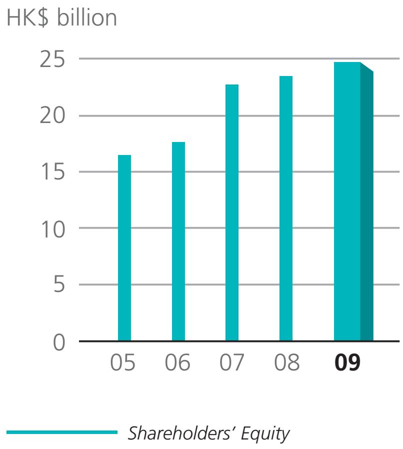


II Financial Position of the Group

1 Capital and Shareholders' Equity

The Group had a total of 1,079,765,000 shares in issue as at 31st December 2009, which was increased by 3,330,000 shares as compared with 1,076,435,000 shares in issue as at the end of 2008. The increase is mainly attributable to the exercise of share options by employees.

The Group maintains a sound financial position. The shareholders' equity, reached HK$24,891.25 million as at 31st December 2009, which was attributable to the net profits and the increase in number of shares in issue for the year after deducting the dividend actually paid during the year.



2 Indebtedness

(1) Borrowings

The Group obtained a three-year term and revolving club loan facilities of a total of HK$4.90 billion in the year through a wholly-owned subsidiary, Novel Good. These facilities will be applied towards financing the general corporate funding requirements of the Group, including without limitation, funding any project acquisition of the Group.

As at 31st December 2009, the total borrowings of the Group amounted to approximately HK$13,655.30 million (31st December 2008: HK$9,660.04 million), of which 68.1% (31st December 2008: 59.7%) was unsecured credit facilities.

(2) Pledge of assets

As at 31st December 2009, the following assets were pledged by the Group in order to secure general credit facilities granted to the Group:

(a) investment properties with a carrying value of approximately HK$2,114,948,000 (31st December 2008: HK$1,898,796,000);

(b) plant and machinery with a carrying value of approximately HK$474,779,000 (31st December 2008: HK$110,309,000);

(c) leasehold land and buildings with a carrying value of approximately HK$211,825,000 (31st December 2008: HK$274,381,000);

(d) trade receivables of approximately HK$11,875,000 (31st December 2008: Nil);

(e) properties under development held for sale with a carrying value of approximately HK$1,611,699,000 (31st December 2008: HK$1,892,262,000);

(f) properties held for sale with a carrying value of approximately HK$37,109,000 (31st December 2008: HK$762,119,000);

(g) a toll road operating right of approximately HK$5,748,849,000 (31st December 2008: HK$5,820,389,000);

(h) inventories with a carrying value of approximately HK$72,592,000 (31st December 2008: HK$38,948,000);

(i) bank deposits with a carrying value of approximately HK$911,828,000 (31st December 2008: HK$800,541,000); and

(j) motor vehicles with a carrying value of approximately HK$90,000 as at 31st December 2008 (31st December 2009: Nil).

(3) Contingent liabilities

As at 31st December 2009, the Group has given guarantees to banks in respect of banking facilities utilized by an entity controlled by Xuhui District State-owned Assets Administrative Committee, a jointly controlled entity, associates and outsiders of approximately HK$1,599.40 million (31st December 2008: HK$1,261.10 million) in total.

3 Capital Commitments

As at 31st December 2009, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK$3,964.08 million (31st December 2008: HK$1,737.97 million). The Group had sufficient internal resources to finance its capital expenditures.

4 Bank Deposits and Short-term Investments

As at 31st December 2009, bank balances and short-term investments held by the Group amounted to HK$10,430.42 million (31st December 2008: HK$9,637.00 million) and HK$158.76 million (31st December 2008: HK$162.72 million) respectively. The proportions of US dollars, Renminbi and HK dollars were 20%, 67% and 13% (31st December 2008: 29%, 67% and 4%) respectively. Short-term investments mainly consisted of investments such as equity linked notes, bonds and PRC listed shares.

While having sufficient working capital and a healthy interest cover, the Group is monitoring the market situation and the funding requirements for business development, will seek opportunities to optimize capital structure should need arise.

III Management Policies for Financial Risk

1 Currency Risk

The Group mainly operates in China and the Hong Kong Special Administrative Region and the exposure in exchange rate risks mainly arises from fluctuations in the US dollar, HK dollar and Renminbi exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. As the HK dollar and Renminbi are both under managed floating systems, the Group, after reviewing its exposure for the time being, did not enter into any derivative contracts aimed at minimizing exchange rate risks during the year. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

2 Interest Rate Risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings respectively. In order to exercise prudent management against interest rate risk, the Group held certain structured interest rate hedging contracts to the notional amount of HK$500 million as at 31 December 2009 to hedge interest rate risk of its syndicated loans. The Group will continue to review the market trend, as well as its business operations needs and its financial position, so as to arrange the most effective interest rate risk management tools.

3 Credit Risk

The Group's principal financial assets are bank balances and cash, equity and debt investments, trade and other receivables. The Group's trade and other receivables presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made according to the Group's accounting policy or where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

With respect to the credit risk of the Group's treasury operations, the Group's bank balances and cash, equity and debt investments must be placed and entered into with financial institutions of good reputation. There are strict requirements and restrictions as to the outstanding amount and credit ratings on equity and debt investments to be held, so as to minimize the Group's credit risk exposure.

4 Equity Price Risk

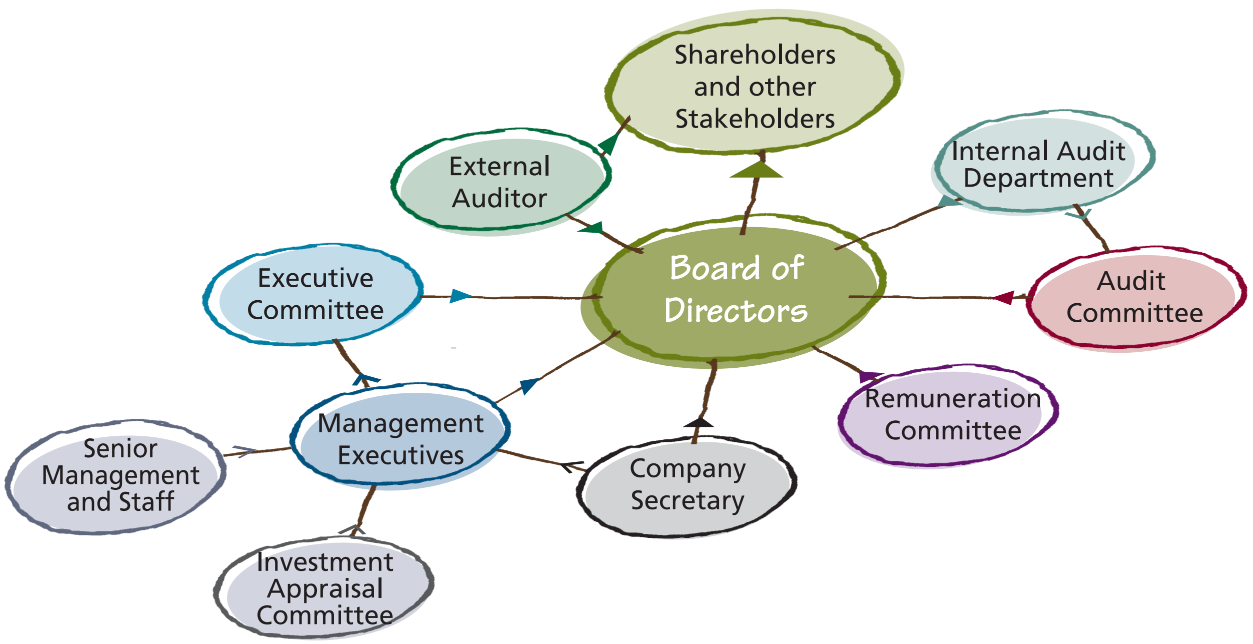
The Group and the Company is exposed to equity price risk through its investment in equity securities classified as either available-for-sale investments or financial assets at fair value through profit or loss. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group and the Company's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange. In addition, management has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Corporate Governance Report

Committed to maintaining and implementing effective corporate governance practices, the Company has continued to enhance its transparency and accountability for its business operations through sound management and effective internal control systems. Stringent controls were extended over its operating and financial risks and strict compliance of its operations were observed. As a result, the Company has been able to create a set of corporate values, enhance investors' confidence and protecting the long term interests of its shareholders.

Corporate Governance Structure

In the course of making decisions for the Company, the Board has always placed considerable importance on the interests of its shareholders' and stakeholders. Through a sound and rational corporate governance structure, authorities were delegated to respective committees for the implementation of corporate governance measures formulated by the Board.



In accordance with the requirements for the Code on Corporate Governance Practices, the Company has during the year conducted an annual review on the effectiveness of its internal control system as well as that of its subsidiaries, in addition to internal audits conducted on all directly owned entities held by the Company. The scope of such reviews covered financial, operational and compliance controls and risk management functions. Professional training on laws and regulations applicable to mainland China and Hong Kong was given to respective corporate staff of its member companies during the year in view of changes on rules and regulations.

In respect of information disclosure, the Group follows a principle of strict compliance on internal guidelines for information dissemination to the public to ensure that disclosures to the market are made in a fair, timely and accurate manner. Through different channels, a broad range of information, including but not limited to, financial reports, operating results and latest business news, is provided to shareholders and investors from time to time.

Compliance with Corporate Governance Practices

During the year ended 31st December 2009, save as disclosed in the section of Re-election of Directors in this report, the Company has applied the principles and complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Details of the principles and practices of governance of the Company and all major work and relevant changes during the year are set out in this report.

Board of Directors

The Board of Directors represents the highest level of authority in the governance structure of the Company. It is responsible for formulating the Company's long term business development strategies and operational direction, monitoring the Group's operations and financial performance, as well as leading and supervising the management to ensure thorough implementation of the Board's resolutions and effective performance of their duties.

Composition of the Board

The Board of Directors of the Company has ten members, of which seven are Executive Directors and three are Independent Non-Executive Directors.

Executive Directors
Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Zhou Jie, Mr. Qian Shi Zheng, Mr. Zhou Jun and Mr. Qian Yi

Independent Non-Executive Directors
Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis

During the year, the following changes were made in the members of the Board:

- Mr. Tang Jun resigned as Executive Director of the Company, and Mr. Zhou Jun was appointed as Executive Director of the Company, both on 15th April 2009.

- Mr. Ding Zhong De retired as Executive Director of the Company, and Mr. Qian Yi was appointed as Executive Director of the Company, both on 11th November 2009.

- Mr. Yao Fang resigned as Executive Director of the Company on 1st January 2010.

The resolutions in relation thereto had been passed by all members of the Board, and relevant announcements were made in accordance with the requirements of the Listing Rules.

The members of the Board comprise experts from various professions who have served in relevant government and judiciary authorities, enterprises or financial institutions in mainland China or Hong Kong. They have extensive experience in corporate and financial administration, economic research and asset management.

No members of the Board are related among themselves in terms of financial, business and family. Brief biographical details of the directors and senior management are set out on pages 51 to 56 of this Annual Report and published in the Company's website. In all corporate communications, the Company had disclosed the composition of the Board according to the categories and responsibilities of the Directors.

Chairman and Chief Executive Officer

Mr. Teng Yi Long and Mr. Cai Yu Tian are the Chairman and the Chief Executive Officer of the Company respectively. The Chairman is mainly responsible for the management of the Board, providing leadership and ensuring that the Board works effectively. The Directors will be properly briefed on issues arising at board meetings and receive adequate information, which are complete and reliable, in a timely manner. The Chief Executive Officer is mainly responsible for the operation and management of the Group's businesses, leading the management executives and members of the management to perform their duties in accordance with the established business strategies and operation directions of the Board. The Company has adopted an Interpretation on the Responsibilities between the Chairman and the Chief Executive Officer for division of responsibilities between the two roles.

Nomination and Appointment of Directors

The nomination of the Directors is principally made by the controlling shareholder of the Company recommending candidates to the Company, and considered by the Board on the basis of the candidates' working experience, profession and academic background, and the time and contribution they are able to devote to the Company. During the year, Mr. Zhou Jun and Mr. Qian Yi were nominated as Executive Director of the Company respectively and the resolution regarding their appointments had been approved by all members of the Board. The Company has provided the information required to newly appointed Directors in respect of their office as well as adequate guidance and advice for the discharge of their responsibilities under the laws and regulations.

Re-election of Directors

According to the provisions of the Code on Corporate Governance Practices, all newly appointed Directors to fill a casual vacancy are subject to election by shareholders at the first general meeting after appointment. Each Director (including those Directors who are appointed with a specific term) is subject to be re-elected by rotation at least once every three years.

At the 2009 annual general meeting held on 5th June 2009, Mr. Teng Yi Long and Mr. Zhou Jun were re-elected in accordance with the Company's articles of association, and Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Ding Zhong De and Mr. Leung Pak To, Francis retired and were re-elected in accordance with the Company's articles of association. Mr. Qian Yi was appointed an Executive Director on 11th November 2009. Although the Company subsequently held an extraordinary general meeting on 16th November 2009, the notice of the meeting was issued before Mr. Qian Yi's appointment. Therefore, Mr. Qian has offered himself for re-election by the shareholders at the general meeting held on 11th January 2010, which is the first general meeting for which notice can be given in respect of his re-election, and was re-elected at the meeting.

At the 2010 annual general meeting to be held on 18th May 2010, Mr. Qian Shi Zheng, Dr. Lo Ka Shui and Prof. Woo Chia-Wei shall retire by rotation in accordance with the articles of association of the Company. All of them, being eligible, have offered themselves for re-election. The biographical details of the Directors to be re-elected at the 2010 annual general meeting are set out in the circular to shareholders regarding proposed general mandates to repurchase shares and to issue shares and re-election of Directors, to be dispatched to shareholders together with this Annual Report, so as to enable the shareholders to make an informed decision on their election.

Term of Directors

According to the Directors' service agreements entered into between the Company and Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Zhou Jie, Mr. Qian Shi Zheng, Mr. Zhou Jun and Mr. Qian Yi (all of whom are Executive Directors) respectively, any party to the agreement may terminate the agreement by giving to the other party prior written notice. In addition, the Company also issued letters of appointment for one Executive Director and three Independent Non-Executive Directors, specifying an appointment term of three years, subject to renewal upon expiry.

None of the Directors has entered into any service agreement with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

As at the date of this report, the years of service and term of appointment for each member of the Board are as follows:

Name of Directors	Executive positions in the Board	Years of service with the Company	Term of appointment
Executive Directors			
Teng Yi Long	Chairman	2 Years	Any party to the agreement may terminate the agreement by giving to the other party six months' prior written notice.
Cai Yu Tian	Vice Chairman and Chief Executive Officer	4.5 Years	Any party to the agreement may terminate the agreement by giving to the other party six months' prior written notice.
Lu Ming Fang	–	8 Years	Until 31st December 2010, subject to renewal upon expiry.
Zhou Jie	Executive Deputy CEO	8 Years	Any party to the agreement may terminate the agreement by giving to the other party six months' prior written notice.
Qian Shi Zheng	Deputy CEO	8 Years	Any party to the agreement may terminate the agreement by giving to the other party six months' prior written notice.
Zhou Jun	Deputy CEO	4.5 Years	Any party to the agreement may terminate the agreement by giving to the other party six months' prior written notice.
Qian Yi	Deputy CEO	9 months	Any party to the agreement may terminate the agreement by giving to the other party six months' prior written notice.
Independent Non-Executive Directors			
Lo Ka Shui	–	14 Years	Until 31st December 2010, subject to renewal upon expiry.
Woo Chia-Wei	–	14 Years	Until 31st December 2010, subject to renewal upon expiry.
Leung Pak To, Francis	–	14 Years	Until 31st December 2010, subject to renewal upon expiry.

Responsibilities of Directors

Each Director shall from time to time have knowledge of his responsibilities as Director of the Company, as well as the operation, business activities and development of the Company. Briefing sessions and training are given to the Directors whenever necessary during their tenure to ensure that they have a good understanding of the operations and business of the Company and are fully aware of their statutory responsibilities under the applicable laws and regulations.

The functions of the Company's Independent Non-Executive Directors include participating in board meetings to bring an independent judgment on issues of strategy, policy, internal control, performance, accountability, resources, key appointments and standards of conduct; taking the lead where potential conflicts of interests arise; scrutinizing the performance of the Company in achieving agreed corporate goals and objectives, and monitoring the reporting of the Company's performance. All Independent Non-Executive Directors are also members of both of the Audit Committee and the Remuneration Committee of the Company. No material commercial transaction has been entered into by them with the Company, its controlling shareholder and their respective subsidiaries, and they have no material interest in the principal operating activities. There was no evidence in any aspect which demonstrated that the guidelines relating to the assessment of the independence of Directors as set out in Rule 3.13 of the Listing Rules were not complied with. Each Independent Non-Executive Director has confirmed his independence according to Rule 3.13 of the Listing Rules for the year.

Maintaining close association with each of the Directors, the Company Secretary is responsible for ensuring that board meeting procedures and all applicable rules and regulations are followed, and offering advice and services to the Board members where necessary. Furthermore, the Company has established the Procedures for Directors to Seek Professional Advice in order to assist the Directors to discharge their duties, and the Directors may seek independent professional advice according to such agreed procedures at the expense of the Company.

The Company also arranged liabilities insurance for the Directors and officers of the Company and its subsidiaries, providing certain protection for the legal liabilities risks they may have involved in the discharge of their duties as well as to the possible legal claims made against the respective companies as a result.

Proceedings at Directors' Meetings

Generally, the schedule for convening regular meetings of the Board (in this section it also refers to the board committees) for the whole year will be proposed to each Director at the end of the previous year. The schedule will be provided to all Directors and committee members after it is fixed so that they could make arrangements for attendance. The Board will convene at least four regular meetings each year. Save for non-regular meetings held, during the year 2009, notices of board meetings and relevant materials were given to each Director 14 days and 3 days before the date of the regular meetings in accordance with the requirements of the Code on Corporate Governance. The management shall also ensure delivery of complete and reliable information to the Board. In order to ensure that sufficient time is given to the Directors to review the documents, the Company Secretary is responsible for sending out the relevant materials for board meetings 3 days before the date of the meeting.

The Company Secretary will confirm with the Directors if any matters are required to be included in the agenda for regular board meetings before sending it out. The Directors are given the contact information of the management or relevant employees, so that the Directors may have direct access to them or make further enquiries for better discharge of their duties as members of the Board.

Minutes of the Board and its committee meetings are kept with the Company Secretary and the matters considered and resolved at the meeting, including any concerns raised by Directors or dissenting views expressed will be recorded. Board meeting documents and related materials are open for inspection at any time by any Director. Drafts and full versions of minutes of meetings will be sent to all Directors/committee members by the Company Secretary for their comments and records respectively within a reasonable period of time after the meeting is held.

If a substantial shareholder or a Director has a material conflict of interest in a matter to be considered by the Board, the matter will not be dealt with by circulation of document and will be catered for at a regular board meeting for all Directors. During the year, when the Board considered transactions involving the controlling shareholder of the Company, full board meetings were convened to discuss and vote on relevant matters and all Independent Non-Executive Directors had attended the meetings. If any resolution of the board meeting involves material interests of any Director or any of his associates, such Director will abstain from voting and will not be counted in the quorum present at the meeting. According to the provisions of the Company's articles of association, a Director holding 5% or more interests in a company is regarded to have material interest in that company.

In 2009, ten board meetings were held by the Company (two of which were in the form of written resolutions), with an attendance rate of 100%. The attendance of individual Directors and committee members in 2009 is set out below:

Meetings held in 2009					
	Meetings attended/Meetings held				
	Board	Executive Committee	Remuneration Committee	Audit Committee	General Meeting
Meetings held in the year	**10**	**11**	**4**	**4**	**4**
Executive Directors					
Teng Yi Long	10/10	11/11	–	–	4/4
Cai Yu Tian	10/10	11/11	–	–	4/4
Lu Ming Fang	10/10	11/11	–	–	4/4
Zhou Jie	10/10	11/11	–	–	4/4
Qian Shi Zheng	10/10	11/11	–	–	4/4
Zhou Jun (Note 1)	8/8	10/10	–	–	1/4
Qian Yi (Note 2)	2/2	–	–	–	1/1
Ding Zhong De (Note 3)	8/8	–	–	–	2/3
Yao Fang (Note 4)	10/10	1/1	–	–	4/4
Tang Jun (Note 5)	2/2	–	–	–	–
Independent Non-Executive Directors					
Lo Ka Shui	10/10	–	4/4	4/4	4/4
Woo Chia-Wei	10/10	–	4/4	4/4	4/4
Leung Pak To, Francis	10/10	–	4/4	4/4	4/4
Committee Members					
Zhang Zhen Bei	–	–	4/4	–	–
Guo Fa Yong (Note 6)	–	–	2/2	–	–
Zhang Jie (Note 6)	–	–	2/2	–	–
Attendance	**100%**	**100%**	**100%**	**100%**	**93%**

Notes:

(1) Mr. Zhou Jun was appointed Executive Director of the Company on 15th April 2009.

(2) Mr. Qian Yi was appointed Executive Director of the Company on 11th November 2009.

(3) Mr. Ding Zhong De retired as Executive Director of the Company on 11th November 2009.

(4) Mr. Yao Fang resigned as Executive Director of the Company on 1st January 2010.

(5) Mr. Tang Jun resigned as Executive Director of the Company on 15th April 2009.

(6) Due to a change in job duties, on 1st September 2009, Mr. Guo Fa Yong has taken over the position of Mr. Zhang Jie in the Company and was appointed a member of the Remuneration Committee.

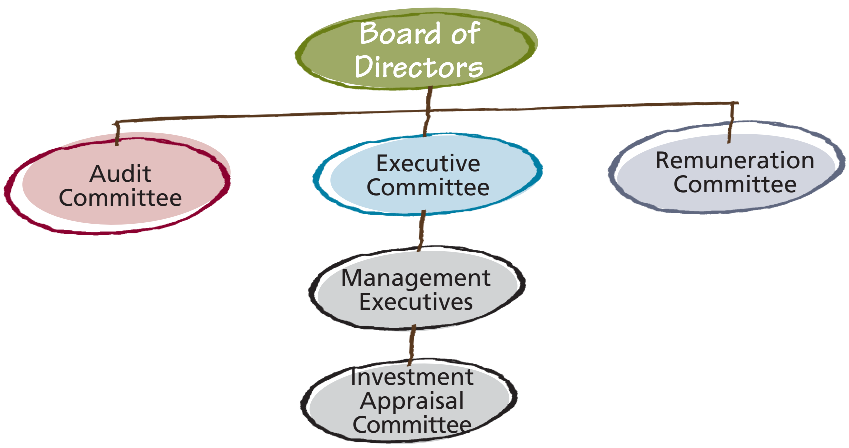
Code for Securities Transactions by Directors

Pursuant to the relevant provisions in the Model Code in Appendix 10 and the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules, the Company has established its own Code for Securities Transactions by Directors or Relevant Employees. The Directors and employees of the Company who, because of his office or employment, are likely to be in possession of any unpublished price sensitive information in relation to the Company or its securities, and any directors or employees (and their associates) of the Company's subsidiaries or parent company must comply with such code in dealing with the securities of the Company. The code of the Company was set on terms no less exacting than the required standards set out in the Model Code. Having made enquiries with all the Directors and relevant employees, it was confirmed that the requirements of the Model Code and the Company's code were fully complied with during the year 2009. The interests of Directors in the securities of the Company and its associated corporations (within the meaning of the SFO), were set out on page 59 of this Annual Report.

During the year, the Company has made corresponding amendments to its existing Code for Securities Transactions by Directors or Relevant Employees in accordance with the newly amended provisions for securities transactions by directors of listed issuers made by the Stock Exchange, and such amendments were considered and passed by the Board.

Delegation by the Board

The Company has established an Executive Committee, an Audit Committee and a Remuneration Committee under the Board. All committees are responsible to the Board, and shall report to the Board on resolutions or advice they made.



The Executive Committee has given clearly defined scope of duties and responsibilities in respect of the authority to the Management Executives in particular on the Company's daily operation and management, investment projects, finance, audit, human resources and management of investment enterprises. The Management Executives are responsible for supervising the daily operations of various functional departments and report to the Executive Committee/Board. The Board will, in accordance with practical needs, review the delegation of authority where appropriate, to ensure a highly effective and clearly authorized management system.

Executive Committee

Established in 1996, the Executive Committee is a decision-making administrative body under the Board, with the primary responsibility of taking charge of the Company's day-to-day business, to ensure proper execution of the resolutions approved by the Board and at the general meetings, to review major business activities and investments and to report to the Board.

As of the date of this report, all members of the Executive Committee are Executive Directors, namely Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Zhou Jie, Mr. Qian Shi Zheng and Mr. Zhou Jun. Mr. Teng Yi Long is the Chairman of the committee. Due to a change in job duties, Mr. Yao Fang ceased to be a member of the committee on 15th April 2009, and Mr. Zhou Jun was appointed to the committee on the same day.

Major Work Done by the Executive Committee

During 2009, the Executive Committee held 11 meetings in the form of written resolutions to consider major business activities, acquisitions and disposals carried out by the Company during the year.

Management Executives

The implementation of the decisions of the Executive Committee is delegated to the Management Executives and the functional departments. As of the date of this report, members of the Management Executives are Mr. Cai Yu Tian, Mr. Zhou Jie, Mr. Qian Shi Zheng, Mr. Zhou Jun, Mr. Zhang Zhen Bei, Mr. Ni Jian Da and Mr. Qian Yi. The functional departments of the Company include Administration and Human Resources, Company Secretarial, Corporate Communications, Finance, Information Technology, Internal Audit, Legal, Investment Operations and Shanghai Regional Head Office.

Investment Appraisal Committee

The Company has established an Investment Appraisal Committee to appraise its investment projects from different perspectives with professional competence and views given by various functional departments based on the Company's overall business investment strategies. After thorough analysis and discussion of key project elements, such as industry background, organizational structure, business development plans, return on investment, financial risk and legal risk issues, the committee will form independent professional advice and submit recommendations and reports to the Management Executives. Such appraisals will then be submitted to the Executive Committee for approval according to procedures regarding corporate investment decision-making processes. The Investment Appraisal Committee is mainly comprised of functional departments at the Hong Kong headquarters. Current members of the committee are: the Head of the Investment Operations Department, the Chief Legal and Compliance Officer cum Company Secretary and the Chief Financial Officer. During the year, the Investment Appraisal Committee conducted appraisals on 11 projects.

Remuneration Committee

The Remuneration Committee, established in 2004, is mainly responsible for reviewing the remuneration policy and structure of the Company as a whole and supervises the effective implementation of such policies. The committee also makes recommendations to the Board on the establishment of a formal and transparent procedure for setting remuneration policy and structure in regard to the Directors and senior management. The terms of reference for the Company's Remuneration Committee are published in the Company's website.

As at the date of this report, the Remuneration Committee consists of three Independent Non-Executive Directors, namely Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis and representatives from the management, namely Mr. Zhang Zhen Bei and Mr. Guo Fa Yong. Dr. Lo Ka Shui is the Chairman of the committee, while the Company Secretary acts as the Committee Secretary. During the year, due to a change in job duties, Mr. Zhang Jie ceased to be a member of the committee, and Mr. Guo Fa Yong was appointed to the committee.

Major Work Done by the Remuneration Committee

In 2009, the Remuneration Committee held four meetings, one of which was in the form of written resolutions, with a100% attendance rate. Matters considered included distribution and payment of discretionary bonuses to the Directors, adjustment of remuneration to Directors as well as senior management and service agreement of Directors.

According to the Company's performance appraisal policies, the salaries of the employees will be reviewed annually, taking into account the Company's performance, the individual performance of the staff and industry average to ensure a reasonable and competitive compensation package for its employees. To motivate performance, share options were also granted to employees at assistant manager and above levels as well as to Directors.

Determination of Directors' Remuneration

The remuneration of the Directors was determined with reference to the operating results of the Company, industry benchmark and Directors' job responsibilities. Apart from basic salaries, the Directors are entitled to discretionary bonuses subject to the operating results of the Group, prevailing market conditions as well as the performance of the respective Directors. In determining such remuneration packages, the Remuneration Committee will, if necessary, consult the Chairman and/or the Chief Executive Officer, or seek advice from professional consultants. For the year ended 31st December 2009, the remuneration of each Director was as follows:

Name of Director	Director's fee and committee remuneration (HK$'000)	Basic salaries and allowance (HK$'000)	Bonus (HK$'000)	Retirement benefits scheme contributions (HK$'000)	Total (HK$'000)
Executive Director					
Teng Yi Long	–	3,103	2,000	174	5,277
Cai Yu Tian	–	2,251	1,900	132	4,283
Lu Ming Fang	200	524	–	125	849
Zhou Jie	–	1,847	900	110	2,857
Qian Shi Zheng	–	1,797	800	106	2,703
Zhou Jun (Note 1)	–	1,277	569	61	1,907
Qian Yi (Note 2)	–	249	111	5	365
Ding Zhong De (Note 3)	–	1,577	689	106	2,372
Yao Fang (Note 4)	200	–	–	–	200
Tang Jun (Note 5)	58	–	–	–	58
Independent Non-Executive Director					
Lo Ka Shui	374	–	–	–	374
Woo Chia-Wei	360	–	–	–	360
Leung Pak To, Francis	360	–	–	–	360
	1,552	**12,625**	**6,969**	**819**	**21,965**

Notes:

(1) Mr. Zhou Jun was appointed Executive Director of the Company on 15th April 2009.

(2) Mr. Qian Yi was appointed Executive Director of the Company on 11th November 2009.

(3) Mr. Ding Zhong De retired as Executive Director of the Company on 11th November 2009.

(4) Mr. Yao Fang resigned as Executive Director of the Company on 1st January 2010.

(5) Mr. Tang Jun resigned as Executive Director of the Company on 15th April 2009.

Audit Committee

The Audit Committee is a standing committee under the Board and plays a vital role in corporate governance. Established in 1998, the committee is mainly responsible for reviewing accounting policies and practices adopted by the Group. It also discusses matters relating to financial reporting as well as internal control and risk management and makes recommendations to the Board accordingly.

As at the date of this report, the members of the Audit Committee include three Independent Non-Executive Directors, namely Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis. Dr. Lo Ka Shui is the Chairman of the committee while the Company Secretary acts as Committee Secretary.

During the year, the terms of reference of the Audit Committee were amended in accordance with the newly amended provisions for audit committees under the Code on Corporate Governance Practices made by the Stock Exchange. Such amendments were considered and passed by the Board in the form of written resolutions. The amended terms of reference are published in the Company's website.

Major Work Done by the Audit Committee

During 2009, the Audit Committee held four meetings, one of which was in the form of written resolutions, with a 100% attendance rate. Matters considered at the meetings included review of the Group's results, audit plans of external auditor and fees, audit work and non-audit projects and fees and review of the Company's financial control, internal control, risk management system and internal audit matters. During the year, one meeting was held in the absence of Executive Directors for the Audit Committee to meet with the auditor.

The management shall ensure the completeness and reliability of the information provided to the Audit Committee, so as to allow the committee to effectively perform its duties. The Audit Committee may, if necessary, seek professional advice in accordance with the Procedures for Directors to Seek Professional Advice of the Company at the expense of the Company.

Appointment of External Auditor

In considering the re-appointment of external auditor, the Audit Committee has taken into consideration its relationship with the Company and its independence in the provision of non-audit services. The external auditor has adopted internal policies and procedures for maintaining independence, including but not limited to regular rotation of audit partners and staff. Based on the results of the review and after taking into account the opinion of the management, the Audit Committee recommended the Board to re-appoint Deloitte Touche Tohmatsu as the external auditor of the Company for 2010, subject to approval by the shareholders at the annual general meeting to be held on 18th May 2010. There has never been any former partner of the firm then auditing the accounts of the Company acting as a member of the Company's Audit Committee.

The Company has also established Policies on Provision of Non-audit Services by External Auditor, and reported to the Audit Committee each year on non-audit services provided by the auditor to the Group. The audit fee for the external auditor for 2009 was HK$8,650,000. During the year, non-audit services provided to the Group by the Company's external auditor (including their affiliates) and the relevant fees were as follows:

Non-audit services	2009 (HK$)	2008 (HK$)
Financial due diligence for project acquisitions	**1,245,000**	150,000
Reporting accountant's fees	**–**	1,919,000
Taxation advisory fee	**266,000**	336,000
Others	**36,000**	26,000
	1,547,000	2,431,000

Preparation of Financial Statements

The financial statements and interim report of the Company for 2009 were prepared in accordance with disclosure requirements set forth in Appendix 16 to the Listing Rules, Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants. The Board is responsible for preparing and reviewing the Group's accounts to ensure that they give a true and fair view on the financial position as well as the profits and cash flows of the Company. The Board's responsibility to present a balanced, clear and understandable assessment in all shareholders' communications has extended to the results and conditions of the Group, price-sensitive information and other information required to be disclosed under statutory requirements.

During the year, the management has provided the Board with sufficient data to review the Company's accounts, enabling it to make an informed assessment of the financial and other information put forth for approval. The Company has consistently applied applicable accounting policies, and has made prudent and reasonable judgments and estimates, and prepared its accounts on a going concern basis. The external auditor stated in the independent auditor's report its reporting responsibilities on the relevant financial statements, and such report is set out on pages 65 to 66 of this Annual Report.

Internal Control

The Board is responsible for ensuring that the internal control system of the Group is sound, proper and effective so as to safeguard the assets of the Company and the investments of the shareholders. The Board also endeavors to maintain sound risk management and internal control systems for the purpose of providing early warning on risks exposed in business operations and financial management. The rationale behind operations decisions and resources allocation will also be closely monitored. This will allow consistent and effective implementation of the systems and a clear delegation of authority and responsibilities within the structure, ensuring the successful achievement of pre-determined objectives. During the year, internal rules and regulations were revised and updated.

An Internal Audit Department has been established for monitoring the internal control system of the Group (including all its major subsidiaries and jointly-controlled entities) to ensure prudent and effective operation of the respective companies. The audit covers financial controls, business operations, legal compliance and risk management. These areas will be constantly reviewed, assessed and followed up, and respective reports will be made to the Audit Committee and the Board on a quarterly basis. The internal audit system is currently conducted in a cycle of three years. Internal audits will be conducted for every major entity under the Group for the purpose of risk assessment according to the significance of the respective projects. All these entities are assigned with designated officers for giving their feedback on the audits made by the Internal Audit Department.

For the year ended 31st December 2009, the Company has collected information and carried out investigation in respect of internal control issues for its subsidiaries. No material deviation in the compliance with guidance on internal controls by the subsidiaries was reported. These subsidiaries have complied with relevant laws and industry regulations in respect of internal control for compliance, and no material non-compliance of rules or material litigation risks was reported. In addition, the Board and the Audit Committee considered the resources allocated, staff qualification and experience in respect of the accounting and financial reporting functions of the Company as well as training programs and budget were adequate and sufficient.

Shareholders

Information for Shareholders and Investors

As at 31st December 2009, SIIC, the controlling shareholder of the Company, held 551,859,371 shares (excluding interests in underlying shares and short positions) of the Company. The percentage of shareholding was 51.11% (excluding underlying shares), and the percentage of public shareholding was 48.89%. In accordance with the SFO, shares held by substantial shareholders of the Company and their respective associates in the Company and its associated corporations are set forth in the Directors' Report section of this Annual Report.

At the annual general meetings, the Directors will communicate directly with the shareholders and address questions raised by them. The annual general meeting for 2009 was attended by the Chairman and chairman of the board committees and questions raised by the shareholders were addressed. The Company has from time to time received valuable opinions from the shareholders and investors by way of e-mails, telephone and in writing and such opinions were respectively addressed.

Information Disclosures

To maintain the transparency of the Company, timely information on the development of the Group's business is disseminated through a wide range of channels, including annual and interim reports and results, circulars to shareholders, and results highlights published in Chinese and English newspapers. The latest business development of the Group is also made public through press conferences and press releases as well as on the website of the Company. The Company's website also provides access to the websites of the major entities under the Group. In addition, the senior management of the Company meets regularly with analysts and institutional investors to exchange views on the published business information of the Company. The Company Secretary or senior management in charge of the Company's investor relations is responsible for giving replies to enquiries and suggestions from shareholders, investors, media and the public. To enhance investor relations and facilitate communication, a specific e-mail address *enquiry@sihl.com.hk* was established by the Company.

Investor Relations

In 2009, the Company started in full swing a strategic transformation plan. Effective communication with investors and shareholders became critically important as a series of asset restructuring and merger and acquisition activities took place during the year against the backdrop of a continued volatile market. To help major shareholders, institutional investors and securities analysts better understand the Company's latest development, the management took an active part in investor events during the year, making extensive contacts with the different parties. The scale of investor relations activities organized (including one-on-one meetings, luncheons, telephone conferences and overseas road shows) and the intensity of investment conferences participated by the Company (including activities held in London, Singapore, Beijing, Shanghai, Changsha and Hong Kong) were unprecedented in recent years. The management had spoken to more than 600 institutional investors about the latest development strategies and future development prospects of the Company. All these have fostered good investor relations.

Proceeding at Shareholders' Meetings

In 2009, apart from the 2009 annual general meeting held on 5th June 2009, the Company convened extraordinary general meetings in respect of the following transactions made with the Company's controlling shareholder pursuant to Listing Rules:

- *On 31st August 2009*
  Connected transaction related to the disposal of interests in SMIC

- *On 16th September 2009*
  Connected transaction related to the acquisition of land lots D & E in Qingpu District, Shanghai

- *On 16th November 2009*
  Major and connected transactions related to the participation in restructuring of pharmaceutical assets

During the year, notices for general meetings were set out in the related circulars to shareholders, which were dispatched to shareholders at least 20 clear business days or 10 clear business days before the date of the annual general meeting or extraordinary general meetings respectively in accordance with requirements. The Chairman and chairman of the board committees attended the above meetings to answer questions raised by the attending shareholders. Pursuant to the provisions of the Listing Rules, all voting at general meetings were conducted by way of poll, and the Chairman had provided the detail procedures for conducting a poll and answered all questions raised regarding voting at the commencement of the general meetings. Separate resolutions were proposed at the meetings on each separate issue. Tricor Secretaries Limited, the share registrar of the Company, was appointed as the scrutineer for the meetings and was responsible for the arrangement of the voting procedures. The Company announced the poll results in the evening of the same day and uploaded the same on the website of the Company and the HKExnews website of the Stock Exchange for perusal by the shareholders.

Trading Platform of the Company's Shares

The Company maintains trading platforms in both the Hong Kong and New York stock markets. Investors can trade ADR Level 1 shares set up by the Company in the over-the-counter market in the US. Each ADR represents 10 ordinary shares of the Company. The Bank of New York Mellon is the depositary of the Company's ADR. Investors in Hong Kong can obtain ADR quotes for each trading day of the Company's shares through the media. The Company is a constituent stock of the MSCI China Free Index and HSCI Index.

Human Resources

Remuneration and Benefits Policies

Through its performance appraisal mechanism, the Company carries out annual reviews in accordance with its business performance, individual staff performance and industry average, in order to provide a reasonable and competitive compensation package for its employees.

Staff (including Directors) salaries, allowances and bonuses totaled HK$989 million for the year (2008: HK$938 million). In order to ensure effective recruitment and successful retention of talents, the Company offers, in addition to salaries, allowances and bonuses, a compensation package to its staff that includes cash allowances, medical and personal accident insurance. The Company operates a defined contribution pension scheme for its qualified employees. Furthermore, in compliance with the Mandatory Provident Fund Schemes Ordinance, all employees are required to participate in the mandatory provident fund scheme. The assets of the two schemes are administered separately by independent custodian in accordance with relevant laws and regulations.

Share Options

The Group grants share options as incentives to Directors, employees and other eligible persons for their contribution the Group. Pursuant to the SIHL Scheme adopted by the Company on 31st May 2002, the Company has granted share options in three batches and a total of 42,250,000 options have been granted. As at the date of this report, the exercisable period of the first batch of share options was expired, and the second and third batches of share options were also expired and lapsed on 2nd March 2009 and 2nd November 2009 respectively. For the year ended 31st December 2009, 3,330,000 share options were exercised, while 553,000 share options were unexercised and lapsed.

In the year 2009, the weighted average closing price of the Company's shares immediately before the respective dates on which the share options were exercised is HK$27.05 (2008: HK$28.77). Total consideration received for shares issued upon exercise of share options under the SIHL Scheme was approximately HK$54,004,000 (2008: HK$80,422,000).

In addition, the Company adopted the Mergen Biotech Scheme on 28th May 2004. The first batch of share options for 63,400 Mergen Biotech shares was granted in December 2004, of which share options for 8,300 Mergen Biotech shares were lapsed during the year. Mergen Biotech is a subsidiary in which the Company indirectly owned a 70.41% interest during the year, the major assets of which is a 100% stake in Sunway Biotech. Sunway Biotech is principally engaged in the development and production of anti-cancer drugs. The primary purpose for Mergen Biotech to adopt the share option scheme was to offer relevant employees the opportunity to acquire a stake in Mergen Biotech, encouraging them to perform their work with the aim to appreciate Mergen Biotech's value. For the year ended 31st December 2009, no Mergen Biotech share options have been granted or exercised. In February 2010, the Company completed the disposal of its entire shareholdings in Mergen Biotech, and Mergen Biotech is no longer a subsidiary of the Company.

Details of the SIHL Schemes and Mergen Biotech Scheme are set out in note 37 to the financial statements.

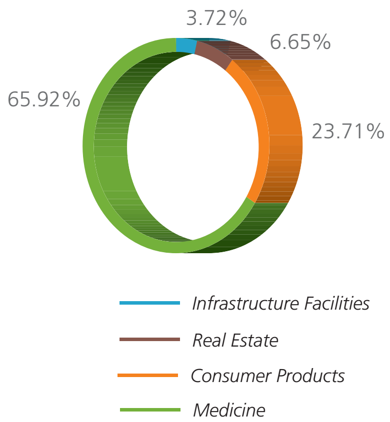
Human Resources

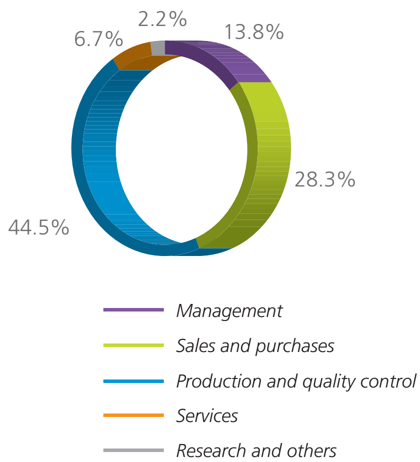
The Group has an outstanding team of employees who have complied with various working rules, codes, principles and moral standards established by the Company. The continued and due diligence efforts of the employees taking up respective responsibilities are the key driving forces behind the sustainable growth of the Group.

As at 31st December 2009, the Group had a total of 15,141 employees, representing an increase of 1.7% over the previous year, mainly due to increases in the number of subsidiaries. Of all the employees, 96% were stationed in mainland China (2008: 96%) and the remaining 4% (2008: 4%) were Hong Kong employees. The ratio of male to female staff was 55:45 (2008: 57:43). Below is the employee profile on age, length of service and academic qualifications:

	2009	2008
Average age	**34**	36
Average years of service	**9**	9
% of employees holding a university degree or above	**21%**	23%

The distributions of employees according to business sector or work nature were as follows:





With a strong commitment to staff training, the Company has during the year offered various training programs to its staff, covering financial and tax management, position qualification of finance personnel, internal control, interpretations of laws and regulations, training for new staff, fire safety, industrial safety, training and assessment for marketing personnel, GMP training and held competition on quality and safety knowledge. Subsidies were given to staff at various levels to enroll in appropriate courses through the sponsorship scheme for further studies established by the Company, so as to encourage employees at head office to continue their education, adding value both for themselves and for the Company.

Corporate Social Responsibilities

Apart from being an issue of concern in today's society, corporate social responsibility is also an important part of the Group's corporate strategy.

Environmental Protection

With rising concern for a global energy crisis and a deteriorating environment, energy saving, emission reduction and environmental protection are issues which we must have to act on. For years, the Company's headquarters and subsidiaries of the Group have complied with relevant environmental protection laws and regulations and passed various environmental audits. Currently, certified eco-friendly paper is used in the preparation of the Company's documents such as annual and interim reports and circulars to shareholders. The Company is committed to reducing the use of paper and implementing paperless initiatives in order to reduce reckless consumption of environmental resources.

During the year, a number of subsidiaries of the Company have allocated respective resources for the improvement of environmental protection facilities as well as for the recycling of waste and the maintenance of a quality green environment. The "three synchronous requirement" (i.e. in the course of planning, construction works and production synchronously) of installing environmental protection facilities was strictly complied with, pursuant to the state's environmental laws and regulations. The new production facilities for modern Chinese herbal medicine of Xiamen TCM has passed environmental audit for project completion. Within the area of such facilities, rain and sewage water drainages are separated, and primary treatment for sewage and water reuse are implemented. Xiamen TCM was honored as a Water Saving Enterprise for its dedicated efforts on energy saving and emission reduction. Hangzhou Qingchunbao was honored as a Green Enterprise of Zhejiang and Model Enterprise in Environmental Protection, having passed the hygiene production examination and ISO14001 environmental management system certification. Wing Fat Printing initiated recycling of waste and extended controls over toxic gas emission from chemicals as well as the quantity of chemicals used. Zhejiang Rongfeng Paper has built up a link with the local environmental bureau for accepting online monitoring of its emission. A tail gas absorption tower was installed at the production plant of Sichuan Kemei Paper to facilitate anti-pollution treatment for gases produced from its printing processes. An anti-noise screen was built by Luqiao Development to minimize disturbance to residents residing close to the expressway.

Social Welfare

Having built up their wealth from the society, enterprises are expected to reciprocate and make respective efforts to promote social welfare in order to create a harmonized society. Apart from taking part in a wide range of social charity activities, many member companies of the Group have also rendered their support to the A Day for Charity Donation event initiated by the parent company to help the poor and to keep them warm, making donations to them prior to the Chinese New Year festival. A group of caring teachers comprising staff from Shanghai Urban Development visited the company's subsidized primary school regularly on a voluntary basis, bringing with them daily necessities as well as their care and concern for the students. The company was honoured as the Model Unit of Shanghai during the year. Xiamen TCM was awarded the Fujian Province Red Cross Humanitarian Bronze Medal in recognition of its enthusiasm in making charitable donations for the disadvantages. Guangdong Techpool has established the Techpool Integrity Scholarship to give encouragement and recognition to students with excellent academic performance and conduct. Liaoning Herbapex was awarded the honor of Model Unit and Advanced Entity in Earthquake Relief in recognition of its outstanding performance in the 5.12 earthquake relief work in 2008. In addition, the company's contributions to charity have been compiled into the Charity Activities Abstract of Benxi City.

The Group will continue its focus on environmental protection and take an active role in charity and welfare activities for the well being of the society.

By Order of the Board
Leung Lin Cheong
Company Secretary

Hong Kong, 31st March 2010

Directors' and Senior Management Profiles

Back Row: Shu Chang; Qian Yi, Zhang Zhen Bei; Qian Shi Zheng; Lu Ming Fang; Zhou Jie; Zhou Jun; Ni Jian Da; Yang Jian Wei
Front Row: Leung Pak To, Francis; Lo Ka Shui; Teng Yi Long (Chairman); Cai Yu Tian (Vice Chairman & CEO); Woo Chia-Wei

Directors

Executive Directors

Mr. TENG Yi Long ***Executive Director, Chairman***
(Appointed on 30th May 2008 ~ Present)

Mr Teng, aged 62, is the chairman of Shanghai Industrial Investment (Holdings) Co. Ltd. He graduated from Shanghai Jiaotong University majoring in industrial engineering management and East China University of Politics and Law majoring in civil and commercial law. He held top management position in Sichuan Diesel Engine Factory and was the Deputy Director of Sichuan Sixth Machinery Industrial Bureau under the Sixth Machinery Industrial Ministry. Also he held top management position in Shanghai Jiangnan Shipyard and was the chairman of Shanghai Municipal Federation of Trade Unions, a vice chairman of All China Federation of Trade Unions and the President of the Shanghai High People's Court. He has over 20 years of experience in the management of large enterprises and has over ten years of judicial experience. He has extensive experience in economics, legal matters, enterprise management and shipbuilding, and in organizing and implementing key technological R&D projects. Mr. Teng is currently a member of the National Committee of the Chinese People's Political Consultative Conference and the Consultative Committee of the Supreme People's Court of the PRC, an adjunct professor of East China University of Political Science and Law and Shanghai University of Engineering Science, an honorary researcher of Shanghai Academy of Social Sciences, the vice chairman of Commercial Aircraft Corporation of China, Ltd. and an honorary president of The Hong Kong Chinese Enterprises Association.

Mr. CAI Yu Tian ***Executive Director, Vice Chairman, Chief Executive Officer***
(Appointed on 19th December 2005 ~ Present)

Mr. Cai, aged 60, is an executive director and the president of Shanghai Industrial Investment (Holdings) Co. Ltd. Concurrently he is the chairman of Shanghai Urban Development (Holdings) Co. Ltd., Shanghai SIIC South Pacific Hotel Co. Ltd., General Water of China Co. Ltd. and a director of certain other subsidiaries of the Group. Mr. Cai obtained a master's degree from East China Normal University with major in world economics, and was a research associate. Mr. Cai had been the chief executive officer of Zhong Hua Enterprises Co. During the period from September 1987 to November 2005, he had been the Deputy Director and the Director of the Shanghai Municipal Housing Administration Bureau, the Director of the Shanghai Municipal Housing and Land Administration Bureau and the Director of the Shanghai Municipal Housing, Land and Resources Administration Bureau respectively. Mr. Cai has more than 20 years' experience in real estate, economic and administrative management.

Mr. LU Ming Fang ***Executive Director***
(Appointed on 5th January 2002 ~ Present)

Mr. Lu, aged 53, is an executive director of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC") and a director of certain other subsidiaries of the Group. He graduated from Fudan University with a master's degree in economics and The Chinese University of Hong Kong with a master's degree in professional accountancy, and is designated a senior economist. Mr. Lu joined SIIC in July 1995. He is the chairman of Shanghai Pharmaceutical (Group) Co. Ltd. and Shanghai Pharmaceutical Co., Ltd. and was the Chief Executive Officer of the Company, deputy general manager of the assets management department of SIIC, a director and executive deputy general manager of Shanghai S.I. Capital Co. Ltd., director and general manager of Shanghai Industrial United Holdings Co. Ltd., general manager of the finance and planning department, assistant president and vice president of SIIC. He has over 20 years' management experience, including over 10 years' working experience in investment banking and listed companies.

Mr. ZHOU Jie ***Executive Director, Executive Deputy CEO***
(Appointed on 5th January 2002 ~ 18th January 2004
Re-appointed on 19th November 2007 ~ Present)

Mr. Zhou, aged 42, is an executive director and the executive vice president of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC") and a director of The Wing Fat Printing Co. Ltd. and certain other subsidiaries of the Group. Mr. Zhou graduated from Shanghai Jiao Tong University with a master's degree in management science and engineering. He is a non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co. Ltd. and Semiconductor Manufacturing International Corporation, and the chairman of the supervisory committee of Shanghai Pharmaceutical Co., Ltd. He was the deputy general manager of the investment banking head office of Shanghai Wanquo Holdings Ltd. (now Shenyin & Wanguo Securities Co. Ltd.). He joined SIIC in May 1996 and had held the positions of the chairman and general manager of Shanghai S.I. Capital Co. Ltd. He has over 10 years' experience in investment banking and capital markets operation.

Mr. QIAN Shi Zheng ***Executive Director, Deputy CEO***
(Appointed on 5th January 2002 ~ Present)

Mr. Qian, aged 57, is a vice president of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC") and a director of Shanghai Urban Development (Holdings) Co. Ltd and certain other subsidiaries of the Group. He graduated from Fudan University with a master's degree in economics and a doctorate degree in management and had taught at Fudan University. He joined SIIC in January 1998, and served as chief accountant and the general manager of the internal audit department. Currently, he is the vice chairman of Haitong Securities Co. Ltd. and an independent non-executive director of Lonking Holdings Limited. He has over 20 years' experience in theory and practice of finance and accounting.

Mr. ZHOU Jun ***Executive Director, Deputy CEO***
(Appointed on 15th April 2009 ~ Present)

Mr. Zhou, aged 41, is the chairman of Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd., Shanghai Luqiao Development Co. Ltd. and a director of Shanghai Urban Development (Holdings) Co. Ltd., General Water of China Co. Ltd and certain other subsidiaries of the Group. He graduated from Nanjing University and Fudan University with a bachelor's and a master's degree in economics (international finance), and is designated an economist. He was appointed a Deputy CEO of the Company in December 2005 and currently is a vice president of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC"), the chairman of Shanghai Shen-Yu Development Co., Ltd. and Shanghai Galaxy Investment Co. Ltd. ("Shanghai Galaxy"), and is a member of the Shanghai Municipal People's Congress. He worked for Guotai Securities Co. Ltd. (now Guotai Junan Securities Co.) before joining SIIC in April 1996. The management positions he had held within the SIIC group of companies were deputy general manager of SIIC Real Estate Holdings (Shanghai) Co. Ltd., deputy general manager of Shanghai United Industrial Co. Ltd., director and general manager of Shanghai Galaxy and general manager of the strategic investment department of SIIC. Mr. Zhou has more than 10 years' professional experience in securities, finance, real estate and project planning.

Mr. QIAN Yi ***Executive Director, Deputy CEO***
(Appointed on 11th November 2009 ~ Present)

Mr. Qian, aged 56, is the chairman and the general manager of Nanyang Brothers Tobacco Co. Ltd., the chairman of The Wing Fat Printing Co. Ltd. and a director of certain other subsidiaries of the Group. He graduated from Fudan University with a bachelor's degree in enterprise management and obtained a master's degree in business administration from East China Normal University. He holds the designation of senior economist. Mr. Qian was appointed a Deputy CEO of the Company in July 2009. He served as the vice chairman and executive president of Shanghai Sunway Biotech Co. Ltd., deputy head of Shanghai Boiler Works Ltd., deputy chief economist of Shanghai Electric (Group) Corp. and the head of Shanghai Heavy Machinery Plant. He has extensive experience in enterprise management.

Independent Non-Executive Directors

Dr. LO Ka Shui ***Independent Non-Executive Director***
(Appointed on 15th March 1996 ~ Present)

Dr. Lo, aged 63, is the Chairman and Managing Director of Great Eagle Holdings Limited and the Non-executive Director and Chairman of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust). He is a Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited and an Independent Non-executive Director of Phoenix Satellite Television Holdings Limited, China Mobile Limited and some other publicly listed companies in Hong Kong. He is also a Vice President of The Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, a Board Member of the Hong Kong Airport Authority and the Chairman of The Chamber of Hong Kong Listed Companies. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has more than 30 years' experience in property and hotel development and investment both in Hong Kong and overseas.

Prof. WOO Chia-Wei ***Independent Non-Executive Director***
(Appointed on 15th March 1996 ~ Present)

Prof. Woo, aged 72, is currently Senior Advisor of Shui On Holdings Limited and President Emeritus of the Hong Kong University of Science and Technology. In addition, Prof. Woo is an independent non-executive director of First Shanghai Investments Limited and Lenovo Group Limited (both listed on the Hong Kong Stock Exchange).

Mr. LEUNG Pak To, Francis ***Independent Non-Executive Director***
(Appointed on 15th March 1996 ~ Present)

Mr. Leung, aged 55, has over 30 years of experience in corporate finance involving in capital raisings, mergers and acquisitions, corporate restructuring and reorganisation, investments and other general corporate finance advisory activities in Hong Kong and China. In 1980, he graduated with a master's degree in business administration from University of Toronto, Canada.

Senior Management

Mr. ZHANG Zhen Bei
Mr. Zhang, aged 55, was appointed a Deputy CEO of the Company in November 2007. He is also an assistant president, the general manager of the human resources department of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC"). Being a graduate of Shanghai University, Mr. Zhang also has a master's degree in business administration and holds the designation of international business engineer (Economist). Mr. Zhang joined SIIC in 1992, and had held the positions of the personnel director and vice president of Shanghai Overseas Company, and vice president of Shanghai International Holding Corp. GMBH (Europe). He had also been appointed as section officer and deputy personnel director of Shanghai Foreign Economic Relations & Trade Commission. Mr. Zhang has more than 20 years' experience in international business and human resources management.

Mr. NI Jian Da

Mr. Ni, aged 47, was appointed a Deputy CEO of the Company in March 2008. He is also a director and president of Shanghai Urban Development (Holdings) Co. Ltd. ("Shanghai Urban Development"). He graduated from Shanghai University and La Trobe University of Australia with a master's degree in business administration. Mr. Ni was the general manager of Shanghai Xuhui Real Estate Management Co. Ltd., a deputy general manager of Shanghai Urban Development and the general manager of the real estate department of China Huayuan Group Ltd., and has more than 20 years' professional experience in real estate, economic and management. Mr. Ni was elected member of the Shanghai Municipal People's Congress in 2003, and received the honors as one of the 25 Chinese Entrepreneurs with Most Reforming Ideas, among the Top Ten Persons of the Year elected by the 2006 China International Real Estate and Archi-tech Fair, one of the 2007 Boao Forum-Most Influential Persons in China's Real Estate Industry in 20 Years and one of the Top Ten Entrepreneurs in the Shanghai Real Estate Sector in 18 Years in 2005. He was a vice chairman of Shanghai Youth Federation and is currently the chairman of Shanghai Young Entrepreneurs Association and a vice chairman of Shanghai Real Estate Association.

Mr. YANG Jian Wei

Mr. Yang, aged 38, was appointed an Assistant CEO of the Company in October 2009. He graduated from Huazhong University of Science and Technology and Shanghai Jiao Tong University with a bachelor's degree in engineering, a master's degree in management engineering and a doctorate degree in management, and is designated an economist. He worked for Shanghai Zhongjin Futures & Brokerage Co. Ltd. under China National Nonferrous Materials Co. Ltd. and the investment banking division (Shanghai) of Hong Yuan Securities Co., Ltd. Mr. Yang joined SIIC in June 2004 and was a project manager of SIIC Management (Shanghai) Ltd., assistant general manager of Shanghai Galaxy Investment Co. Ltd., and was a project manager of the strategic investment department of SIIC, senior manager of its finance and planning department, assistant general manager of the board of directors' office and secretary to chairman of SIIC. He has more than 10 years' experience in financial investment, securities research, investment banking and project planning.

Mr. SHU Chang

Mr. Shu, aged 51, was appointed an Assistant CEO of the Company in December 2009. He graduated from Beijing Second Foreign Languages Institute and New York University in U.S. with a master's degree in French literature and a master's degree in economics respectively. Mr. Shu was a director of the Europe Second Division of the Chinese People's Association for Friendship with Foreign Countries, manager of JPMorgan Co., a director and president of China Brillance International E-Business Co., the chairman of Jun An Investment Holding Co., the chief of the financial department and assets operation department of Shanghai Motors Co., a director of SAIC Motor Corporation Ltd., a director and chief investment officer of JinJiang International Holdings Co. Ltd. and a deputy general manager of Beijing Automobile Investment Co. Ltd. He has more than 20 years' experience in corporate management and finance.

Mr. LEUNG Lin Cheong, Roger

Mr. Leung, aged 56, joined the Company in March 1996. He is the Chief Legal and Compliance Officer cum Company Secretary of the Company. He is also the general manager of the legal and compliance department of Shanghai Industrial Investment (Holdings) Co. Ltd. He is a Fellow of The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries, The Chartered Institute of Management Accountants and the Hong Kong Institute of Certified Public Accountants and a professional member of the Hong Kong Institute of Human Resource Management. He also holds a master's degree in laws from University of London and a master's degree in business administration from Brunel University in U.K. in conjunction with Henley Management College. Prior to joining the Company, he was an Executive Director and Group Company Secretary of a group of Hong Kong listed companies. He has many years of management experience in legal affairs and compliance, listed corporate secretarial practice and administration.

Ms. CHAN Yat Ying, Cherie

Ms. Chan, aged 42, joined the Company in November 1996. She is the Chief Financial Officer of the Company. Ms. Chan is also a deputy general manager of the finance and planning department of Shanghai Industrial Investment (Holdings) Co. Ltd. She graduated from University of Hong Kong with a bachelor's degree in social sciences. She also holds a master's degree in financial management awarded by the University of London. Ms. Chan is a member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants. She has extensive working experience in banking and accounting professions.

Senior Management of Member Companies

Mr. WANG Zheng Gang

Mr. Wang, aged 59, is the chairman of SIIC Management (Shanghai) Ltd. He is also a director of Shanghai Urban Development (Holdings) Co. Ltd., Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd., Shanghai Luqiao Development Co. Ltd. and Shanghai SIIC South Pacific Hotel Co. Ltd., and an alternate director to Mr. Zhou Jie, a non-executive director of Semiconductor Manufacturing International Corporation. He graduated from the School of Management of Fudan University with a master's degree in economics. He was the head of Shanghai Dongfeng Rubber No. 2 Factory, Principal of Shanghai Dongfeng Farm, vice chairman and general manager of Shanghai Agricultural Industrial and Commercial Corp. Ltd. and a director and general manager of SIIC Africa Enterprise Ltd. and general manager of the enterprise management department of Shanghai Industrial Investment (Holdings) Co. Ltd. Mr. Wang has over 30 years' experience in enterprise management.

Mr. XU Xiao Bing

Mr. Xu, aged 43, is a director and the general manager of SIIC Management (Shanghai) Ltd. ("SIIC Management"). Mr. Xu graduated from Peking University with a master's degree in business administration. He was an investment and financial analyst of Beijing Jingfang Investment Management & Consultant Co. Ltd. under the Beijing Capital Group, and the deputy head of the investment planning department, the head of the enterprise management department and the deputy general manager of SIIC Management. He has over 10 years' experience in corporate management and investment planning.

Ms. XUE Lian

Ms. Xue, aged 53, is a director and the general manager of Shanghai SIIC South Pacific Hotel Co. Ltd. She graduated from Shanghai Municipal Tourism College and studied an advanced hotel management course of Cornell University in U.S, where she subsequently studied for a MBA program and obtained a master's degree in economics. Ms. Xue was a section chief and deputy head of the foreign affairs department of Shanghai Municipal Tourism Bureau, and was a director and deputy general manager of the South Pacific Hotel Hong Kong. She has nearly 30 years' experience in tourism and hotel management.

Mr. ZUO Min

Mr. Zuo, aged 48, is the vice chairman and chief executive officer of The Wing Fat Printing Co. Ltd. He graduated from West China University of Medical Science with a bachelor's degree, and obtained a master's degree in management from Fudan University. Mr. Zuo holds the designation of senior economist. He was the chairman and general manager of Nine Stars Printing and Packaging Co. Ltd., the vice general manager of 999 Group and the vice president of China Resources Medications Group Ltd. He has over 20 years' experience in the printing and packaging industry.

Mr. JIN Guo Ming

Mr. Jin, aged 49, is a director and the general manager of The Wing Fat Printing Co. Ltd. He is the chairman of Hebei Yongxin Paper Co. Ltd., Chengdu Wing Fat Printing Co. Ltd. and Zhejiang Rongfeng Paper Co. Ltd., and a director of Xuchang Yongchang Printing Co. Ltd. He graduated from Zhejiang Institute of Metallurgy Economic and obtained a master's degree in business management from South Australia University. He holds the designation of international business engineer. Mr. Jin has over 20 years of experience in the printing and packaging industry.

Mr. DAI Wei Wei

Mr. Dai, aged 41, is a director and the general manager of Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd. and a director of Shanghai Luqiao Development Co. Ltd. Mr. Dai graduated from Shanghai Tongji University and Fudan University and obtained a bachelor's degree in engineering and a master's degree in business administration respectively. He worked in Shanghai Mass Transit Railway Corporation, Shanghai Municipal Engineering Administration, Shanghai Jiajin Highway Development Co. Ltd. and SIIC Management (Shanghai) Ltd. He has over 10 years' experience in infrastructure construction and management.

Ms. ZHOU Ya Dong

Ms. Zhou, aged 38, is a director and the general manager of Shanghai Luqiao Development Co. Ltd. and a director of Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd. ("Hu-Ning Expressway"). Ms. Zhou graduated from East China Normal University majored in international finance, and obtained a master's degree in professional accountancy from The Chinese University of Hong Kong. She was the deputy head of the investment department of SIIC Management (Shanghai) Ltd., a director of Zhejiang Jinhua Yongjin Expressway Co. Ltd. and a director and the deputy general manager of Hu-Ning Expressway. She has many years' experience in investment planning and expressway management.

Mr. WANG Feng

Mr. Wang, aged 51, is the general manager of Xuchang Yongchang Printing Co. Ltd. He was the deputy head of the sales department and the cut tobacco division of Xuchang Cigarettes Factory. Mr. Wang graduated from Zhongnan University of Economics with a tertiary degree in business administration. He has studied a business administration course under the engineering department of Tsinghua University. He has over 20 years' experience in production, operation and management of the tobacco industry.

Mr. JIANG Zu Ming

Mr. Jiang, aged 47, is a director and the general manager of Chengdu Wingfat Printing Co. Ltd. He graduated from Shanghai Publishing and Printing College, majored in printing technologies and obtained a secondary qualification. He then furthered his studies at Sichuan University and obtained a master's degree in business administration. He has over 20 years' experience in production, operation and management for printing enterprises.

Mr. XU Tao

Mr. Xu, aged 48, is a director and the general manager of Hebei Yongxin Paper Co. Ltd. ("Hebei Yongxin"). He graduated from Shanghai Lixin College of Commerce. Mr. Xu was the manager of the paper department of Shanghai Packaging Co., and deputy general manager and executive deputy general manager of Hebei Yongxin. He has over 20 years' experience in production, operation and management for printing enterprises.

Directors' Report

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December 2009.

Principal Activities

The Group is principally engaged in the business of infrastructure facilities, real estate, consumer products and medicine.

Principal Subsidiaries, Jointly Controlled Entities and Associates

Details of the principal subsidiaries, jointly controlled entities and associates as at 31st December 2009 are set out in notes 51, 52 and 53 to the consolidated financial statements respectively.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 67 of this Annual Report.

An interim dividend of HK48 cents per share amounting to HK$518,287,000 was paid to the shareholders during the year. The Directors recommend the payment of a final dividend of HK60 cents per share to the shareholders whose names appear on the register of members of the Company on 18th May 2010.

Financial Summary

A summary of the financial information of the Group for the year ended 31st December 2009 and the financial information of the Group for the previous four years is set out on page 26 of this Annual Report.

Share Capital

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

Reserves

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and in note 38 to the consolidated financial statements respectively.

Investment Properties

As at 31st December 2009, the investment properties of the Group were revalued by an independent property valuer based on comparable sales transactions at approximately HK$2,135 million. Details are set out in note 17 to the consolidated financial statements.

Particulars of investment properties of the Group as at 31st December 2009 are set out on page 113 of this Annual Report.

Property, Plant and Equipment

Details of movements during the year in the property, plant and equipment of the Group and the Company are set out in note 18 to the consolidated financial statements.

Directors

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

Executive Directors:

Teng Yi Long	*(Chairman)*	
Cai Yu Tian	*(Vice Chairman & Chief Executive Officer)*	
Lu Ming Fang		
Zhou Jie	*(Executive Deputy CEO)*	
Qian Shi Zheng	*(Deputy CEO)*	
Zhou Jun	*(Deputy CEO)*	(appointed on 15th April 2009)
Qian Yi	*(Deputy CEO)*	(appointed on 11th November 2009)
Ding Zhong De		(retired on 11th November 2009)
Yao Fang		(resigned on 1st January 2010)
Tang Jun		(resigned on 15th April 2009)

Independent Non-Executive Directors:

Lo Ka Shui
Woo Chia-Wei
Leung Pak To, Francis

The biographical details of the Directors are set out on pages 51 to 56 of this Annual Report. Details of Directors' emoluments are set out in note 14 to the consolidated financial statements.

In accordance with the Company's articles of association, the Directors of the Company (including Independent Non-Executive Directors) shall be subject to retirement by rotation at each annual general meeting. Mr. Qian Shi Zheng, Dr. Lo Ka Shui and Prof. Woo Chia-Wei shall retire by rotation at the forthcoming annual general meeting. All of them, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

Mr. Zhou Jun and Mr. Qian Yi who were appointed on 15th April 2009 and 11th November 2009 respectively and were subject to re-election in accordance with the Company's articles of association, have offered themselves for re-election at the annual general meeting held on 5th June 2009 and the extraordinary general meeting held on 11th January 2010 respectively. Both of them were re-elected as Directors of the Company by the shareholders at the said meetings.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Disclosure under Rule 13.51B(1) of the Listing Rules

Changes in Directors' information since the date of the interim report 2009 up to the date of this report are set out below:

- The director's fee of Dr. Lo Ka Shui, Prof. Woo Chia Wei and Mr. Leung Pak To, Francis were increased to HK$220,000 per annum respectively.
- Mr. Qian Yi was appointed the chairman of Nanyang Tobacco.
- Mr. Lu Ming Fang and Mr. Zhou Jie were no longer directors of SI Pharmaceutical, which was delisted from the A Shares Market of the SSE on 12th February 2010 upon completion of the restructuring of pharmaceutical businesses by SIIC.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31st December 2009, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(I) Interests in shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of issued ordinary shares held	Approximate percentage of total issued share capital
Cai Yu Tian	Beneficial owner	Personal	622,000	0.06%
Lu Ming Fang	Beneficial owner	Personal	586,000	0.05%
Zhou Jie	Beneficial owner	Personal	333,000	0.03%
Qian Shi Zheng	Beneficial owner	Personal	679,000	0.06%
Zhou Jun	Beneficial owner	Personal	195,000	0.02%

All interests stated above represented long positions.

(II) Interests in shares of SI Pharmaceutical

Name of Director	Capacity	Nature of interests	Number of issued ordinary shares held	Approximate percentage of total issued share capital
Lu Ming Fang	Beneficial owner	Personal	23,400	0.01%

All interests stated above represented long positions.

Save as disclosed above, none of the Directors nor Chief Executive of the Company had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31st December 2009.

Share Options

Particulars of the share option schemes adopted by the Group are set out in note 37 to the consolidated financial statements.

(I) SIHL Scheme

The SIHL Scheme shall be valid and effective for a period of 10 years commencing the date of adoption of the scheme. During the year, the movements in the share options to subscribe for the Company's shares were as follows:

			Number of shares issuable under the share options				
	Date of grant	Exercise price per share HK$	Outstanding at 1.1.2009 (Restated)	Reclassified during the year	Expired during the year	Exercised during the year	Outstanding at 31.12.2009
Category 1: Directors							
Cai Yu Tian	2.5.2006	17.10	520,000	–	–	(520,000)	–
Lu Ming Fang	2.9.2005	14.89	480,000	–	–	(480,000)	–
Ding Zhong De (Note 1)	2.5.2006	17.10	400,000	–	–	(400,000)	–
Zhou Jie	2.9.2005	14.89	220,000	–	–	(220,000)	–
Qian Shi Zheng	2.9.2005	14.89	200,000	–	–	(200,000)	–
Zhou Jun (Note 2)	2.5.2006	17.10	–	360,000	–	(360,000)	–
Tang Jun (Note 3)	2.9.2005	14.89	220,000	–	(20,000)	(200,000)	–
Total for Directors			2,040,000	360,000	(20,000)	(2,380,000)	–
Category 2: Employees							
	2.9.2005	14.89	380,000	–	(150,000)	(230,000)	–
	2.5.2006	17.10	520,000	(360,000)	–	(160,000)	–
Total for employees			900,000	(360,000)	(150,000)	(390,000)	–
Category 3: Others							
	2.9.2005	14.89	–	–	–	–	–
	2.5.2006	17.10	560,000	–	–	(560,000)	–
Total for others			560,000	–	–	(560,000)	–
Total for all categories			3,500,000	–	(170,000)	(3,330,000)	–

Notes:

1 Mr. Ding Zhong De retired as Director of the Company on 11th November 2009.

2 Mr. Zhou Jun was appointed as Director of the Company on 15th April 2009.

3 Mr. Tang Jun resigned as Director of the Company on 15th April 2009.

Share options granted in September 2005 under the SIHL Scheme are exercisable during the period from 2nd March 2006 to 1st March 2009 in three batches, being:

- 2nd March 2006 to 1st March 2007 (up to 30% of the share options granted are exercisable)
- 2nd March 2007 to 1st March 2008 (up to 60% of the share options granted are exercisable)
- 2nd March 2008 to 1st March 2009 (all share options granted are exercisable)

Share options granted in May 2006 under the SIHL Scheme are exercisable during the period from 2nd November 2006 to 1st November 2009 in three batches, being:

- 2nd November 2006 to 1st November 2007 (up to 30% of the share options granted are exercisable)
- 2nd November 2007 to 1st November 2008 (up to 60% of the share options granted are exercisable)
- 2nd November 2008 to 1st November 2009 (all share options granted are exercisable)

During the year, the weighted average closing price of the Company's shares immediately before the respective dates on which the share options under the SIHL Scheme were exercised is HK$27.05 (2008: HK$28.77).

(II) Mergen Biotech Scheme

The Mergen Biotech Scheme shall be valid and effective for a period of 10 years commencing the date of adoption of the scheme. The following table discloses details of the options granted to employees and qualified participants of Mergen Biotech and its subsidiaries under the Mergen Biotech Scheme during the year:

Date of grant	Exercise price per share	Outstanding at 1.1.2009	Lapsed during the year	Outstanding at 31.12.2009
31.12.2004	US$8.22	13,700	(8,300)	5,400

Pursuant to the offer letter issued by Mergen Biotech on 31st December 2004, 55% of the share options granted are exercisable since 30th June 2005. Subject to the fulfillment of certain performance targets as determined by the board of directors of Mergen Biotech by the grantees, the rest of the 45% share options granted are exercisable in three batches (each with 15% of the share options granted) for every six months interval from 1st January 2005 until 30th May 2014.

During the year, no options were granted or exercised under the Mergen Biotech Scheme. Subsequent to the reporting period, the Group has disposed of its entire 70.41% interest in Mergen Biotech and the transaction was completed on 12th February 2010. Mergen Biotech was thus no longer a subsidiary of the Company.

Directors' Right to Acquire Shares and Debentures of the Company

Save as disclosed under the section of Share Options above, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any other arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests of Substantial Shareholders and Other Persons in Shares and Underlying Shares

As at 31st December 2009, the interests and short positions of the substantial shareholders of the Company and other persons, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, were as follows:

Name of shareholder	Capacity	Nature of interests	Number of issued ordinary shares beneficially held	Approximate percentage of total issued share capital
SIIC	Interests held by controlled corporations	Corporate	551,859,371 (note 1)	51.11%
JPMorgan Chase & Co.	Beneficial owner	Corporate	563,000	0.05%
	Investment manager	Corporate	8,657,000	0.80%
	Custodian corporation/ approved lending agent	Corporate	58,312,865	5.40%

Notes:

1. SIIC through its wholly-owned subsidiaries, namely Shanghai Investment Holdings Ltd., SIIC Capital (B.V.I.) Ltd., South Pacific International Trading Ltd., SIIC Treasury (B.V.I.) Ltd., SIIC Trading Co. Ltd., The Tien Chu (Hong Kong) Co. Ltd., SIIC CM Development Funds Ltd., Billion More Investments Ltd. and SIIC CM Development Ltd. held 466,644,371 shares, 80,000,000 shares. 1,874,000 shares, 1,632,000 shares, 1,161,000 shares, 383,000 shares, 95,000 shares, 60,000 shares and 10,000 shares of the Company respectively, and was accordingly deemed to be interested in the respective shares held by the aforementioned companies.
2. All interests stated above represented long positions.

Save as disclosed above, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31st December 2009.

Connected Transactions

Details of the connected transactions and continuing connected transactions for the year are set out in note 48 to the consolidated financial statements. Save as disclosed therein, there were no other connected transactions and continuing connected transactions other than those exempt from the reporting, announcement and independent shareholders' approval requirements, which need to be disclosed as connected transactions in accordance with the requirements of Appendix 16 to the Listing Rules.

The Independent Non-Executive Directors have reviewed the continuing connected transactions set out in note 48(I) to the consolidated financial statements and in their opinion, those transactions were entered into by the Group:

(i) in the ordinary course of business of the Group;

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the terms of the agreement governing such transactions that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Related Party Transactions

Details of the related party transactions for the year are set out in note 48(II) to the consolidated financial statements.

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company, its holding companies, fellow subsidiaries or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Major Customers and Suppliers

During the year, both the aggregate sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total sales and purchases respectively.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Donations

During the year, the Group made charitable and other donations totalling HK$55,000.

Retirement Benefits Schemes

Details of the Group's retirement benefits schemes are set out in note 47 to the consolidated financial statements.

Events after the Reporting Period

Details of significant events occurring after the reporting period are set out in note 54 to the consolidated financial statements.

Sufficiency of Public Float

As at the date of this Annual Report, based on publicly available information and within the knowledge of the Directors of the Company, 48.89% of the issued share capital of the Company is held by the public.

The Company has maintained a sufficient public float throughout the year ended 31st December 2009.

Corporate Governance

The corporate governance principles and practices adopted by the Company are set out in the Corporate Governance Report on pages 35 to 50 of this Annual Report.

Auditor

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

On behalf of the Board

Teng Yi Long
Chairman

Hong Kong, 31st March 2010

Deloitte.
德勤

TO THE MEMBERS OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED
上海實業控股有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shanghai Industrial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 171, which comprise the consolidated and Company's statements of financial position as at 31st December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st 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.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
31st March 2010

Consolidated Income Statement

For the year ended 31st December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Continuing operations			
Revenue	6	6,917,885	7,452,105
Cost of sales		(4,247,154)	(5,005,282)
Gross profit		2,670,731	2,446,823
Net investment income	7	763,324	236,189
Other income		902,051	552,728
Increase in fair value of properties under development upon transfer to investment properties		—	497,073
Selling and distribution costs		(490,142)	(414,496)
Administrative expenses		(668,403)	(673,018)
Finance costs	8	(238,398)	(300,669)
Share of results of jointly controlled entities		43,552	15,343
Share of results of associates		(155,776)	(106,804)
Discount on acquisition of interests in associates	9	—	1,410,222
Discount on acquisition of interest in a subsidiary		—	902
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities	10	988,176	548,005
Impairment loss recognised in respect of available-for-sale investments	9	—	(1,527,388)
Impairment loss recognised in respect of goodwill relating to a subsidiary	23	—	(1,115)
Profit before taxation		3,815,115	2,683,795
Income tax expense	11	(1,098,996)	(420,151)
Profit for the year from continuing operations		2,716,119	2,263,644
Discontinued operations			
Profit for the year from discontinued operations	12	1,005,177	594,122
Profit for the year	13	3,721,296	2,857,766
Profit for the year attributable to			
– Owners of the Company		2,860,128	2,101,546
– Minority interests		861,168	756,220
		3,721,296	2,857,766
		HK$	HK$
Earnings per share	16		
From continuing and discontinued operations			
– Basic		2.65	1.96
– Diluted		2.65	1.95
From continuing operations			
– Basic		2.06	1.71
– Diluted		2.06	1.71

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2009

	2009 HK$'000	2008 HK$'000
Profit for the year	**3,721,296**	2,857,766
Other comprehensive income		
Exchange differences arising from translation of foreign operations		
– subsidiaries	**(11,715)**	1,309,965
– jointly controlled entities	**—**	92,265
– associates	**—**	95,938
Fair value adjustment on available-for-sale investments	**4,150**	(1,664,162)
Loss on cash flow hedges	**(15,013)**	—
Reclassification of other comprehensive income upon disposals of		
– available-for-sale investments	**10,168**	(83,391)
– interests in subsidiaries (exchange difference included in translation reserve)	**(15,271)**	(64,288)
– interests in associates (exchange difference included in translation reserve)	**(166,075)**	—
– interests in jointly controlled entities (exchange difference included in translation reserve)	**—**	(48,697)
Recognition of impairment loss on available-for-sale investments	**—**	1,527,388
Other comprehensive (expense) income for the year	**(193,756)**	1,165,018
Total comprehensive income for the year	**3,527,540**	4,022,784
Total comprehensive income attributable to:		
– Owners of the Company	**2,666,372**	2,835,912
– Minority interests	**861,168**	1,186,872
	3,527,540	4,022,784

Consolidated Statement of Financial Position

At 31st December 2009

	NOTES	31.12.2009 HK$'000	31.12.2008 HK$'000 (restated)	1.1.2008 HK$'000
Non-Current Assets				
Investment properties	17	**2,135,393**	1,986,896	540,268
Property, plant and equipment	18	**4,260,054**	3,737,481	4,058,066
Prepaid lease payments – non-current portion	19	**409,609**	628,476	580,548
Toll road operating rights	20	**9,467,968**	9,681,461	7,434,490
Other intangible assets	21	**120,222**	145,216	145,329
Goodwill	22	**13,723**	400,692	391,734
Interests in jointly controlled entities	25	**1,026,433**	1,152,494	1,498,470
Interests in associates	26	**298,734**	4,044,789	3,828,644
Investments	27	**3,256,718**	584,274	442,742
Loan receivables – non-current portion	28	**—**	3,085	3,323
Deposits paid on acquisition of property, plant and equipment	29	**149,111**	857,057	808,526
Deposit paid on acquisition of additional interest in an associate		**—**	—	484,802
Restricted bank deposits	30	**73,376**	73,109	68,272
Deferred tax assets	39	**96,953**	86,631	83,937
		21,308,294	23,381,661	20,369,151
Current Assets				
Inventories	31	**17,487,594**	14,353,180	14,363,794
Trade and other receivables	32	**3,668,144**	4,150,592	2,355,554
Prepaid lease payments – current portion	19	**13,779**	28,580	36,719
Investments	27	**158,759**	162,715	3,136,221
Loan receivables – current portion	28	**—**	—	32,051
Taxation recoverable		**65,543**	2,616	57,388
Pledged bank deposits	33	**911,828**	800,541	51,975
Short-term bank deposits	33	**262,234**	1,547,332	659,092
Bank balances and cash	33	**9,256,359**	7,289,127	6,223,115
		31,824,240	28,334,683	26,915,909
Assets classified as held for sale	12	**7,096,169**	—	203,887
		38,920,409	28,334,683	27,119,796
Current Liabilities				
Trade and other payables	34	**7,679,155**	7,345,718	8,923,087
Taxation payable		**852,077**	614,651	397,074
Bank and other borrowings	35	**3,490,737**	3,824,193	2,353,553
		12,021,969	11,784,562	11,673,714
Liabilities associated with assets classified as held for sale	12	**1,734,249**	—	—
		13,756,218	11,784,562	11,673,714
Net Current Assets		**25,164,191**	16,550,121	15,446,082
Total Assets less Current Liabilities		**46,472,485**	39,931,782	35,815,233

Consolidated Statement of Financial Position

At 31st December 2009

	NOTES	31.12.2009 HK$'000	31.12.2008 HK$'000 (restated)	1.1.2008 HK$'000
Capital and Reserves				
Share capital	36	**107,977**	107,644	107,126
Share premium and reserves		**24,783,269**	23,293,714	22,518,605
Equity attributable to owners of the Company		**24,891,246**	23,401,358	22,625,731
Minority interests		**9,196,106**	8,479,654	7,459,143
Total Equity		**34,087,352**	31,881,012	30,084,874
Non-Current Liabilities				
Bank and other borrowings	35	**10,136,987**	5,829,901	3,687,693
Deferred tax liabilities	39	**2,248,146**	2,220,869	2,042,666
		12,385,133	8,050,770	5,730,359
Total Equity and Non-Current Liabilities		**46,472,485**	39,931,782	35,815,233

The consolidated financial statements on pages 67 to 171 were approved and authorised for issue by the Board of Directors on 31st March 2010 and are signed on its behalf by:

Cai Yu Tian
Chief Executive Officer

Qian Shi Zheng
Deputy CEO

Statement of Financial Position

At 31st December 2009

	NOTES	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Non-Current Assets				
Property, plant and equipment	18	**3,508**	3,675	4,731
Investments in subsidiaries	24	**5,288,857**	5,288,857	4,476,268
Investment in a jointly controlled entity	25	**—**	—	—
Amount due from a subsidiary	40	**350,000**	—	—
		5,642,365	5,292,532	4,480,999
Current Assets				
Deposits, prepayments and other receivables		**7,624**	11,842	11,633
Amounts due from subsidiaries	40	**19,559,771**	15,734,899	13,459,602
Investments	27	**482**	—	2,280,379
Short-term bank deposits	33	**—**	658,158	479,570
Bank balances and cash	33	**1,848,240**	446,623	243,757
		21,416,117	16,851,522	16,474,941
Current Liabilities				
Other payables and accrued charges		**33,010**	706,289	52,108
Amounts due to subsidiaries	40	**6,388,571**	1,123,911	1,451,932
		6,421,581	1,830,200	1,504,040
Net Current Assets		**14,994,536**	15,021,322	14,970,901
		20,636,901	20,313,854	19,451,900
Capital and Reserves				
Share capital	36	**107,977**	107,644	107,126
Share premium and reserves	38	**20,528,924**	20,206,210	19,344,774
		20,636,901	20,313,854	19,451,900

Cai Yu Tian
Chief Executive Officer

Qian Shi Zheng
Deputy CEO

Consolidated Statement of Changes in Equity

For the year ended 31st December 2009

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Capital redemption reserve HK$'000	Other revaluation reserve HK$'000 (note i)	Other reserve HK$'000 (note ii)	Merger reserve HK$'000 (note iii)	Hedging reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 (note iv)	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January 2008	107,126	13,198,450	15,241	1,071	13,668	122,496	(14,255)	–	169,319	1,041,234	354,065	7,617,316	22,625,731	7,459,143	30,084,874
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	2,101,546	2,101,546	756,220	2,857,766
Exchange differences arising from translation of foreign operations															
– subsidiaries	–	–	–	–	–	–	–	–	–	879,313	–	–	879,313	430,652	1,309,965
– jointly controlled entities	–	–	–	–	–	–	–	–	–	92,265	–	–	92,265	–	92,265
– associates	–	–	–	–	–	–	–	–	–	95,938	–	–	95,938	–	95,938
Fair value adjustment on available-for-sale investments	–	–	–	–	–	–	–	–	(1,664,162)	–	–	–	(1,664,162)	–	(1,664,162)
Transfer to profit or loss on disposal of available-for-sale investments	–	–	–	–	–	–	–	–	(83,391)	–	–	–	(83,391)	–	(83,391)
Realised on disposal of interests in subsidiaries	–	–	–	–	–	(122,496)	–	–	–	(64,288)	(16,964)	139,460	(64,288)	–	(64,288)
Realised on disposal of interests in jointly controlled entities	–	–	–	–	–	–	–	–	–	(48,697)	–	–	(48,697)	–	(48,697)
Recognition of impairment loss on available-for-sale investments	–	–	–	–	–	–	–	–	1,527,388	–	–	–	1,527,388	–	1,527,388
Total comprehensive income for the year	–	–	–	–	–	(122,496)	–	–	(220,165)	954,531	(16,964)	2,241,006	2,835,912	1,186,872	4,022,784
Issue of shares upon exercise of share options	518	79,904	–	–	–	–	–	–	–	–	–	–	80,422	–	80,422
Release of share options reserve on exercise of share options	–	7,159	(7,159)	–	–	–	–	–	–	–	–	–	–	–	–
Expenses incurred in connection with the issue of new shares	–	(73)	–	–	–	–	–	–	–	–	–	–	(73)	–	(73)
Recognition of equity-settled share-based payment expenses	–	–	1,953	–	–	–	–	–	–	–	–	–	1,953	–	1,953
Transfers	–	–	–	–	–	–	–	–	–	–	138,470	(138,470)	–	–	–
Capital contributions by minority interests	–	–	–	–	–	–	–	–	–	–	–	–	–	76,200	76,200
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(178,451)	(178,451)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(46,487)	(46,487)
Acquisition of subsidiaries	–	–	–	–	–	–	(1,195,794)	–	–	–	–	–	(1,195,794)	–	(1,195,794)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(17,623)	(17,623)
Dividends paid (note 15)	–	–	–	–	–	–	–	–	–	–	–	(946,793)	(946,793)	–	(946,793)
At 31st December 2008	107,644	13,285,440	10,035	1,071	13,668	–	(1,210,049)	–	(50,846)	1,995,765	475,571	8,773,059	23,401,358	8,479,654	31,881,012

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Capital redemption reserve HK$'000	Other revaluation reserve HK$'000 (note i)	Other reserve HK$'000 (note ii)	Merger reserve HK$'000 (note iii)	Hedging reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 (note iv)	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	2,860,128	2,860,128	861,168	3,721,296
Exchange differences arising from translation of foreign operations – subsidiaries	–	–	–	–	–	–	–	–	–	(11,715)	–	–	(11,715)	–	(11,715)
Fair value adjustment on available-for-sale investments	–	–	–	–	–	–	–	–	4,150	–	–	–	4,150	–	4,150
Transfer to profit or loss on disposal of available-for-sale investments	–	–	–	–	–	–	–	–	10,168	–	–	–	10,168	–	10,168
Loss on cash flow hedges	–	–	–	–	–	–	–	(15,013)	–	–	–	–	(15,013)	–	(15,013)
Realised on disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	(15,271)	–	–	(15,271)	–	(15,271)
Realised on disposal of interests in associates	–	–	–	–	–	–	–	–	–	(166,075)	(93,590)	93,590	(166,075)	–	(166,075)
Total comprehensive income for the year	–	–	–	–	–	–	–	(15,013)	14,318	(193,061)	(93,590)	2,953,718	2,666,372	861,168	3,527,540
Issue of shares upon exercise of share options	333	53,671	–	–	–	–	–	–	–	–	–	–	54,004	–	54,004
Release of share options reserve on exercise of share options	–	5,843	(5,843)	–	–	–	–	–	–	–	–	–	–	–	–
Expenses incurred in connection with the issue of new shares	–	(68)	–	–	–	–	–	–	–	–	–	–	(68)	–	(68)
Share options lapsed	–	–	(101)	–	–	–	–	–	–	–	–	101	–	–	–
Transfers	–	–	–	–	–	–	–	–	–	–	95,103	(95,103)	–	–	–
Capital contributions by minority interests	–	–	–	–	–	–	–	–	–	–	–	–	–	121,328	121,328
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(200,994)	(200,994)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(66,614)	(66,614)
Acquisition of a subsidiary (note 41A)	–	–	–	–	–	–	–	–	–	–	–	–	–	1,564	1,564
Acquisition of subsidiaries (note 2)	–	–	–	–	–	–	(326,731)	–	–	–	–	–	(326,731)	–	(326,731)
Acquisition of an associate	–	–	–	–	–	2,944	–	–	–	–	–	–	2,944	–	2,944
Dividends paid (note 15)	–	–	–	–	–	–	–	–	–	–	–	(906,633)	(906,633)	–	(906,633)
At 31st December 2009	107,977	13,344,886	4,091	1,071	13,668	2,944	(1,536,780)	(15,013)	(36,528)	1,802,704	477,084	10,725,142	24,891,246	9,196,106	34,087,352

Notes:

(i) Other revaluation reserve represents fair value adjustment on acquisition of subsidiaries relating to interests previously held by the Group as associates/ jointly controlled entity.

(ii) Other reserve as at 1st January 2008 represented the share of deemed contribution from a shareholder of a jointly controlled entity resulted from the transfer of an entity by that shareholder to the jointly controlled entity at a consideration below the fair value of the identifiable assets and liabilities of that entity. Other reserve arose during the year ended 31st December 2009 represents the difference between the amount of cash consideration paid to SIIC, as defined in note 1, for the acquisition of 20% equity interest in an associate,上海星河數碼投資有限公司, and the net assets of this company.

(iii) Merger reserve represents the difference in the fair value of the consideration paid to SIIC for the acquisition of subsidiaries/businesses controlled by SIIC and the share capital of the subsidiaries under the acquisitions.

(iv) The People's Republic of China, other than Hong Kong ("PRC") statutory reserves are reserves required by the relevant PRC laws applicable to the Group's PRC subsidiaries, jointly controlled entities and associates.

Consolidated Statement of Cash Flows

For the year ended 31st December 2009

	2009 HK$'000	2008 HK$'000 (restated)
OPERATING ACTIVITIES		
Profit for the year	**3,721,296**	2,857,766
Income tax expense from continuing operations	**1,098,996**	420,151
Income tax expense from discontinued operations	**130,291**	113,670
	4,950,583	3,391,587
Adjustments for:		
Amortisation of other intangible assets	**6,321**	7,888
Amortisation of toll road operating rights	**213,493**	208,653
Change in fair value of a financial asset at fair value through profit or loss under the Transaction (defined in note 27)	**(408,905)**	—
Contracted income from available-for-sale investments	**(2,110)**	(4,879)
Depreciation of property, plant and equipment	**318,582**	367,463
Discount on acquisition of interest in a subsidiary	**—**	(902)
Discount on acquisition of interests in associates	**—**	(1,410,222)
Dividend income from listed equity investments	**(1,438)**	(6,934)
Dividend income from unlisted equity investments	**(9,472)**	(372)
Equity-settled share-based payment expense	**—**	1,953
Finance costs	**254,352**	322,224
Impairment loss on bad and doubtful debts	**2,937**	19,106
Impairment loss recognised in respect of available-for-sale investments	**—**	1,527,388
Impairment losses recognised in respect of goodwill relating to subsidiaries	**17,759**	1,115
Increase in fair value of investment properties	**(224,216)**	(12,788)
Increase in fair value of properties under development upon transfer to investment properties	**—**	(497,073)
Interest income	**(290,219)**	(355,449)
Loss (gain) on disposal of available-for-sale investments	**10,168**	(83,391)
Loss on disposal of investment properties	**10,339**	8,830
Loss on disposal of property, plant and equipment	**5,384**	1,786
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities	**(1,371,142)**	(556,618)
Release of prepaid lease payments	**28,579**	28,551
Reversal of impairment loss on bad and doubtful debts	**(7,464)**	(36,450)
Share of results of associates	**148,768**	106,396
Share of results of jointly controlled entities	**(78,645)**	(64,968)
Operating cash flows before movements in working capital	**3,573,654**	2,962,894
(Increase) decrease in inventories	**(3,656,625)**	199,645
(Increase) decrease in financial assets at fair value through profit or loss	**(123,064)**	2,643,954
Decrease (increase) in trade and other receivables	**440,066**	(198,369)
Increase (decrease) in trade and other payables	**3,336,127**	(595,156)
Cash generated from operations	**3,570,158**	5,012,968
PRC income tax paid	**(870,819)**	(181,238)
Hong Kong Profits Tax paid	**(95,875)**	(114,669)
Hong Kong Profits Tax refunded	**336**	—
PRC income tax refunded	**—**	1,731
NET CASH FROM OPERATING ACTIVITIES	**2,603,800**	4,718,792

For the year ended 31st December 2009

	NOTES	2009 HK$'000	2008 HK$'000 (restated)
INVESTING ACTIVITIES			
Acquisition of Good Cheer and Hu-Hang	41A	**(2,773,156)**	(2,740,076)
Purchase of property, plant and equipment		**(2,309,055)**	(1,864,495)
Acquisition of assets through acquisition of a subsidiary (net of cash and cash equivalents acquired)	41B	**(2,271,234)**	—
Purchase of available-for-sale investments		**(629,659)**	(4,545)
Acquisition of Feng Mao and Feng Qi	2	**(445,749)**	—
Acquisition of additional interests in subsidiaries		**(80,537)**	(48,081)
Acquisition of an associate		**(18,173)**	—
Increase in prepaid lease payments		**(16,142)**	(30,565)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	42	**2,665,377**	756,923
Proceeds from disposal of interests in associates		**1,314,005**	12,745
Decrease (increase) in deposits paid on acquisition of property, plant and equipment		**707,946**	(48,531)
Proceeds from disposal of available-for-sale investments		**432,751**	117,137
Decrease (increase) in bank deposits		**318,391**	(1,641,643)
Interest received		**122,381**	355,449
Proceeds from a held-for-maturity investment upon maturity		**117,173**	—
Dividends received from associates		**78,712**	93,068
Proceeds from disposal of property, plant and equipment		**52,022**	31,263
Dividends received from unlisted equity investments		**9,472**	372
Dividends received from jointly controlled entities		**8,834**	44,723
Proceeds from disposal of investment properties		**6,017**	22,643
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	41A	**4,970**	(3,576)
Contracted income received from available-for sale investments		**2,110**	4,879
Dividends received from listed equity investments		**1,438**	6,934
Proceeds from disposal of interests in jointly controlled entities		**916**	228,370
Repayment of loan receivables		**190**	34,313
Prepayment paid for an investment in the PRC		**—**	(1,206,077)
Capital contributions to jointly controlled entities		**—**	(284,913)
Capital contributions to associates		**—**	(7,323)
Proceeds from disposal of assets classified as held-for-sale		**—**	203,887
NET CASH USED IN INVESTING ACTIVITIES		**(2,701,000)**	(5,967,119)

Consolidated Statement of Cash Flows

For the year ended 31st December 2009

	2009 HK$'000	2008 HK$'000 (restated)
FINANCING ACTIVITIES		
Borrowings raised	**13,704,975**	7,534,750
Advance from a fellow subsidiary	**1,249,427**	—
Capital contributions by minority shareholders of subsidiaries	**121,328**	76,200
Proceeds from issue of shares	**54,004**	80,422
Repayment of bank and other borrowings	**(9,497,369)**	(4,193,582)
Dividends paid	**(906,633)**	(946,793)
Interest paid on bank and other borrowings	**(448,032)**	(471,038)
Dividends paid to minority interests	**(208,468)**	(188,163)
Expenses incurred in connection with the issue of shares	**(68)**	(73)
NET CASH FROM FINANCING ACTIVITIES	**4,069,164**	1,891,723
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,971,964**	643,396
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**7,289,127**	6,223,115
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**—**	422,616
CASH AND CASH EQUIVALENTS AT END OF YEAR	**11,261,091**	7,289,127
Represented by:		
Bank balances and cash	**9,256,359**	7,289,127
Bank balances and cash classified as assets held-for-sale	**2,004,732**	—
	11,261,091	7,289,127

1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate parent is Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), a private limited company also incorporated in Hong Kong. The addresses of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 51.

2. Merger Accounting and Restatements

The Group accounts for all its business combinations involving entities under common control under the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In the current year, the Group acquired S.I. Feng Mao Properties (BVI) Limited ("Feng Mao") together with its subsidiary, Shanghai Feng Mao Properties Company Limited ("Shanghai Feng Mao"), and S.I. Feng Qi Properties (BVI) Limited ("Feng Qi") together with its subsidiary, Shanghai Feng Qi Properties Company Limited ("Shanghai Feng Qi"), from a wholly-owned subsidiary of SIIC (see note i) and accordingly, the Group has applied the principle of merger accounting in accordance with the requirements set out in AG 5 to the acquisitions.

Feng Mao and Feng Qi were incorporated on 6th April 2009 and 25th March 2009, respectively. Shanghai Feng Mao and Shanghai Feng Qi were established on 24th June 2008 and 27th August 2008, respectively.

The consolidated statement of financial position of the Group as at 31st December 2008 has been restated to include the assets and liabilities of Shanghai Feng Mao and Shanghai Feng Qi as if they were within the Group on that date (see below for the financial impact). The consolidated statement of cash flows for the year ended 31st December 2008 has been restated to include the related cash flows of Shanghai Feng Mao and Shanghai Feng Qi from their respective date of establishment. The application of the merger accounting on acquisitions of Feng Mao and Feng Qi does not have any significant effect on the consolidated income statement and consolidated statement of comprehensive income for the two years ended 31st December 2008 and 31st December 2009.

2. Merger Accounting and Restatements (Continued)

The effect of the application of merger accounting on the consolidated statement of financial position as at 31st December 2008 is summarised below:

	HK$'000 (originally stated)	Adjustments on merger accounting HK$'000 (note ii)	HK$'000 (restated)
ASSETS			
Bank balances and cash	7,220,765	68,362	7,289,127
Other assets	44,427,217	—	44,427,217
	51,647,982	68,362	51,716,344
LIABILITIES			
Trade and other payables	7,277,356	68,362	7,345,718
Other liabilities	12,489,614	—	12,489,614
	19,766,970	68,362	19,835,332
NET ASSETS	31,881,012	—	31,881,012
CAPITAL AND RESERVES			
Share capital and reserves	23,401,358	—	23,401,358
Minority interests	8,479,654	—	8,479,654
	31,881,012	—	31,881,012

Notes:

(i) Pursuant to the sale and purchase agreements entered into on 12th August 2009, S.I. Urban Development Holdings Limited, a wholly-owned subsidiary of the Company, agreed to acquire from Glory Shine Holdings Limited ("Glory Shine"), a wholly-owned subsidiary of SIIC, the 100% equity interests in Feng Mao and Feng Qi for an aggregate cash consideration of approximately HK$445.7 million (collectively referred to as the "Acquisition").

Feng Mao owns two development projects on two pieces of land located at Qingpu District, Shanghai, the People's Republic of China (the "PRC") with a total site area of 511,877 sq.m.. Feng Qi owns a development project on a piece of land also located at Qingpu District, Shanghai, the PRC with a site area of 434,855 sq.m..

(ii) The adjustments are to include assets and liabilities of Shanghai Feng Mao and Shanghai Feng Qi as at 31st December 2008.

Since Feng Mao and Feng Qi and their subsidiaries are all companies newly set up after 1st January 2008, the application of the merger accounting does not have any effect on the Group's equity as at 1st January 2008.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

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

In addition, the adoption of HKAS 1 (Revised 2007) has resulted in the presentation of a third statement of financial position as at 1st January 2008 as the Group has made a retrospective restatement of items in its financial statements during the current financial year as a result of the application of merger accounting (see note 2).

HKFRS 8 "Operating Segments"

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 55).

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 "Financial Instruments: Disclosures")

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Amendment to HKAS 40 "Investment Property"

As part of Improvements to HKFRSs (2008), HKAS 40 has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value model is used and the fair values of the properties are reliably determinable).

The Group has applied the amendment to HKAS 40 prospectively from 1st January 2009 in accordance with the relevant transitional provision and the amendment has had no material impact on the consolidated financial statements.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[5]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Effective for annual periods beginning on or after 1st July 2009
[2] Amendments that are effective for annual periods beginning on or after 1st July 2009 and 1st January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1st January 2011
[4] Effective for annual periods beginning on or after 1st February 2010
[5] Effective for annual periods beginning on or after 1st January 2010
[6] Effective for annual periods beginning on or after 1st July 2010
[7] Effective for annual periods beginning on or after 1st January 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

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

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1st January 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments required the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification of the Group's leasehold land.

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

4. Significant Accounting Policies

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

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

Basis of Consolidation

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

The results of subsidiaries (except those accounted for as business combination involving entities under common control) acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

4. Significant Accounting Policies (Continued)

Basis of Consolidation (Continued)

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business Combinations (Except for Combinations Involving Entities under Common Control)

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Merger Accounting for Business Combination involving Entities under Common Control

Business combination involving entities under common control includes acquisition of subsidiaries/business controlled by SIIC.

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

4. Significant Accounting Policies (Continued)

Merger Accounting for Business Combination involving Entities under Common Control (Continued)

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 includes 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, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in Subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Acquisition of Additional Interests in Subsidiaries

On acquisition of additional interests in subsidiaries, goodwill was calculated as the difference between the cost of additional interest acquired and the increase in the Group's share of the carrying amount of the identifiable assets, liabilities and contingent liabilities. If the increase in the Group's share of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the additional interest, the excess is recognised immediately in the consolidated income statement.

4. Significant Accounting Policies (Continued)

Interests in Jointly Controlled Entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. Goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the jointly controlled entity. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

The Company's investment in a jointly controlled entity is stated at cost, as reduced by any identified impairment loss. The results of the jointly controlled entity are accounted for by the Company on the basis of dividend received and receivable.

Interests in Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

4. Significant Accounting Policies (Continued)

Interests in Associates (Continued)

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Non-Current Assets Held for Sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the assets' (or disposal groups') previous carrying amount and fair value less costs to sell.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered and title has been passed.

4. Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Revenue from sale of properties in the ordinary course of business is recognised when:

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

Service income and income from hotel operation are recognised when services are provided.

Toll fee income from the operation of toll roads, net of business tax payable in the PRC, is recognised at the time of usage and when the toll fee is received.

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

Contracted income from available-for-sale investments attributable to the current year is recognised when the Group's right to receive payment can reasonably be foreseen.

Rental income, including rental invoiced in advance from letting of properties and plant and machinery under operating leases, is recognised on a straight line basis over the period of the relevant lease.

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established.

Investment Properties

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

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

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

4. Significant Accounting Policies (Continued)

Investment Properties (Continued)

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

Property, Plant and Equipment

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

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

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any identified impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Leasing

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

The Group as Lessor

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

The Group as Lessee

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

4. Significant Accounting Policies (Continued)

Leasing (Continued)

Leasehold Land and Building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight line basis except for those that are classified and accounted for as investment properties under the fair value model.

Foreign Currencies

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

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

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

Goodwill and fair value adjustments on identifiable assets or liabilities acquired arising on an acquisition of a foreign operation on or after 1st January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

4. Significant Accounting Policies (Continued)

Borrowing Costs

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

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

Government Grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement Benefits Costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

4. Significant Accounting Policies (Continued)

Taxation (Continued)

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

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

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

Intangible Assets

Intangible assets acquired separately and from a business combination are recognised at cost and at fair value, respectively. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

Toll Road Operating Right

Toll road operating right is stated at cost less amortisation and any accumulated impairment losses. Amortisation is provided to write off the cost of toll road operating right on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the periods for which the Group is granted the rights to operate the toll road.

4. Significant Accounting Policies (Continued)

Inventories

Properties Held for Sale and Properties under Development Held for Sale

Properties held for sale and properties under development held for sale are stated at the lower of cost and net realisable value on an individual basis. Cost comprises the acquisition cost and other direct costs attributable to such properties.

The Group transfers a property from inventories to investment properties when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Others

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial Instruments

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

Financial Assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective Interest Method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is excluded from net gains or losses.

4. Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Financial assets at fair value through profit or loss
Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

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

Held-to-maturity Investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

4. Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 180 days and observable changes in national or local economic conditions that correlate with default on receivables.

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

4. Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Impairment of financial assets (Continued)
For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Reclassification of Financial Assets

Reclassification of Financial Assets out of FVTPL
Financial assets held for trading which is no longer held for the purpose of selling or repurchasing it in the near term are reclassified as available-for-sale financial assets and/or held-to-maturity investments at its fair value on the date of reclassification only in rare circumstances.

Any gain or loss already recognised in profit or loss before the reclassification is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

Effective Interest Rate
For debt instruments carried at amortised cost, a new effective interest rate is determined at the date of reclassification. If the Group subsequently increases its estimate of the recoverability of future cash flows, the effect of the increase is recognised as an adjustment to the effective interest rate from the date of change, such that the effect of the increase in recoverability is recognised over the expected remaining life of the debt instrument.

4. Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Financial Liabilities and Equity

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

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

Effective Interest Method

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

Interest expense is recognised on an effective interest basis.

Financial Liabilities

The Group's financial liabilities, including trade and other payables and bank and other borrowings, are subsequently measured at amortised cost, using the effective interest method.

Equity Instruments

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

Hedge Accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

4. Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Hedge Accounting (Continued)

Cash Flow Hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

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

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

Equity-Settled Share-Based Payment Transactions

The fair value of services received from employees and other eligible participants (of which the fair value of services received cannot be estimated reliably) determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. Significant Accounting Policies (Continued)

Impairment Losses on Tangible and Intangible Assets other than Goodwill (see the Accounting Policy in respect of Goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical Judgments in Applying the Group's Accounting Policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Consolidation of a Subsidiary

As at 31st December 2009, the Group's equity interest in Shanghai Industrial Pharmaceutical Investment Co., Ltd. ("SI Pharmaceutical"), a subsidiary of the Company listed on the A Shares Market of the Shanghai Stock Exchange, was 43.62% (31.12.2008: 43.62%).

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Critical Judgments in Applying the Group's Accounting Policies (Continued)

Consolidation of a Subsidiary (Continued)

The directors of the Company are of the opinion that the Group still retains control over SI Pharmaceutical subsequent to the share reform in 2006 as the remaining 56.38% shareholding of SI Pharmaceutical is dispersed and it is highly unlikely for the other shareholders to organise their interests to exercise control over the board of SI Pharmaceutical. Hence, the directors of the Company consider that control over SI Pharmaceutical still exists through the right to appoint or remove the majority of the members of the board of directors of SI Pharmaceutical. Accordingly, SI Pharmaceutical continues to be accounted for as a subsidiary of the Company and the results and assets and liabilities of SI Pharmaceutical were consolidated in the consolidated financial statements.

Equity Accounting for an Associate

The directors of the Company were of the opinion that the Group could exercise significant influence over the financial and operating policy decisions of Semiconductor Manufacturing International Corporation ("SMIC") through the Group's ability to appoint a board representative at 31st December 2008. Accordingly, SMIC was classified as an associate and accounted for under the equity method as from 31st December 2008. Details of the classification are set out in note 9.

SMIC was disposed of through the disposal of a subsidiary, S.I. Technology Production Holdings Limited ("S.I. Technology"), in September 2009. Details of the transaction are set out in note 42.

Held-to-maturity Investments

The directors of the Company have reviewed the Group's held-to-maturity investments in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity investments is approximately HK$28 million as at 31st December 2009 (31.12.2008: HK$143 million).

Details of these assets are set out in note 27.

Reclassification of Financial Assets

Due to the turmoil in the world's financial market in the third quarter of 2008, the directors of the Company had reviewed the Group's investment strategy. After taking into account the Group's liquidity position, the directors of the Company considered that the financial turmoil during the third quarter of 2008 was a rare circumstance. The directors confirmed that certain held-for-trading securities and debentures of approximately HK$304 million and HK$143 million, respectively, were no longer held for short-term profit taking. Such investments had been reclassified as available-for-sale financial assets and held-to-maturity investments in July 2008.

Details and the financial impact of the above reclassifications are set out in note 57(b).

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Key Sources of Estimation Uncertainty

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

Amortisation of Toll Road Operating Rights

Toll road operating rights amounting to approximately HK$9,468 million as at 31st December 2009 (31.12.2008: HK$9,681 million) is amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the operating period of the toll road. If the actual traffic volume differs from the original projection, such difference will impact the amortisation for the remaining period to be amortised.

Allowance for Properties under Development and Properties Held for Sale

Management regularly reviews the recoverability of the Group's properties under development and properties held for sale with reference to the current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. Appropriate allowance for properties under development and properties held for sale is made if the estimated recoverable amount is lower than its carrying amount. As at 31st December 2009, the aggregate carrying amount of properties under development and properties held for sale is approximately HK$16,394 million (31.12.2008: HK$12,468 million).

Estimated Fair Value of Financial Asset Designated at FVTPL

The fair value of a financial asset designated at FVTPL obtained under the Transaction is estimated using a discounted future cash flows analysis. The discounted future cash flows analysis requires the Group to estimate the credit rating and apply a suitable discount rate to calculate the fair value. As at 31st December 2009, the fair value of the financial asset was estimated at HK$2,680,600,000. Details of the Transaction are disclosed in note 27.

6. Revenue

Revenue represents the aggregate of the net amounts received and receivable from third parties and an analysis of the Group's revenue for the year from continuing operations is as follows:

	2009 HK$'000	2008 HK$'000
Sales of goods	**3,790,289**	3,551,309
Sales of properties and rental income	**2,099,098**	2,637,921
Income from infrastructure facilities	**818,509**	938,802
Income from hotel operation	**209,989**	324,073
	6,917,885	7,452,105

7. Net Investment Income

	2009 HK$'000	2008 HK$'000
Continuing operations		
Interest on bank deposits	**73,939**	133,082
Interest on financial assets at FVTPL	**11,421**	81,069
Other interest income	**167,845**	116,910
Total interest income	**253,205**	331,061
(Loss) gain on disposal of available-for-sale investments	**(10,168)**	83,391
Dividend income from unlisted equity investments	**9,270**	—
Dividend income from listed equity investments	**1,131**	6,631
Change in fair value of financial assets designated as at FVTPL	**422,725**	(30,743)
Change in fair value of financial assets classified as held-for-trading	**84,755**	(159,362)
Rental income from property, plant and equipment	**296**	332
Contracted income from available-for-sale investments	**2,110**	4,879
	763,324	236,189

Investment income earned on financial assets, analysed by category of asset, is as follows:

	2009 HK$'000	2008 HK$'000
Continuing operations		
Available-for-sale financial assets	**1,212**	88,270
Loans and receivables (including cash and bank balances)	**239,780**	249,992
Financial assets at FVTPL	**520,032**	(102,405)
Held-to-maturity financial assets	**2,004**	—
	763,028	235,857
Investment income earned on non-financial assets	**296**	332
	763,324	236,189

Included above is gain from listed investments (other than impairment loss) of HK$87,890,000 (2008: loss of HK$152,731,000) and income from unlisted investments of HK$435,358,000 (2008: HK$138,596,000).

8. Finance Costs

	2009 HK$'000	2008 HK$'000
Continuing operations		
Interest on bank and other borrowings		
– wholly repayable within five years	**325,237**	297,305
– not wholly repayable within five years	**120,893**	154,278
	446,130	451,583
Less: amounts capitalised in		
– construction in progress	**(37,235)**	—
– properties under development held for sale	**(170,497)**	(150,914)
	238,398	300,669

Borrowing costs capitalised during the year arose on specific borrowings on qualifying assets.

9. Discount on Acquisition of Interests in Associates/Impairment Loss Recognised in Respect of Available-For-Sale Investments

	2009 HK$'000	2008 HK$'000
Impairment loss recognised in respect of the following available-for-sale investments:		
SMIC (note)	**—**	1,463,040
Others	**—**	64,348
	—	1,527,388
Discount on acquisition in respect of the following interests in associates:		
SMIC (note)	**—**	1,410,170
Other	**—**	52
	—	1,410,222

Note:

In May 2008, the Group reclassified its investment in SMIC from interests in associates to available-for-sale investments as the Group ceased to have significant influence over SMIC. The carrying amount of the investment in SMIC at that date of approximately HK$2,116 million was reclassified to available-for-sale investments and subsequently measured at fair value. The change in fair value of the investment in SMIC of approximately HK$1,463 million was recognised in the investment revaluation reserve.

In December 2008, the Group increased its shareholdings in SMIC to 8.21% and with SIIC vesting its 1.88% voting rights of SMIC to the Group, the directors concluded that the Group from then on was in a position to exercise significant influence over the financial reporting and operating policies decision of SMIC. On the date when the above significant influence was gained, management assessed the fair value of the identifiable assets, liabilities and contingent liabilities of SMIC. For certain property, plant and equipment, the fair values were estimated by reference to professional valuation reports prepared by independent qualified professional valuers not connected to the Group using comparable market values. The fair value of the identifiable assets, liabilities and contingent liabilities of SMIC attributable to the Group exceeded the cost of investment and accordingly, a discount on acquisition of approximately HK$1,410 million was recognised to the consolidated income statement for the year ended 31st December 2008.

In September 2009, SMIC was disposed of through the disposal of S.I. Technology. Details of the transaction are set out in note 42.

10. NET GAIN ON DISPOSAL OF INTERESTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	2009 HK$'000	2008 HK$'000
Continuing operations		
(Loss) gain on disposal of interests in subsidiaries (note 42)	(230,171)	331,977
Gain on disposal of interests in associates (note)	1,216,326	—
Gain (loss) on deemed disposal of interests in associates	2,209	(2,571)
(Loss) gain on disposal of interests in jointly controlled entities	(188)	218,599
	988,176	548,005

Note: Included in the balance is gain on disposal of a listed associate, 光明乳業股份有限公司 (Bright Dairy and Food Co., Ltd.) ("Bright Dairy") amounted to HK$1,210,666,000 in total. In June 2009, 5% equity interest of Bright Dairy was disposed of through the A Shares Market of the Shanghai Stock Exchange at a consideration of HK$390,087,000. In December 2009, the group's remaining 30.176% equity interest in Bright Dairy was disposal of to an independent third party for a consideration of HK$1,755,820,000.

11. Income Tax Expense

	2009 HK$'000	2008 HK$'000
Continuing operations		
Current tax		
– Hong Kong	75,563	88,607
– PRC Land appreciation tax ("PRC LAT")	251,243	46,917
– PRC Enterprise income tax (including PRC withholding tax of HK$41,526,000 (2008: Nil))	764,562	302,773
	1,091,368	438,297
Overprovision in prior years		
– Hong Kong	(1,015)	(5,605)
– PRC Enterprise income tax	(1,028)	(1,091)
	(2,043)	(6,696)
Deferred taxation (note 39)		
– Current year	9,671	(7,178)
– Attributable to a change in tax rate	—	(4,272)
	9,671	(11,450)
	1,098,996	420,151

11. Income Tax Expense (Continued)

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January 2008 onwards. For companies that were qualified under old law or regulations for incentive tax rate of 15%, the tax rate will progressively increase to 18%, 20%, 22%, 24% and 25% in year 2008, 2009, 2010, 2011 and 2012, respectively. For companies that were still entitled to certain exemption and reliefs ("Tax Benefit") from PRC income tax, the EIT Law allowed the companies to continue to enjoy the Tax Benefit and afterwards change the tax rate to 25%.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights and property development expenditures.

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

	2009 HK$'000	2008 HK$'000
Profit before taxation (from continuing operations)	**3,815,115**	2,683,795
Tax at PRC Statutory Tax rate of 25%	**953,779**	670,949
Tax effect of share of results of jointly controlled entities and associates	**28,056**	22,865
Tax effect of expenses not deductible for tax purpose	**182,638**	367,306
Tax effect of income not taxable for tax purpose	**(193,300)**	(627,477)
Overprovision in respect of prior years	**(2,043)**	(6,696)
Tax effect of tax losses not recognised as deferred tax assets	**4,747**	6,908
Utilisation of tax losses previously not recognised as deferred tax assets	**(48)**	(5,805)
Effect of Tax Benefit granted to PRC subsidiaries	**(89,120)**	(102,050)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(34,543)**	(31,941)
Effect of change in tax rate for deferred taxation	**—**	(6,030)
PRC LAT	**251,243**	46,917
Deferred tax (credit) charge on dividend withholding tax	**(2,390)**	85,219
Others	**(23)**	(14)
Income tax expense for the year (relating to continuing operations)	**1,098,996**	420,151

12. Discontinued Operations/Disposal Group Held for Sale/Assets Classified As Held for Sale

For the year ended 31st December 2009

On 15th October 2009, the Company, SIIC Shanghai (Holdings) Co., Ltd. ("SIIC Shanghai"), a wholly-owned subsidiary of SIIC, and Shanghai Pharmaceutical Co., Ltd. ("Shanghai Pharmaceutical"), a subsidiary of SIIC listed on the A Shares Market of the Shanghai Stock Exchange, entered into a share issue and asset acquisition agreement, under which (1) SIIC Shanghai shall subscribe for 169,028,200 A shares in Shanghai Pharmaceutical at RMB11.83 per share, and (2) the entire equity interest in a subsidiary, SIIC Medical Science and Technology (Group) Limited ("SIIC MedTech"), a 70.41% equity interest in a subsidiary, Mergen Biotech Limited ("Mergen Biotech"), and a 9.28% equity interest in an available-for-sale investment, Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd., (collectively referred to as "Subject Equity Interests") shall be transferred by subsidiaries of the Company to Shanghai Pharmaceutical at a consideration of RMB1,999,604,000 (equivalent to approximately HK$2.27 billion).

On the same day, SI Pharmaceutical entered into a share swap merger agreement with Shanghai Pharmaceutical and Zhongxi Pharmaceutical Co., Ltd. ("Zhongxi Pharmaceutical"), a subsidiary of SIIC listed on the A Shares Market of the Shanghai Stock Exchange, pursuant to which SI Pharmaceutical and Zhongxi Pharmaceutical shall merge with Shanghai Pharmaceutical by way of share swap (the "Absorption Merger"). Shanghai Pharmaceutical shall issue new A shares and offer a cash option alternative to the existing shareholders of SI Pharmaceutical and Zhongxi Pharmaceutical. Upon completion of the Absorption Merger, Shanghai Pharmaceutical shall be the surviving entity, and SI Pharmaceutical and Zhongxi Pharmaceutical shall be de-registered. The Company has undertaken to procure Shanghai Industrial YKB Limited ("Shanghai YKB"), a subsidiary of the Company and the immediate holding company of SI Pharmaceutical to fully exercise the cash option in respect of all its shares held in SI Pharmaceutical under the Absorption Merger. Upon completion of the Absorption Merger, the Group will not hold any equity interest in Shanghai Pharmaceutical.

The Subject Equity Interests and SI Pharmaceutical (collectively the "Disposed Business") carried out the Group's operations in medicine business segment. The disposal is effected to realign the Group's business focus and resources in other businesses and is in line with the Group's business strategy, and was completed in February 2010. The assets and liabilities attributable to the Disposed Business have been classified as a disposal group held for sale as at 31st December 2009 and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

Details of above transactions are set out in an announcement of the Company dated 15th October 2009.

12. Discontinued Operations/Disposal Group Held for Sale/Assets Classified As Held for Sale (Continued)

For the year ended 31st December 2009 (Continued)

The results of the Disposed Business for the year were as follows:

	2009 **HK$'000**	2008 HK$'000
Revenue	**5,844,309**	5,280,547
Cost of sales	**(3,453,912)**	(3,078,944)
Gross profit	**2,390,397**	2,201,603
Net investment income	**41,791**	48,296
Other income	**72,130**	71,732
Selling and distribution costs	**(1,157,344)**	(985,122)
Administrative expenses	**(602,860)**	(665,808)
Finance costs	**(15,954)**	(21,555)
Share of results of jointly controlled entities	**35,093**	49,625
Share of results of associates	**7,008**	408
Gain on disposal of interest in a subsidiary	**382,966**	—
Gain on disposal of interest in a jointly controlled entity	**—**	8,613
Impairment loss recognised in respect of goodwill relating to a subsidiary	**(17,759)**	—
Profit before taxation	**1,135,468**	707,792
Income tax expense	**(130,291)**	(113,670)
Profit for the year from discontinued operations	**1,005,177**	594,122
Attributable to		
– Owners of the Company	**638,838**	264,285
– Minority interests	**366,339**	329,837
	1,005,177	594,122

12. Discontinued Operations/Disposal Group Held for Sale/Assets Classified As Held for Sale (Continued)

For the year ended 31st December 2009 (Continued)

Profit for the year from discontinued operations has been arrived at after charging (crediting):

	2009 HK$'000	2008 HK$'000
Employee benefits expense for the year, including directors' emoluments:		
Basic salaries and allowances	557,653	537,294
Bonuses	25,487	59,449
Retirement benefits scheme contributions	12,884	14,423
	596,024	611,166
Amortisation of other intangible assets (included in administrative expenses)	5,132	6,715
Depreciation of property, plant and equipment	84,456	151,804
Release of prepaid lease payments	14,881	15,076
Total depreciation and amortisation	104,469	173,595
Auditor's remuneration	2,117	2,642
Impairment loss on bad and doubtful debts	426	7,089
(Increase) decrease in fair value of investment properties	(3,407)	1,364
Loss on disposal of investment properties	16,205	8,830
Loss on disposal of property, plant and equipment	6,239	4,816
Operating lease rentals in respect of land and buildings	14,679	12,471
Research and developments costs	85,129	75,457
Share of PRC income tax of jointly controlled entities (included in share of results of jointly controlled entities)	8,001	7,059
Share of PRC income tax of associates (included in share of results of associates)	1,195	102
Net foreign exchange losses	104	7,102
Cost of inventories recognised as an expense	3,453,912	3,078,944

During the year, the Disposed Business contributed approximately HK$747 million (2008: HK$759 million) to the Group's net operating cash flows, generated approximately HK$365 million (2008: paid HK$162 million) in respect of investing activities and raised approximately HK$127 million (2008: HK$266 million) in respect of financing activities.

12. Discontinued Operations/Disposal Group Held for Sale/Assets Classified As Held for Sale (Continued)

For the year ended 31st December 2009 (Continued)

The major classes of assets and liabilities of the Disposed Business as at 31st December 2009, which have been presented separately in the consolidated statement of financial position, are as follows:

	2009 HK$'000
Investment properties	117,553
Property, plant and equipment	1,345,906
Prepaid lease payments	218,116
Other intangible assets	18,673
Goodwill	383,133
Interests in jointly controlled entities	38,034
Interests in associates	16,471
Investments	210,154
Loan receivables	2,895
Deferred tax assets	2,917
Inventories	749,434
Trade and other receivables	1,132,998
Pledged bank deposits	22,944
Short-term bank deposits	832,209
Bank balances and cash	2,004,732
Total assets classified as held for sale	7,096,169
Trade and other payables	1,411,829
Taxation payable	68,120
Bank and other borrowings	248,028
Deferred tax liabilities	6,272
Total liabilities associated with assets classified as held for sale	1,734,249

12. Discontinued Operations/Disposal Group Held for Sale/Assets Classified As Held for Sale (Continued)

For the year ended 31st December 2009 (Continued)

The investment properties are situated in the PRC and held under medium-term land use rights. Included in property, plant and equipment are properties of HK$29,720,000 erected on land held under medium-term land use rights in the PRC.

The carrying amount of the bank and other borrowings repayable:

	HK$'000
Within one year	184,889
More than one year but not more than two years	60,614
More than two years but not more than five years	2,064
Over five years	461
	248,028

As at 1st January 2008

In November 2007, the board of directors of Shanghai Urban Development (Holdings) Company Limited ("Shanghai Urban Development"), a 40% owned jointly controlled entity of the Group, resolved to dispose of its entire 45.67% equity interest in an associate, 上海家得利超市有限公司 (Shanghai Jiadeli Supermarket Co., Ltd.) ("Shanghai Jiadeli"). Shanghai Jiadeli is engaged in the supermarket business. Accordingly, Shanghai Urban Development's interest in Shanghai Jiadeli of HK$51,509,000 had been classified as assets held for sale and was presented separately in the statement of financial position of Shanghai Urban Development. Upon the acquisition of additional 19% equity interest in Shanghai Urban Development by the Group in December 2007, Shanghai Urban Development became a subsidiary of the Company and the carrying amount of interest in Shanghai Jiadeli was measured at fair value less costs to sell of HK$203,887,000 and presented as assets classified as held for sale on the Group's consolidated statement of financial position. The transaction was completed in June 2008.

13. Profit for the Year

	2009 HK$'000	2008 HK$'000
Continuing operations		
Profit for the year has been arrived at after charging (crediting):		
Employee benefits expense for the year, including directors' emoluments:		
Basic salaries and allowances	**335,262**	255,513
Bonuses	**26,552**	45,148
Equity-settled share-based payment expense	**—**	1,460
Retirement benefits scheme contributions, net of forfeited contributions of HK$2,051,000 (2008: HK$715,000)	**31,612**	24,337
	393,426	326,458
Amortisation of toll road operating rights (included in cost of sales)	**213,493**	208,653
Amortisation of other intangible assets (included in administrative expenses)	**1,189**	1,173
Depreciation of property, plant and equipment	**234,126**	215,659
Release of prepaid lease payments	**13,698**	13,475
Total depreciation and amortisation	**462,506**	438,960
Auditor's remuneration	**6,654**	6,587
Equity-settled share-based payment expense in respect of options granted to eligible participants other than employees	**—**	493
Impairment loss on bad and doubtful debts	**2,511**	12,017
Reversal of impairment loss on bad and doubtful debts (included in other income)	**(7,464)**	(36,450)
Increase in fair value of investment properties (included in other income)	**(220,809)**	(14,152)
Gain on disposal of investment properties (included in other income)	**(5,866)**	—
Gain on disposal of property, plant and equipment	**(855)**	(3,030)
Operating lease rentals in respect of land and buildings to		
– ultimate holding company	**1,289**	—
– fellow subsidiaries	**34,892**	33,676
– others	**41,676**	34,289
Research and development costs	**—**	3,120
Share of PRC income tax of jointly controlled entities (included in share of results of jointly controlled entities)	**12,247**	(15,969)
Share of PRC income tax of associates (included in share of results of associates)	**31,662**	(24,247)
Net foreign exchange gains	**(19,115)**	(165,125)
Cost of inventories recognised as an expense	**3,771,912**	4,681,768

14. Directors' Emoluments and Employees' Emoluments

Directors' Emoluments

The emoluments paid or payable to each of the thirteen (2008: twelve) directors were as follows:

	Teng Yi Long HK$'000	Cai Yu Tian HK$'000	Lu Ming Fang HK$'000	Zhou Jie HK$'000	Qian Shi Zheng HK$'000	Zhou Jun HK$'000 (note i)	Qian Yi HK$'000 (note ii)	Ding Zhong De HK$'000 (note iii)	Tang Jun HK$'000 (note iv)	Yao Fang HK$'000 (note v)	Lo Ka Shui HK$'000	Woo Chia-Wei HK$'000	Leung Pak To, Francis HK$'000	2009 HK$'000
Directors' fees and committee remuneration of independent non-executive directors	—	—	—	—	—	—	—	—	—	—	374	360	360	1,094
Other emoluments of executive directors:														
Directors' fee and committee remuneration	—	—	200	—	—	—	—	—	58	200	—	—	—	458
Basic salaries and allowances	3,103	2,251	524	1,847	1,797	1,277	249	1,577	—	—	—	—	—	12,625
Bonuses	2,000	1,900	—	900	800	569	111	689	—	—	—	—	—	6,969
Retirement benefits scheme contributions	174	132	125	110	106	61	5	106	—	—	—	—	—	819
Total directors' emoluments	5,277	4,283	849	2,857	2,703	1,907	365	2,372	58	200	374	360	360	21,965

	Teng Yi Long HK$'000 (note vi)	Cai Lai Xing HK$'000 (note vii)	Cai Yu Tian HK$'000	Lu Ming Fang HK$'000	Ding Zhong De HK$'000	Zhou Jie HK$'000	Qian Shi Zheng HK$'000	Yao Fang HK$'000	Tang Jun HK$'000	Lo Ka Shui HK$'000	Woo Chia-Wei HK$'000	Leung Pak To, Francis HK$'000	2008 HK$'000
Directors' fees and committee remuneration of independent non-executive directors	—	—	—	—	—	—	—	—	—	326	312	312	950
Other emoluments of executive directors:													
Directors' fee and committee remuneration	—	—	—	200	—	—	—	200	200	—	—	—	600
Basic salaries and allowances	1,518	1,276	2,251	513	1,831	1,847	1,797	1,002	—	—	—	—	12,035
Bonuses	979	823	1,900	—	800	900	800	125	—	—	—	—	6,327
Equity-settled share-based payment expense	—	11	463	8	356	6	5	—	5	—	—	—	854
Retirement benefits scheme contributions	130	109	193	89	157	158	154	42	—	—	—	—	1,032
Total directors' emoluments	2,627	2,219	4,807	810	3,144	2,911	2,756	1,369	205	326	312	312	21,798

Notes:

(i) Zhou Jun was appointed as a director of the Company on 15th April 2009.
(ii) Qian Yi was appointed as a director of the Company on 11th November 2009.
(iii) Ding Zhong De retired as a director of the Company on 11th November 2009.
(iv) Tang Jun resigned as a director of the Company on 15th April 2009.
(v) Yao Fang resigned as a director of the Company on 1st January 2010.
(vi) Teng Yi Long was appointed as a director of the Company on 30th May 2008.
(vii) Cai Lai Xing resigned as a director of the Company on 30th May 2008.

14. Directors' Emoluments and Employees' Emoluments (Continued)

Directors' Emoluments (Continued)

In the two years ended 31st December 2009, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any emoluments during the two years.

Bonuses were determined with reference to the Group's operating results, individual performance and comparable market statistics.

Employees' Emoluments

The five highest paid individuals of the Group for both years were all directors of the Company and details of their emoluments are set out above.

15. Dividends

	2009 HK$'000	2008 HK$'000
Dividends recognised as distribution during the year:		
2009 interim dividend of HK48 cents		
(2008: 2008 interim dividend of HK45 cents) per share	**518,287**	484,362
2008 final dividend of HK36 cents		
(2008: 2007 final dividend of HK43 cents) per share	**388,346**	462,431
	906,633	946,793

The final dividend of HK60 cents in respect of the year ended 31st December 2009 (2008: final dividend of HK36 cents in respect of the year ended 31st December 2008) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

16. Earnings Per Share

For Continuing and Discontinued Operations

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

	2009 HK$'000	2008 HK$'000
Earnings:		
Earnings for the purpose of basic earnings per share		
(profit for the year attributable to owners of the Company)	**2,860,128**	2,101,546
Effect of dilutive potential ordinary shares		
– adjustment to the share of results of a jointly controlled entity		
based on potential dilution of its earnings per share (note)	**(284)**	(865)
Earnings for the purpose of diluted earnings per share	**2,859,844**	2,100,681

16. Earnings Per Share (Continued)

For Continuing and Discontinued Operations (Continued)

	2009	2008
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,078,637,764**	1,074,822,708
Effect of dilutive potential ordinary shares – share options	**779,832**	1,914,212
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,079,417,596**	1,076,736,920

For Continuing Operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	2009 HK$'000	2008 HK$'000
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company	**2,860,128**	2,101,546
Less: Profit for the year from discontinued operations attributable to owners of the Company	**(638,838)**	(264,285)
Earnings for the purpose of basic earnings per share from continuing operations	**2,221,290**	1,837,261
Effect of dilutive potential ordinary shares – adjustment to the share of results of a jointly controlled entity based on potential dilution of its earnings per share (note)	**(284)**	(865)
Earnings for the purpose of diluted earnings per share from continuing operations	**2,221,006**	1,836,396

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From Discontinued Operations

Basic earnings per share for the discontinued operations is HK$0.59 per share (2008: HK$0.25 per share) and diluted earnings per share for the discontinued operations is HK$0.59 per share (2008: HK$0.24 per share), based on the profit for the year from the discontinued operations attributable to owners of the Company of HK$638,838,000 (2008: HK$264,285,000) and the denominators detailed above for basic and diluted earnings per share.

Note: The dilutive impact on the share of results of a jointly controlled entity is effected from share options issued by the jointly controlled entity.

17. Investment Properties

	HK$'000
FAIR VALUE	
At 1st January 2008	540,268
Exchange adjustments	71,212
Transfer from property, plant and equipment	13,343
Transfer from properties under development held for sale	1,380,758
Disposals	(31,473)
Net increase in fair value recognised in profit or loss	12,788
At 31st December 2008	1,986,896
Transfer from property, plant and equipment	58,190
Disposals	(16,356)
Net increase in fair value recognised in profit or loss	224,216
Reclassified as held-for-sale	(117,553)
At 31st December 2009	2,135,393

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

The Group's investment properties are situated in the PRC and are held under medium-term land use rights.

The fair value of the Group's investment properties at 31st December 2009 and 2008 have been arrived at on the basis of a valuation carried out on that date by Messrs. Debenham Tie Leung Limited, an independent firm of qualified professional valuers not connected with the Group. Messrs. Debenham Tie Leung Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to the Valuation Standards on Properties of the Hong Kong Institute of Surveyors, was arrived at by reference to comparable sales transactions as available in the relevant market.

The property rental income earned by the Group from its investment properties (excluding those classified as a part of a disposal group), all of which are held for rental income under operating leases, amounted to HK$132,908,000 (2008: HK$115,822,000) with negligible direct operating expenses.

18. Property, Plant and Equipment

	Hotel property HK$'000	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST							
At 1st January 2008	482,636	932,547	524,230	157,590	2,873,083	915,869	5,885,955
Exchange adjustments	30,449	42,199	16,473	7,628	112,961	65,886	275,596
Acquired on acquisition of subsidiaries	—	5,691	265	267	9,802	—	16,025
Additions	—	10,116	57,209	23,939	99,168	1,674,063	1,864,495
Transfers/reclassifications	—	38,837	5,015	—	123,401	(2,178,719)	(2,011,466)
Attributable to disposal of subsidiaries	—	—	(1,946)	(1,321)	(15,481)	—	(18,748)
Disposals	(2,261)	(1,229)	(18,272)	(19,476)	(35,662)	—	(76,900)
At 31st December 2008	510,824	1,028,161	582,974	168,627	3,167,272	477,099	5,934,957
Acquired on acquisition of a subsidiary	—	2,584	124	814	2,632	—	6,154
Additions	—	2,373	29,678	22,287	83,017	2,208,935	2,346,290
Transfers/reclassifications	9,864	231,793	50,891	2,528	1,047,549	(1,450,602)	(107,977)
Reclassified as held-for-sale	—	(409,003)	(121,013)	(73,536)	(1,194,422)	(57,694)	(1,855,668)
Disposals	—	(24,672)	(19,055)	(19,516)	(93,435)	—	(156,678)
At 31st December 2009	520,688	831,236	523,599	101,204	3,012,613	1,177,738	6,167,078
DEPRECIATION AND AMORTISATION							
At 1st January 2008	120,679	178,634	340,969	76,236	1,111,371	—	1,827,889
Exchange adjustments	7,913	8,930	10,453	3,388	29,674	—	60,358
Provided for the year	22,515	40,785	71,461	24,249	208,453	—	367,463
Attributable to disposal of subsidiaries	—	—	(1,434)	(516)	(12,423)	—	(14,373)
Eliminated on disposals	(1,254)	—	(6,417)	(14,299)	(21,891)	—	(43,861)
At 31st December 2008	149,853	228,349	415,032	89,058	1,315,184	—	2,197,476
Provided for the year	22,749	43,680	38,185	22,243	191,725	—	318,582
Reclassified as held-for-sale	—	(111,882)	(72,346)	(41,572)	(283,962)	—	(509,762)
Eliminated on disposals	—	(1,442)	(17,872)	(15,775)	(64,183)	—	(99,272)
At 31st December 2009	172,602	158,705	362,999	53,954	1,158,764	—	1,907,024
CARRYING VALUES							
At 31st December 2009	348,086	672,531	160,600	47,250	1,853,849	1,177,738	4,260,054
At 31st December 2008	360,971	799,812	167,942	79,569	1,852,088	477,099	3,737,481
At 1st January 2008	361,957	753,913	183,261	81,354	1,761,712	915,869	4,058,066

At 31st December 2008, certain owner-occupied leasehold land and buildings amounting to HK$968,000 was included in property, plant and equipment, as in the opinion of the directors, allocation between the land and buildings elements could not be made reliably.

18. Property, Plant and Equipment (Continued)

At 31st December 2009, leasehold land and buildings included certain assets carried at cost of HK$3,550,000 (31.12.2008: HK$3,550,000) in aggregate with accumulated depreciation of HK$1,284,000 (31.12.2008: HK$1,187,000) in respect of assets rented out under operating leases. Depreciation charged in respect of those assets in the year amounted to HK$97,000 (2008: HK$96,000).

	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE COMPANY				
COST				
At 1st January 2008	2,803	24,904	8,855	36,562
Additions	—	154	356	510
Disposals	—	(56)	(412)	(468)
At 31st December 2008	2,803	25,002	8,799	36,604
Additions	—	296	541	837
Disposals	—	(24)	(1,917)	(1,941)
At 31st December 2009	2,803	25,274	7,423	35,500
DEPRECIATION				
At 1st January 2008	709	22,989	8,133	31,831
Provided for the year	112	737	717	1,566
Eliminated on disposals	—	(56)	(412)	(468)
At 31st December 2008	821	23,670	8,438	32,929
Provided for the year	112	669	223	1,004
Eliminated on disposals	—	(24)	(1,917)	(1,941)
At 31st December 2009	933	24,315	6,744	31,992
CARRYING VALUES				
At 31st December 2009	1,870	959	679	3,508
At 31st December 2008	1,982	1,332	361	3,675
At 1st January 2008	2,094	1,915	722	4,731

18. Property, Plant and Equipment (Continued)

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

Hotel property	Over the period of the lease term
Leasehold land and buildings	The shorter of 4%-5% or over the period of the lease term
Furniture, fixtures and equipment	10%-33[1]/[3]% or over the period of the lease in case of fixtures in rented premises
Motor vehicles	10%-30%
Plant and machinery	5%-20%

	THE GROUP			THE COMPANY		
	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000	**31.12.2009 HK$'000**	31.12.2008 HK$'000	1.1.2008 HK$'000
The carrying values of property interests comprises properties erected on land held under						
– medium-term leases in Macau	**939**	987	1,035	**—**	—	—
– medium-term leases in Hong Kong	**249,793**	258,316	266,839	**—**	—	—
– medium-term land use rights in the PRC	**769,885**	901,480	847,996	**1,870**	1,982	2,094
	1,020,617	1,160,783	1,115,870	**1,870**	1,982	2,094

19. Prepaid Lease Payments

	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
The Group's prepaid lease payments comprise:			
– medium-term leases in Hong Kong	**71,803**	73,686	44,100
– medium-term land use rights in the PRC	**351,585**	583,370	573,167
	423,388	657,056	617,267
Analysed for reporting purposes as:			
Current portion	**13,779**	28,580	36,719
Non-current portion	**409,609**	628,476	580,548
	423,388	657,056	617,267

20. Toll Road Operating Rights

	HK$'000
COST	
At 1st January 2008	7,706,125
Exchange adjustments	501,059
Transfer from construction in progress	1,974,519
At 31st December 2008 and 31st December 2009	10,181,703
AMORTISATION	
At 1st January 2008	271,635
Exchange adjustments	19,954
Charged for the year	208,653
At 31st December 2008	500,242
Charged for the year	213,493
At 31st December 2009	713,735
CARRYING VALUES	
At 31st December 2009	9,467,968
At 31st December 2008	9,681,461
At 1st January 2008	7,434,490

The toll road operating rights represent:

(a) the right to receive toll fees from vehicles using the Shanghai section of the Jing-Hu Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 25 years ending in 2028; and

(b) the right to receive toll fees from vehicles using the Shanghai section of the Hu-Kun Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 30 years ending in 2030.

The Group's right to operate the toll road is amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the period for which the Group is granted the rights to operate the toll roads.

21. Other Intangible Assets

	Patents	Premium on prepaid lease payments	Trademark	Total
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At 1st January 2008	54,457	66,123	54,487	175,067
Exchange adjustments	3,029	3,340	3,709	10,078
At 31st December 2008	57,486	69,463	58,196	185,145
Reclassified as held-for-sale	(57,486)	—	—	(57,486)
At 31st December 2009	—	69,463	58,196	127,659
AMORTISATION				
At 1st January 2008	24,879	4,859	—	29,738
Exchange adjustments	2,087	216	—	2,303
Charged for the year	6,715	1,173	—	7,888
At 31st December 2008	33,681	6,248	—	39,929
Charged for the year	5,132	1,189	—	6,321
Reclassified as held-for-sale	(38,813)	—	—	(38,813)
At 31st December 2009	—	7,437	—	7,437
CARRYING VALUES				
At 31st December 2009	—	62,026	58,196	120,222
At 31st December 2008	23,805	63,215	58,196	145,216
At 1st January 2008	29,578	61,264	54,487	145,329

Patents are held to produce pharmaceutical products for a period ranging from 5 to 10 years and are amortised on a straight line basis over useful lives ranging from 5 to 10 years. As at 31st December 2009, the Group's patents relating to the Disposed Business as mentioned in note 12 were reclassified as held-for-sale.

Premium on prepaid lease payments represents the premium on acquisition of prepaid lease payments which is to be amortised over the period of the lease of the related prepaid lease payments on a straight line basis.

The trademark has a legal life of 10 years from September 2001 to September 2011 but is renewable upon expiry. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

22. Goodwill

	2009 HK$'000	2008 HK$'000
COST		
At 1st January	565,981	555,908
Exchange adjustments	—	8,958
Arising on acquisition of additional interests in subsidiaries	13,923	1,115
Reclassified as held-for-sale	(566,181)	—
At 31st December	13,723	565,981
IMPAIRMENT		
At 1st January	165,289	164,174
Impairment loss recognised for the year	17,759	1,115
Reclassified as held-for-sale	(183,048)	—
At 31st December	—	165,289
CARRYING AMOUNTS		
At 31st December 2009		13,723
At 31st December 2008		400,692
At 1st January 2008		391,734

Particulars regarding impairment testing on goodwill are disclosed in note 23.

23. Impairment Testing on Goodwill With Indefinite Useful Lives

For the purpose of impairment testing, goodwill acquired in business combinations as set out in note 22 was allocated, at acquisition, to the individual cash-generating units that are expected to benefit from that business combination. The carrying amount of goodwill was allocated as follows:

	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Sale and manufacture of Chinese medicine and health food	—	277,574	277,574
Sale and manufacture of biomedicine	—	123,118	114,160
Sale of container board	13,723	—	—
	13,723	400,692	391,734

23. Impairment Testing on Goodwill With Indefinite Useful Lives (Continued)

The impairment loss recognised for the year ended 31st December 2009 and 2008 was attributable to the followings:

(a) During the year ended 31st December 2009, in view of the continuous operating losses incurred by an entity engaged in sale and manufacture of biomedicine, the Group has revised its cash flow forecasts and as a result, an impairment loss of HK$17,759,000 was recognised.

(b) During the year ended 31st December 2008, S.I. Hu-Hang Development Limited ("Hu-Hang") acquired from a third party 0.65% equity interest in Shanghai Luqiao Development Co., Ltd., a subsidiary of the Company, for a consideration of approximately HK$20 million which gave rise to a goodwill on acquisition of HK$1,115,000. According to the valuation on the toll road conducted by a PRC valuer, the directors of SIIC (before acquired by the Group from SIIC) were of the view that the goodwill had been impaired and accordingly, an impairment loss on such goodwill had been recognised in full.

Sale and Manufacture of Chinese Medicine and Health Food and Sale and Manufacture of Biomedicine

As at 31st December 2008, the recoverable amounts of these units were determined from value in use calculations. The key assumptions for the value in use calculations were those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during that year. Management estimated discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to these units. The growth rates were based on industry growth forecasts. Changes in selling prices and direct costs were based on past practices and expectations of future changes in the market.

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by management covering a five year period with a steady growth rate of 5% and extrapolated cash flows using a steady growth rate of 5%. The rate used to discount the forecast cash flows was 10%.

In the current year, an impairment test of these units has been carried out before they are classified as disposal group held-for-sale as set out in note 12. The recoverable amounts are determined by reference to their fair value less costs to sell. No additional impairment is required to be recognised except for an amount of HK$17,759,000 in relating to the entities which are engaged in sale and manufacture of biomedicine.

Sale of Container Board

The recoverable amount of this unit is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to budgeted sales and gross margin during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to this unit. Changes in budgeted sales and gross margin are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management covering a five year period with zero growth rate.

The rate used to discount the forecast cash flows is 5%.

24. Investments In Subsidiaries

	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Unlisted shares, at cost	**5,288,857**	5,288,857	4,476,268

Details of the Company's principal subsidiaries are set out in note 51.

25. Interests in Jointly Controlled Entities/Investment in A Jointly Controlled Entity

	THE GROUP			THE COMPANY		
	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000	**31.12.2009 HK$'000**	31.12.2008 HK$'000	1.1.2008 HK$'000
Cost of unlisted investments in jointly controlled entities	**547,586**	576,469	965,993	**—**	112,921	112,921
Share of post-acquisition profits and other comprehensive income, net of dividends received	**608,054**	667,198	655,072	**—**	—	—
	1,155,640	1,243,667	1,621,065	**—**	112,921	112,921
Less: Impairment loss recognised	**(91,173)**	(91,173)	(122,595)	**—**	(112,921)	(112,921)
	1,064,467	1,152,494	1,498,470	**—**	—	—
Interests in jointly controlled entities classified as held-for-sale	**(38,034)**	—	—	**—**	—	—
	1,026,433	1,152,494	1,498,470	**—**	—	—

25. Interests in Jointly Controlled Entities/Investment in A Jointly Controlled Entity (Continued)

At 31st December 2008, included in the cost of investment was goodwill of HK$17,146,000 arising on acquisition of interests in jointly controlled entities. The movement of goodwill is set out below:

	THE GROUP HK$'000
COST	
At 1st January 2008	115,937
Released upon disposal of jointly controlled entities	(31,422)
At 31st December 2008	84,515
Released upon disposal of a jointly controlled entity	(11,236)
Reclassified as held-for-sale	(17,704)
At 31st December 2009	55,575
IMPAIRMENT	
At 1st January 2008	98,791
Released upon disposal of jointly controlled entities	(31,422)
At 31st December 2008	67,369
Reclassified as held-for-sale	(11,794)
At 31st December 2009	55,575
CARRYING VALUES	
At 31st December 2009	—
At 31st December 2008	17,146
At 1st January 2008	17,146

The summarised financial information in respect of the Group's interests in jointly controlled entities which are accounted for using the equity method, including those classified as part of a disposal group held-for-sale, is set out below:

	THE GROUP	
	31.12.2009 HK$'000	31.12.2008 HK$'000
Group's share of the total assets of jointly controlled entities	**3,047,236**	3,194,357
Group's share of the total liabilities of jointly controlled entities	**(2,002,656)**	(2,067,249)
Group's share of net assets of jointly controlled entities	**1,044,580**	1,127,108
Income recognised in profit or loss	**926,594**	3,540,539
Profit for the year	**129,291**	243,457
Group's share of results of jointly controlled entities for the year	**78,645**	64,968

25. Interests in Jointly Controlled Entities/Investment in A Jointly Controlled Entity (Continued)

The Group has discontinued recognition of its share of losses of certain jointly controlled entities. The amounts of unrecognised share of losses of jointly controlled entities, both for the year and cumulatively, are as follows:

	THE GROUP	
	31.12.2009 HK$'000	31.12.2008 HK$'000
Unrecognised share of losses of jointly controlled entities for the year	**5,737**	6,573
Accumulated unrecognised share of losses of jointly controlled entities	**37,781**	32,044

Details of the Group's principal jointly controlled entities are set out in note 52.

26. Interests in Associates

	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Cost of investments in associates			
– Listed in Hong Kong	**—**	1,824,311	1,819,766
– Listed in the PRC	**—**	659,878	141,506
– Unlisted	**181,729**	198,136	257,898
Share of post-acquisition profits and other comprehensive income, net of dividends received	**142,895**	1,391,257	1,638,267
	324,624	4,073,582	3,857,437
Less: Impairment loss recognised	**(9,419)**	(28,793)	(28,793)
	315,205	4,044,789	3,828,644
Interest in an associate classified as held-for-sale	**(16,471)**	—	—
	298,734	4,044,789	3,828,644
Fair value of listed investments	**N/A**	2,365,032	5,085,923

26. Interests in Associates (Continued)

Included in the cost of investments is goodwill of HK$3,370,000 (31.12.2008: HK$267,490,000) arising on acquisition of interests in associates. The movement of goodwill is set out below:

	HK$'000
COST	
At 1st January 2008	22,694
Arising on acquisition of additional interests in associates	264,170
At 31st December 2008	286,864
Released upon disposal of associates	(283,494)
At 31st December 2009	3,370
IMPAIRMENT	
At 1st January 2008 and 31st December 2008	19,374
Released upon disposal of associates	(19,374)
At 31st December 2009	—
CARRYING VALUES	
At 31st December 2009	3,370
At 31st December 2008	267,490
At 1st January 2008	3,320

The summarised financial information in respect of the Group's associates, including those classified as part of a disposal group held-for-sale, is set out below:

	31.12.2009 HK$'000	31.12.2008 HK$'000
Total assets	**2,067,036**	55,514,935
Total liabilities	**(807,123)**	(26,870,406)
Net assets	**1,259,913**	28,644,529
Group's share of net assets of associates	**321,254**	3,786,717
Income recognised in profit or loss	**11,236,667**	43,848,176
Profit (loss) for the year	**39,926**	(2,990,927)
Group's share of results of associates for the year	**(148,768)**	(106,396)

Details of the Group's principal associates are set out in note 53.

27. Investments

	THE GROUP			THE COMPANY		
	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000	**31.12.2009 HK$'000**	31.12.2008 HK$'000	1.1.2008 HK$'000
Available-for-sale investments:						
Listed equity securities in						
– Hong Kong	**309,119**	151,125	60,685	**—**	—	—
– elsewhere	**83,728**	69,612	66,926	**—**	—	—
Unlisted equity securities in						
– Hong Kong	**5**	5	5	**—**	—	—
– elsewhere	**155,637**	337,907	315,126	**—**	—	—
	548,489	558,649	442,742	**—**	—	—
Held-to-maturity investments:						
– Debentures listed in Hong Kong with fixed interest of 3.39% and maturity dates on 16th January 2009 and 8th April 2009	**—**	117,173	—	**—**	—	—
– Debentures listed elsewhere with fixed interest of 2.5%, redeem at a premium of 21.31% and maturity date on 22nd February 2013	**27,629**	25,625	—	**—**	—	—
	27,629	142,798	—	**—**	—	—
Investments held-for-trading:						
Listed equity securities in						
– Hong Kong	**3,626**	—	122,474	**482**	—	—
– elsewhere	**12,748**	23,824	271,119	**—**	—	—
	16,374	23,824	393,593	**482**	—	—
Financial assets designated at FVTPL:						
– Listed convertible notes/ debentures	**142,385**	—	78,131	**—**	—	—
– Equity-linked notes	**—**	21,718	301,591	**—**	—	—
– Structured deposits	**—**	—	2,362,906	**—**	—	2,280,379
– Other (note)	**2,680,600**	—	—	**—**	—	—
	2,822,985	21,718	2,742,628	**—**	—	2,280,379
	3,415,477	746,989	3,578,963	**482**	—	2,280,379
Fair values of listed equity investments	**409,221**	244,561	521,204	**482**	—	—
Fair values of held-to-maturity investments	**28,163**	130,696	—	**—**	—	—
Analysed for reporting purposes as:						
Current	**158,759**	162,715	3,136,221	**482**	—	2,280,379
Non-current	**3,256,718**	584,274	442,742	**—**	—	—
	3,415,477	746,989	3,578,963	**482**	—	2,280,379

27. Investments (Continued)

At the end of the reporting period, all available-for-sale investments and financial assets at FVTPL are stated at their fair values, except for those unlisted equity investments of which their fair values cannot be measured reliably. The fair values are determined by reference to bid prices quoted in active markets, prices provided by the respective issuing banks or financial institutions using valuation techniques.

The above investments in unlisted equity securities are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The Group's unlisted equity securities at 31st December 2009 include HK$14,497,000 (31.12.2008: HK$14,497,000) investment in a company with a shareholding of 30% established in the PRC. This company is engaged in the manufacture and sale of paper products. Pursuant to an addendum to the joint venture agreement with the PRC joint venture partner, the Group has surrendered its economic interest in connection with the operation and management of this company in return for the receipt of contracted annual payment. At the end of the joint venture period, the Group is entitled to the distribution of all the remaining assets in accordance with its shareholding in the company. In the opinion of the directors, this company is not regarded as an associate of the Group as the Group cannot exercise significant influence on this company.

Note: On 11th June 2009, the Group entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Bright New Investments Limited (the "Seller"), a wholly-owned subsidiary of Glorious Properties Holdings Limited ("Glorious Properties"), a company which is newly listed on the Stock Exchange in October 2009, regarding the transfer of the entire equity interest in a subsidiary of Glorious Properties, Better Score Limited ("Better Score"), from the Seller to the Group at a total consideration of RMB2 billion (equivalent to approximately HK$2.27 billion) (the "Transaction").

Pursuant to the Transaction:

(i) certain property interests in a real estate project, namely Shanghai Bay (the "Properties"), will be transferred to 上海鵬暉置業有限公司 Shanghai Penghui Property Development Co. Ltd. ("Shanghai Penghui"), a wholly-owned subsidiary of Better Score. Better Score and its subsidiaries have no other business apart from the holding of the Properties;

(ii) a subsidiary of Glorious Properties, under the supervision of the board of directors of Shanghai Penghui, is engaged to manage the development, construction and sale of the Properties and operational matters of Shanghai Penghui;

(iii) the Group will be entitled to a fixed return from the Properties for each of the three years ending 31st December 2011;

(iv) each of the Group and the Seller has the obligation to exercise the non-cancellable option to sell and to acquire the legal and beneficial interests in the Properties to the Seller and from the Group, respectively on 1st December 2011 (or such other date the parties may mutually agree); and

(v) the Group is entitled to an additional security in the form of a pledge of other property interests in the Shanghai Bay project.

Details of the Transaction are also set out in the announcement of the Company dated 11th June 2009.

Upon completion of the Transaction in August 2009, the Group designated its investment in Better Score as financial asset at FVTPL based on the fact that the Group would manage the performance of all similar investments (i.e. secured investment arrangements with private real estate developers prior to their initial public offerings to earn fixed return over a fixed period of time) on a fair value basis in accordance with its established investment strategy.

The fair value of the investment as at 31st December 2009 has been calculated based on the present value of contractually determined stream of future cash flows discounted at an appropriate discount rate and remaining time to maturity.

28. Loan Receivables

	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Fixed-rate loan receivables	—	3,085	35,374
Analysed for reporting purposes as			
– Non-current portion (receivable after one year)	—	3,085	3,323
– Current portion (receivable within one year)	—	—	32,051
	—	3,085	35,374

The fixed-rate loan receivables represented an amount due from a minority shareholder of a subsidiary (the "MI shareholder"). The loan carried interest at a rate of 5.5% per annum and was secured by the MI shareholder's equity interest in that subsidiary.

At 31st December 2009, the amount was reclassified as held-for-sale.

29. Deposits Paid on Acquisition of Property, Plant and Equipment

The deposits were paid by the Group in connection with the acquisition of property, plant and equipment for the new production facilities and the widening work of the Shanghai section of the Hu-Kun Expressway (31.12.2008: Shanghai section of the Jing-Hu Expressway) and the related capital commitments are disclosed in note 44.

30. Restricted Bank Deposits

The restricted bank deposits represent deposits under restriction for use by the Group as a result of a commercial court case of a minority shareholder of a subsidiary and the bank deposits were frozen accordingly. The restricted bank deposits carry fixed interest at a rate of 0.36% (31.12.2008: 0.73%) per annum.

31. Inventories

	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Properties under development held for sale	12,903,753	10,615,083	12,206,454
Properties held for sale	3,490,354	1,852,418	524,630
Raw materials	849,184	965,482	842,195
Work in progress	24,462	191,180	193,390
Finished goods	211,504	577,938	429,309
Merchandise held for resale	8,337	151,079	167,816
	17,487,594	14,353,180	14,363,794

At 31st December 2009, included in inventories is an amount of HK$12,903,753,000 (31.12.2008: HK$10,615,083,000) properties under development held for sale which are not expected to be realised within one year.

32. Trade and Other Receivables

	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Trade receivables	**506,049**	1,752,287	1,145,950
Less: allowance for doubtful debts	**(11,732)**	(69,382)	(99,574)
	494,317	1,682,905	1,046,376
Other receivables (note)	**3,173,827**	2,467,687	1,309,178
Total trade and other receivables	**3,668,144**	4,150,592	2,355,554

Note: At 31st December 2009, included in other receivables is an amount of HK$199,918,000 (31.12.2008: HK$194,308,000) due from entities controlled by Xuhui District State Owned Asset Administrative Committee ("Xuhui SAAC"). The amount is unsecured, non-interest bearing and repayable on demand.

Included in other receivables at 31st December 2009 is consideration receivable of HK$880,289,000 (31.12.2008: Nil) on disposal of an associate, which has been fully settled in February 2010.

In addition, included in other receivables is an amount of HK$1,301,681,000 (31.12.2008: HK$1,206,077,000) advanced to the vendor of an investment project in the PRC. The amount is secured by the equity interests of the vendor held in the investment, interest-bearing at a fixed rate of 16% per annum and repayable in 2010.

The Group generally allows credit periods ranging from 30 days to 180 days to its trade customers, other than property buyers. For property sales, due to the nature of business, the Group generally grants no credit period to property buyers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period. The analysis includes those classified as part of a disposal group.

	31.12.2009 HK$'000	31.12.2008 HK$'000
Within 30 days	**612,144**	1,122,315
Within 31-60 days	**337,028**	243,795
Within 61-90 days	**154,450**	142,394
Within 91-180 days	**276,583**	114,355
Within 181-365 days	**36,337**	35,816
Over 365 days	**23,489**	24,230
	1,440,031	1,682,905

Included in the Group's trade receivables balance (including those classified as part of a disposal group) are debtors with an aggregate carrying amount of HK$61,683,000 (31.12.2008: HK$60,475,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Before accepting any new customer, the Group assesses the potential customer's credit quality by investigating their historical credit records and defines credit limits by customer. Credit sales are made to customers with good credit history and credit limits granted to customers are under regular review. Majority of the trade receivables that are neither past-due nor impair has no default payment history.

32. Trade and Other Receivables (Continued)

Ageing of trade receivables which are past due but not impaired

	31.12.2009 HK$'000	31.12.2008 HK$'000
31-60 days	1,085	265
61-90 days	738	58
91-180 days	34	106
181-365 days	36,337	35,816
Over 365 days	23,489	24,230
Total	61,683	60,475

For amounts which were past due at the end of the reporting period, the Group does not provide for these receivables as there has not been any significant change in credit quality and the amounts are still considered recoverable.

Movements in the allowance for doubtful debts

	2009 HK$'000	2008 HK$'000
Balance at beginning of the year	69,382	99,574
Impairment losses recognised on receivables	2,937	19,106
Amounts written off as uncollectible	(8,299)	(12,848)
Amounts recovered during the year	(7,464)	(36,450)
Reclassified as held-for-sale	(44,824)	—
Balance at end of the year	11,732	69,382

33. Pledged Bank Deposits, Short-Term Bank Deposits and Bank Balances and Cash

THE GROUP

Pledged bank deposits with maturity of less than six months represent deposits pledged to banks to secure general banking facilities granted to the Group and an associate. Deposits amounting to HK$911,828,000 (31.12.2008: HK$800,541,000) have been pledged to secure general banking facilities and are therefore classified as current assets. The pledged bank deposits carry interest at fixed interest rates ranging from 0.40% to 2.25% (31.12.2008: 0.72% to 4.14%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Short-term bank deposits with maturity of more than three months carry interest at market rates, ranging from 1.10% to 1.98% (31.12.2008: 1.45% to 5.30%) per annum.

Bank balances with maturity of less than three months carry interest at market rates, ranging from 0.001% to 1.35% (31.12.2008: 0.01% to 4.80%) per annum.

33. Pledged Bank Deposits, Short-Term Bank Deposits and Bank Balances and Cash (Continued)

THE GROUP (Continued)

The amount of the Group's pledged bank deposits, short-term bank deposits and bank balances and cash denominated in currencies other than the functional currency of the relevant group entities are set out below:

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Renminbi	**1,154**	1,771
United States dollar	**2,111,977**	2,752,078
Hong Kong dollar	**1,813**	324

THE COMPANY

At 31st December 2008, short-term bank deposits with maturity of more than three months carried interest at market rates, ranging from 2.60% to 5.30% per annum. Bank balances with maturity of less than three months carry interest at market rates, ranging from 0.001% to 0.48% (31.12.2008: 0.01% to 0.50%) per annum.

Included in the short-term bank deposits and bank balances are amounts of HK$1,235,778,000 (31.12.2008: HK$1,060,664,000) denominated in the United States dollar.

34. Trade and Other Payables

	31.12.2009 HK$'000	31.12.2008 HK$'000 (restated)	1.1.2008 HK$'000
Trade payables	**1,432,929**	1,744,506	1,138,582
Customers deposits from sales of properties	**3,299,299**	299,140	1,497,244
Consideration payables (note i)	**—**	2,773,156	560,581
Other payables (note ii)	**2,946,927**	2,528,916	5,726,680
Total trade and other payables	**7,679,155**	7,345,718	8,923,087

Notes:

(i) Consideration payables as at 31st December 2008 represented the amounts payable to South Pacific and SIIC CM for the 2008 Acquisition as defined and disclosed in note 41A(b). The amounts were fully settled during the year.

(ii) Included in other payables as at 31st December 2009 is an amount of HK$663,951,000 (31.12.2008: HK$603,568,000) due to Xuhui SAAC and entities controlled by Xuhui SAAC by Shanghai Urban Development, a subsidiary of the Company. The amounts are unsecured, non-interest bearing and repayable on demand.

In addition, included in other payables as at 31st December 2009 is an amount of HK$1,279,427,000 (31.12.2008: Nil) due to a fellow subsidiary. The amount is unsecured, interest bearing at 5.31% per annum and repayable in 2010.

Included in other payables as at 31st December 2008 was an amount of HK$68,362,000 due to SIIC. The amount was unsecured, non-interest bearing and fully settled during the year.

34. Trade and Other Payables (Continued)

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period. The analysis includes those classified as part of a disposal group.

	31.12.2009 HK$'000	31.12.2008 HK$'000
Within 30 days	**1,097,378**	1,200,732
Within 31-60 days	**187,280**	281,451
Within 61-90 days	**149,741**	102,587
Within 91-180 days	**357,924**	41,530
Within 181-365 days	**106,158**	93,429
Over 365 days	**206,592**	24,777
	2,105,073	1,744,506

35. Bank and Other Borrowings

	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Bank loans	**13,279,012**	8,997,173	6,023,116
Other loans	**348,712**	656,921	18,130
	13,627,724	9,654,094	6,041,246
Analysed as:			
Secured	**4,353,513**	3,897,024	2,897,511
Unsecured	**9,274,211**	5,757,070	3,143,735
	13,627,724	9,654,094	6,041,246

	31.12.2009 HK$'000	31.12.2008 HK$'000
Carrying amount repayable:		
Within one year	**3,490,737**	3,824,193
More than one year but not more than two years	**7,108,998**	1,192,217
More than two years but not more than five years	**1,846,708**	3,163,180
Over five years	**1,181,281**	1,474,504
	13,627,724	9,654,094
Less: Amounts due within one year shown under current liabilities	**(3,490,737)**	(3,824,193)
	10,136,987	5,829,901

35. Bank and Other Borrowings (Continued)

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	31.12.2009 HK$'000	31.12.2008 HK$'000
Fixed-rate borrowings:		
Within one year	**334,053**	873,246
More than one year but not more than two years	**101,090**	655,961
More than two years but not more than three years	—	816,865
More than three years but not more than four years	—	233,039
More than four years but not more than five years	—	233,175
Over five years	—	219,813
	435,143	3,032,099

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	31.12.2009	31.12.2008
Effective interest rate:		
Fixed-rate borrowings	**4.78% to 6.90%**	2.40% to 10.46%
Variable-rate borrowings	**0.38% to 7.92%**	1.41% to 8.96%

Included in the bank borrowings is an amount of HK$5,870 million (31.12.2008: HK$1,800 million) drawn under syndicated loan facilities of HK$5,870 million (31.12.2008: HK$3,000 million) obtained by the Group in 2006 and 2009. Transaction costs directly attributable to such bank borrowings amounted to approximately HK$48.9 million (31.12.2008: HK$10.5 million) and were deducted from the fair values of the bank borrowings on initial recognition. At 31st December 2009, the carrying value of such bank borrowings amounted to approximately HK$5,842 million (31.12.2008: HK$1,794 million).

As at 31st December 2009, the Group has entered into interest rate swaps to hedge against its cash flow interest rate risk of its variable-rate borrowings. The fair value of the interest rate swaps was HK$15,013,000 as at 31st December 2009 and included in other payables.

36. Share Capital

	Number of ordinary shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
– at 1st January 2008, 31st December 2008 and 31st December 2009	2,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
– balance at 1st January 2008	1,071,261,000	107,126
– exercise of share options	5,174,000	518
– balance at 31st December 2008	1,076,435,000	107,644
– exercise of share options	3,330,000	333
– balance at 31st December 2009	1,079,765,000	107,977

During the year ended 31st December 2009, the Company issued 3,330,000 shares (2008: 5,174,000 shares) to the option holders who exercised their share options under the SIHL Scheme (defined in note 37). These new shares rank pari passu in all respects with other shares in issue.

37. Share-Based Payment Transactions

Details of the equity-settled share option schemes adopted by members of the Group are as follows:

(a) SIHL Scheme

The Company has, in accordance with Chapter 17 of the Listing Rules, adopted a share option scheme (the "SIHL Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 31st May 2002. The SIHL Scheme shall be valid and effective for a period of 10 years commencing the date of adoption of the scheme, after which period no further share options will be granted. The SIHL Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants and for such other purposes as the board of directors (the "Board") may approve from time to time.

According to the SIHL Scheme, the Board of the Company may grant options to any director or employee of each member of the Group (including a company in which (i) the Company is directly or indirectly interested in less than 20% of the issued share capital or equity interest or voting rights of such company but is the largest shareholder or the holder of the largest voting rights of such company; or (ii) in the opinion of the Board of the Company, the Company is able to exercise significant influence to such company); and any executive or employee of any business consultant, professional and other advisers in each member of the Group who have rendered service or will render service to the Group, to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. Share options granted should be accepted within 30 days from the date of grant.

37. Share-Based Payment Transactions (Continued)

(a) SIHL Scheme (Continued)

The Board of the Company may at its absolute discretion, determine and notify each grantee the period during which a share option may be exercised, such period should expire not later than 10 years from the date of grant of the share options. Subject to the provisions of the SIHL Scheme, the Board of the Company may at its discretion when offering the grant of a share option impose any conditions, restrictions or limitations in relation thereto as it may think fit.

The subscription price for shares in the Company shall be a price solely determined by the Board of the Company and notified to an eligible participant, and shall be at least the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the SIHL Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the SIHL Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SIHL Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant under the SIHL Scheme and any other option schemes (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue unless approved by the shareholders of the Company.

The number of shares available for issue, save for those granted but yet to be exercised, under the SIHL Scheme totalled 49,717,000 shares, which represented 4.6% (2008: 4.6%) of the issued share capital of the Company as at the date of this Annual Report.

The following table discloses details of the Company's options under the SIHL Scheme held by the Group's employees and other eligible participants and movements in such holdings during the year:

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2008	Exercised during the year	Outstanding at 31.12.2008	Exercised during the year	Expired during the year	Outstanding at 31.12.2009
September 2005	14.89	5,144,000	(3,644,000)	1,500,000	(1,330,000)	(170,000)	—
May 2006	17.10	3,530,000	(1,530,000)	2,000,000	(2,000,000)	—	—
		8,674,000	(5,174,000)	3,500,000	(3,330,000)	(170,000)	—
Exercisable at the end of the year				3,500,000			—

37. Share-Based Payment Transactions (Continued)

(a) SIHL Scheme (Continued)

Details of the share options held by the directors of the Company included in the above table are as follows:

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2009	Reclassified during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2009
September 2005	14.89	1,120,000	—	(1,100,000)	(20,000)	—
May 2006	17.10	920,000	360,000	(1,280,000)	—	—
		2,040,000	360,000	(2,380,000)	(20,000)	—

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2008	Reclassified during the year	Exercised during the year	Outstanding at 31.12.2008
September 2005	14.89	1,920,000	(800,000)	—	1,120,000
May 2006	17.10	1,640,000	—	(720,000)	920,000
		3,560,000	(800,000)	(720,000)	2,040,000

Share options granted in September 2005 under the SIHL Scheme are vested during the period from 2nd March 2006 to 1st March 2009 in three batches, being:

- 2nd March 2006 to 1st March 2007 (up to 30% of the share options granted are exercisable)
- 2nd March 2007 to 1st March 2008 (up to 60% of the share options granted are exercisable)
- 2nd March 2008 to 1st March 2009 (all share options granted are exercisable)

Share options granted in May 2006 under the SIHL Scheme are vested during the period from 2nd November 2006 to 1st November 2009 in three batches, being:

- 2nd November 2006 to 1st November 2007 (up to 30% of the share options granted are exercisable)
- 2nd November 2007 to 1st November 2008 (up to 60% of the share options granted are exercisable)
- 2nd November 2008 to 1st November 2009 (all share options granted are exercisable)

During the year, the weighted average closing price immediately before the dates on which the share options under the SIHL Scheme were exercised was HK$27.05 (2008: HK$28.77).

Total consideration received for shares issued upon exercise of share options under the SIHL Scheme during the year was HK$54,004,000 (2008: HK$80,422,000).

37. Share-Based Payment Transactions (Continued)

(a) SIHL Scheme (Continued)

No options were granted under the SIHL Scheme for the year. As at 31st December 2009, all outstanding options granted under the SIHL Scheme expired.

The Group recognized an expense of HK$1,953,000 for the year ended 31st December 2008 in relation to the share options granted by the Company, in which HK$1,460,000 was related to options granted to the Group's employees and shown as staff costs, and the remaining balance represented share options expense for eligible participants other than employees.

(b) Mergen Biotech Scheme

A subsidiary of the Company, Mergen Biotech Ltd. ("Mergen Biotech"), adopted a share option scheme (the "Mergen Biotech Scheme") on 28th May 2004 for the primary purpose of providing incentives to eligible participants to contribute to Mergen Biotech and to enable Mergen Biotech to recruit and attract high-calibre employees and attract human resources that are valuable to Mergen Biotech and its subsidiaries (the "Mergen Group"), and the scheme will remain valid for a period of 10 years commencing the date of its adoption.

Under the Mergen Biotech Scheme, the board of directors of Mergen Biotech (the "Mergen Board") can grant options to eligible participants, including any director, management, employee (whether full-time or part-time) or business consultant and professional adviser of the Mergen Group, to subscribe for shares in Mergen Biotech for a consideration of HK$1 for each lot of share options granted. Options granted have to be accepted within 30 days from the date of grant.

An option may be exercised in accordance with the terms of the Mergen Biotech Scheme at any time during a period to be notified by the Mergen Board to each grantee, such period shall not be more than 10 years from the date upon which the grant of a share option is made to a participant in accordance with the Mergen Biotech Scheme but subject to the provisions for early termination contained therein. Subject to the provisions of the Mergen Biotech Scheme, the Mergen Board may at its discretion when offering the grant of a share option imposed any conditions, restrictions or limitations in relation thereto as it may think fit.

The subscription price of the share options shall be determined by the Mergen Board with reference to the unaudited net asset per share of Mergen Biotech (the "Mergen Share") as at 31st December 2003 and shall not be less than US$8.22 (or its equivalent in HK$) per Mergen Share. The subscription price of options granted after the Company has contemplated a separate listing of Mergen Biotech on the Main Board or the Growth Enterprise Market ("GEM") of the Stock Exchange or any overseas stock exchange and up to the date of listing of the Mergen Shares shall not be lower than the new issue price of the Mergen Shares on listing. Without prejudice to the foregoing, any options granted during the period commencing 6 months before the lodgment of Form A1 (or its equivalent for listing on GEM or any overseas exchange) are subject to the above requirement. The subscription price of any options granted during such period shall be adjusted at the absolute discretion of the Mergen Board to a price not lower than the new issue price of the Mergen Shares on listing.

37. Share-Based Payment Transactions (Continued)

(b) Mergen Biotech Scheme

The maximum number of Mergen Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Mergen Biotech Scheme and other share option schemes of Mergen Biotech shall not exceed 10% of the total number of Mergen Shares in issue from time to time. The Mergen Board will have the right to grant to the eligible participants options to subscribe for Mergen Shares, which when aggregated with any securities to be granted subject to any other share option schemes of Mergen Biotech shall not in aggregate exceed 10% of the total number of Mergen Shares in issue as at the date of approval of the Mergen Biotech Scheme. No eligible participants under the Mergen Biotech Scheme shall be granted an option which, if exercised, would result in the aggregate number of Mergen Shares issued and to be issued upon exercise of all options granted and to be granted to such participant, in any 12-month period (including exercised, cancelled and outstanding options), would exceed 1% of the Mergen Shares in issue unless approved by the shareholders of the Company.

The following table discloses details of the options under the Mergen Biotech Scheme during the year:

Month of grant	Exercise price per share	Outstanding at 1.1.2008	Lapsed during the year	Outstanding at 31.12.2008	Lapsed during the year	Outstanding at 31.12.2009
December 2004	US$8.22	63,400	(49,700)	13,700	(8,300)	5,400
Exercisable at end of the year				13,700		5,400

During the year, no options were granted or exercised under the Mergen Biotech Scheme.

The number of shares available for issue, save for those granted but yet to be exercised, under the Mergen Biotech Scheme totalled 14,600 Mergen Shares which represented 1.87% (2008: 1.87%) of the issued share capital of Mergen Biotech as at the date of this Annual Report.

Pursuant to the offer letter issued by Mergen Biotech on 31st December 2004, 55% of the share options granted are exercisable since 30th June 2005. Subject to the fulfillment of certain performance targets as determined by the Mergen Board by the grantees, the rest of the 45% share options granted are exercisable in three batches (each with 15% of the share options granted) for every six months interval from 1st January 2005 until 30th May 2014.

38. Share Premium and Reserves

	Share premium HK$'000	Share options reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY						
At 1st January 2008	13,198,450	11,150	1,071	1,137,728	4,996,375	19,344,774
Profit for the year	—	—	—	—	1,726,445	1,726,445
Issue of shares upon exercise of share options	79,904	—	—	—	—	79,904
Release of share options reserve on exercise of share options	7,159	(7,159)	—	—	—	—
Expenses incurred in connection with the issue of new shares	(73)	—	—	—	—	(73)
Recognition of equity-settled share-based payment expenses	—	1,953	—	—	—	1,953
Dividends paid (note 15)	—	—	—	—	(946,793)	(946,793)
At 31st December 2008	13,285,440	5,944	1,071	1,137,728	5,776,027	20,206,210
Profit for the year	—	—	—	—	1,175,744	1,175,744
Issue of shares upon exercise of share options	53,671	—	—	—	—	53,671
Release of share options reserve on exercise of share options	5,843	(5,843)	—	—	—	—
Expenses incurred in connection with the issue of new shares	(68)	—	—	—	—	(68)
Share options lapsed	—	(101)	—	—	101	—
Dividends paid (note 15)	—	—	—	—	(906,633)	(906,633)
At 31st December 2009	13,344,886	—	1,071	1,137,728	6,045,239	20,528,924

The Company's reserve available for distribution to shareholders as at 31st December 2009 represents its retained profits of approximately HK$6,045 million (31.12.2008: HK$5,776 million).

The Company's capital reserve which arose in 1997 upon reduction of share premium as confirmed by the Order of the High Court of Hong Kong was not realised profits and is an undistributable reserve.

39. Deferred Taxation

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Fair value adjustments on business combinations HK$'000	Land appreciation tax HK$'000	Undistributed earnings of PRC entities HK$'000	Other deferred tax liabilities HK$'000	Other deferred tax assets HK$'000	Total HK$'000
At 1st January 2008	86,796	266,472	(37,025)	1,281,969	377,379	—	34,863	(51,725)	1,958,729
Effect of change in tax rate	(6,875)	—	352	—	—	—	455	38	(6,030)
Exchange adjustments	311	18,217	(767)	151,679	22,470	—	1,094	(4,258)	188,746
Charged (credited) to profit or loss	22,550	125,204	20,242	(107,065)	(99,072)	85,219	(35,046)	(19,239)	(7,207)
At 31st December 2008	102,782	409,893	(17,198)	1,326,583	300,777	85,219	1,366	(75,184)	2,134,238
Charged (credited) to profit or loss	29,950	58,953	1,400	(18,551)	(34,245)	(2,390)	3,324	(18,131)	20,310
Reclassified as held-for-sale	—	(5,506)	—	—	—	—	—	2,151	(3,355)
At 31st December 2009	132,732	463,340	(15,798)	1,308,032	266,532	82,829	4,690	(91,164)	2,151,193

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Deferred tax liabilities	**2,248,146**	2,220,869	2,042,666
Deferred tax assets	**(96,953)**	(86,631)	(83,937)
	2,151,193	2,134,238	1,958,729

At 31st December 2009, the Group had unused tax losses of approximately HK$163.8 million (31.12.2008: HK$152.7 million) available for offset against future assessable profits. A deferred tax asset amounting to approximately HK$15.8 million (31.12.2008: HK$17.2 million) in respect of tax losses amounting to approximately HK$66.1 million (31.12.2008: HK$74.6 million) was recognised. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$97.7 million (31.12.2008: HK$78.1 million) due to the unpredictability of future profit streams. The Hong Kong tax losses of approximately HK$18.9 million (31.12.2008: HK$24.7 million) may be carried forward indefinitely and the remaining PRC tax losses of approximately HK$144.9 million (31.12.2008: HK$128 million) will expire in various dates in the next five years.

39. Deferred Taxation (Continued)

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January 2008 onwards. Deferred taxation has been provided for in full in respect of undistributed profits retained by PRC entities in the consolidated financial statements.

Other deferred tax liabilities mainly included deferred tax on fair value change of financial assets classified as held-for-trading. Other deferred tax assets included deferred taxation on (i) impairment loss on bad and doubtful debts, (ii) pre-operating expenses and (iii) accrued expenses.

40. Amounts Due From/To Subsidiaries

At 31st December 2009, the amounts due from subsidiaries are unsecured. Except for amounts of HK$200 million and HK$150 million as at 31st December 2009 which carry interest at Hong Kong Interbank Offer Rate ("HIBOR") plus 1.69% per annum and no interest, respectively, and are repayable in 2011, the balances are non-interest bearing and repayable on demand.

At 31st December 2008, the amounts due from subsidiaries were unsecured and repayable on demand. Except for amounts of HK$150 million and HK$50 million which carried interest at HIBOR plus 0.34% and 1.38% per annum, respectively, the balances were non-interest bearing.

The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

41A. Acquisition of Subsidiaries/Businesses

(a) For the year ended 31st December 2009

北京友興紙源再生資源回收有限公司 ("Beijing Youxin") was previously an associate of the Group. During the year, the Group's shareholding in Beijing Youxin remains unchanged whereas the control over the financial and operating policies was established due to a change in board representatives in Beijing Youxin and accordingly, Beijing Youxin ceased to be an associate and became a subsidiary of the Group. This acquisition has been accounted for using the purchase method of accounting.

For the year ended 31st December 2008

In February 2008, the Group acquired an additional 51% equity interest in 四川科美紙業有限公司, a company engaged in manufacturing and sales of tipping paper, for a consideration of HK$4,872,000. After the acquisition, the Group held 100% equity interest in it. The acquisition was accounted for using the purchase method of accounting. The amount of discount arising as a result of the acquisition was HK$902,000.

41A. Acquisition of Subsidiaries/Businesses (Continued)

The carrying amounts before combination and fair value of the net assets acquired in the transactions, and the discount arising on acquisition, are as follows:

	2009 HK$'000	2008 HK$'000
Net assets acquired:		
Property, plant and equipment	**6,154**	16,025
Prepaid lease payments	**—**	2,276
Inventories	**3,824**	2,935
Trade and other receivables	**34,453**	6,061
Taxation recoverable	**—**	206
Bank balances and cash	**4,970**	1,296
Trade and other payables	**(43,953)**	(14,273)
Bank and other borrowings	**—**	(3,206)
	5,448	11,320
Minority interests	**(1,564)**	—
Discount arising on acquisition	**—**	(902)
	3,884	10,418
Satisfied by:		
Cash consideration paid	**—**	4,872
Share of net assets of an associate	**3,884**	5,546
	3,884	10,418
Net cash inflow (outflow) arising on acquisition:		
Cash consideration paid	**—**	(4,872)
Bank balances and cash acquired	**4,970**	1,296
	4,970	(3,576)

The subsidiary acquired during the year did not have any significant contribution to the Group's revenue or results for the year.

(b) Pursuant to the sale and purchase agreements entered into on 21st July 2008, the Company and certain of its subsidiaries acquired from South Pacific Hotel Holdings Limited ("South Pacific") and SIIC CM Development Limited ("SIIC CM"), both being wholly-owned subsidiaries of SIIC, for their respective 100% equity interests in Good Cheer Enterprises Limited ("Good Cheer") and Hu-Hang for a cash consideration of approximately HK$1,350.0 million and HK$4,196.3 million, respectively (collectively referred to as the "2008 Acquisition"). The 2008 Acquisition was accounted for using the principles of merger accounting and the effect on the consolidated financial statements is fully disclosed in the Annual Report of the Group for the year ended 31st December 2008.

41B. Acquisition of Assets Through Acquisition of A Subsidiary

The Group acquired 100% equity interest in Better Score in August 2009, for a consideration of HK$2,271,695,000. The acquisition gave rise to acquisition of an investment, a financial asset designated at FVTPL (see note 27).

The net assets acquired in the transaction are as follows:

	HK$'000
Net assets acquired:	
Investments	2,271,695
Bank balances and cash	461
Other payables	(461)
	2,271,695
Satisfied by:	
Cash consideration paid	2,271,695
Net cash outflow arising on acquisition:	
Cash consideration paid	(2,271,695)
Bank balances and cash acquired	461
	(2,271,234)

42. Disposal of Subsidiaries

During the year ended 31st December 2009, the Group disposed of the following subsidiaries:

(a) The Group disposed of its entire interests in SIIC MedTech Health Products Limited ("SIIC MedTech Health Products") and Shanghai Industrial United (Group) Commercial Network Development Company Limited at a consideration of HK$513,787,000 and HK$1,195,303,000, respectively, to independent third parties, resulting in gains of HK$382,966,000 and HK$484,557,000, respectively.

(b) In September, the Group disposed of its entire interest in S.I. Technology to a subsidiary of SIIC at a consideration of HK$1,099,961,000, resulting in a loss of HK$714,728,000.

During the year ended 31st December 2008, the Group disposed of the following subsidiaries:

(a) In May, the Group disposed of its entire interest in Active Services Group Limited to a fellow subsidiary for a consideration of HK$775,000,000, resulting in a gain of HK$331,977,000.

(b) 上海菲曼特醫療器械有限公司 Shanghai Fimet Medical Instrument Co., Ltd. ("Shanghai Fimet ") was previously a 50% owned subsidiary of the Group. In December, the Group's shareholding remained unchanged whereas the control over the financial and operating policies was lost due to a change in board representatives in Shanghai Fimet and therefore Shanghai Fimet ceased to be a subsidiary and became a jointly controlled entity of the Group. This represented a non-cash transaction.

42. Disposal of Subsidiaries (Continued)

The net assets of the subsidiaries at the respective date of disposal are set out below.

	2009 HK$'000	2008 HK$'000
Net assets disposed of:		
Property, plant and equipment	—	4,375
Interest in a jointly controlled entity	146,093	506,714
Interest in an associate	2,381,827	—
Inventories	—	11,855
Trade and other receivables	—	7,549
Bank balances and cash	143,674	18,077
Trade and other payables	(67)	(6,013)
	2,671,527	542,557
Net assets attributable to minority interests	—	(17,623)
	2,671,527	524,934
Translation reserve realised	(15,271)	(64,288)
	2,656,256	460,646
Gain (loss) on disposal of interests in subsidiaries		
– Continuing operations	(230,171)	331,977
– Discontinued operations	382,966	—
Consideration	2,809,051	792,623
Satisfied by:		
Cash consideration received	2,809,051	775,000
Interest in a jointly controlled entity	—	17,623
	2,809,051	792,623
Net cash inflow arising on disposal:		
Cash consideration received	2,809,051	775,000
Bank balances and cash disposed of	(143,674)	(18,077)
	2,665,377	756,923

During the year ended 31st December 2009, S.I. Technology shared loss of an associate of approximately HK$256 million, and did not contribute significant cash flows to the Group during the period prior to the disposal.

Other subsidiaries disposed of during both years did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposals.

43. Operating Leases

The Group and the Company as lessee

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

	THE GROUP		THE COMPANY	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Within one year	**69,022**	64,251	**8,842**	4,421
In the second to fifth year inclusive	**92,737**	102,430	**4,421**	—
After five years	**46,200**	67,665	**—**	—
	207,959	234,346	**13,263**	4,421

Operating lease payments represent rental payable by the Group and the Company for certain office and factory properties. Leases are negotiated for an average term of 20 years and rentals are fixed for a lease term of 1 to 5 years.

Included in the above are operating lease commitments for land and buildings of approximately HK$167.6 million (31.12.2008: HK$173.9 million) and HK$13.3 million (31.12.2008: HK$4.4 million) payable by the Group and the Company, respectively, to the ultimate holding company and fellow subsidiaries.

The Group as lessor

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

	THE GROUP Investment properties and land and buildings	
	2009 HK$'000	2008 HK$'000
Within one year	**134,476**	150,527
In the second to fifth year inclusive	**331,462**	455,220
After five years	**60,468**	94,937
	526,406	700,684

The Company had no significant operating lease arrangements as lessor at the end of the reporting period.

44. Capital Commitments

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– toll road construction costs	**153,339**	—
– investments in PRC subsidiaries	**1,821,135**	—
– investment in an overseas project	**112,358**	—
– acquisition of property, plant and equipment	**36,630**	115,497
– additions in construction in progress	**—**	136,518
– additions in properties under development	**1,840,615**	1,485,950
	3,964,077	1,737,965
Capital expenditure authorised but not contracted for in respect of		
– investment in an associate	**834,848**	—
– toll road construction costs	**—**	1,363,017
	834,848	1,363,017

In addition to the above, the Group's share of capital commitment of a jointly controlled entity is as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– investment in a PRC jointly controlled entity	**33,791**	33,791

The Company had no significant capital commitment at the end of the reporting period.

45. Contingent Liabilities

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Guarantees given to banks in respect of banking facilities utilised by		
– an entity controlled by Xuhui SAAC	**722,399**	779,191
– associates	**—**	55,130
– a jointly controlled entity	**—**	159,019
– outsiders	**877,005**	267,756
	1,599,404	1,261,096

As at 31st December, 2009, the Company granted financial guarantees to the extent of approximately HK$6,067 million (31.12.2008: HK$1,980 million) to banks in respect of banking facilities utilised by its subsidiaries.

46. Pledge of Assets

The following assets were pledged by the Group to banks in order to secure general banking facilities granted by these banks to the Group:

(i) investment properties with an aggregate carrying value of HK$2,114,948,000 (31.12.2008: HK$1,898,796,000);

(ii) plant and machineries with an aggregate carrying value of HK$474,779,000 (31.12.2008: HK$110,309,000);

(iii) leasehold land and buildings with an aggregate carrying value of HK$211,825,000 (31.12.2008: HK$274,381,000);

(iv) trade receivables of HK$11,875,000 (31.12.2008: Nil);

(v) properties under development held for sale with an aggregate carrying value of HK$1,611,699,000 (31.12.2008: HK$1,892,262,000);

(vi) properties held for sale with an aggregate carrying value of HK$37,109,000 (31.12.2008: HK$762,119,000);

(vii) a toll road operating right of HK$5,748,849,000 (31.12.2008: HK$5,820,389,000);

(viii) inventories, other than those included in (v) and (vi) above, with an aggregate carrying value of HK$72,592,000 (31.12.2008: HK$38,948,000);

(ix) bank deposits with an aggregate carrying value of HK$911,828,000 (31.12.2008: HK$800,541,000); and

(x) a motor vehicle with a carrying value of HK$90,000 at 31st December 2008 (31.12.2009: Nil).

47. Retirement Benefits Schemes

The Company and its subsidiaries in Hong Kong operate defined contribution retirement benefits scheme for their qualifying employees pursuant to the Occupational Retirement Schemes Ordinance. To comply with the Mandatory Provident Fund Schemes Ordinance, a Mandatory Provident Fund Scheme was also established. The assets of both schemes are held separately in funds which are under the control of independent trustees. The retirement benefits schemes contributions charged to the consolidated income statement represent contributions payable by the Company and its subsidiaries in Hong Kong to the funds at rates specified in the rules of the schemes. When there are employees who leave the defined contribution retirement benefits scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Company and its subsidiaries in Hong Kong.

The employees employed by the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

At the end of the reporting period, no forfeited contributions were available to reduce the contribution payable in future years.

48. Connected and Related Party Transactions and Balances

(I) Connected Persons

(a) During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules. The significant transactions with the connected parties during the year, and significant balances with them at the end of the reporting period, are as follows:

Connected persons	Nature of transaction	THE GROUP 2009 HK$'000	2008 HK$'000
Transactions			
Ultimate holding company:			
SIIC	Rentals paid on land and buildings (note i)	**1,289**	—
Fellow subsidiaries:			
International Hope Limited	Rentals paid on land and buildings (note i)	**9,949**	9,949
Nanyang Enterprises Properties Limited	Rentals paid on land and buildings (note i)	**19,800**	20,220
The Tien Chu (HK) Co. Ltd.	Rentals paid on land and buildings (note i)	**26**	26
上海上實（集團）有限公司 (SIIC Shanghai (Holdings) Co., Ltd.)	Rentals paid on land and buildings (note i)	**5,118**	3,481
Shanghai Pharmaceutical (Group) Company Limited	Sales of pharmaceutical products and raw materials (note iii)	**163,243**	—
	Purchase of pharmaceutical products and raw materials (note iii)	**188,192**	—
Minority shareholders of subsidiaries:			
中國（杭州）青春寶集團有限公司 (China (Hangzhou) Qingchunbao Group Co. Ltd.) ("China Qingchunbao") and its subsidiaries	Sales of finished medicine and health products (note iii)	**37**	120
China Tobacco Henan Industrial Corporation ("China Tobacco Henan") (formerly known as 許昌捲煙總廠 Xuchong Cigarette Factory))	Sales of cigarette box packaging materials (note iii)	**210,709**	209,694
Guangzhou Bopu Bio-Technology Co., Ltd. ("Guangzhou Bopu") and its subsidiaries	Purchase of raw materials (note iii)	**39,688**	59,155

48. Connected and Related Party Transactions and Balances (Continued)

(I) Connected Persons (Continued)

(a) (Continued)

Connected persons	Nature of transaction	THE GROUP 2009 HK$'000	2008 HK$'000
Transactions (Continued)			
Minority shareholders of subsidiaries:-continued			
四川水井坊股份有限公司 (Sichuan Swelfun Co., Ltd.)	Sales of packaging materials (note iii)	**23,761**	40,647
Xinnan (Tianjin) Paper Co., Ltd.	Purchase of raw materials (note iii)	**38,792**	36,435
廣西中煙工業公司	Purchase of materials (note iii)	**—**	327
Hangzhou Huqingyutan Pharmaceutical Co. Ltd.	TCM Extraction services (note ii)	**8,178**	10,626
Fellow subsidiaries of minority shareholders of subsidiaries:			
Four Season Hotels and Resorts Asia Pacific Pte. Ltd.	Hotel advisory services (note ii)	**5,383**	14,321
Four Seasons Shanghai B.V.	Hotel management services (note ii)	**557**	862
Four Seasons Hotels Limited	Hotel services (note ii)	**7,286**	8,561
福建省廈門醫藥採購供應站	Sales of medicine products (note iii)	**23,141**	14,521

Balances		THE GROUP 31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Minority shareholders of subsidiaries:				
China Qingchunbao and its subsidiaries	Balance			
	– trade receivables	**—**	312	301
	– trade payables	**—**	698	708
	– dividend payable	**19,139**	26,613	36,325
China Tabacco Henan	Balance			
	– trade receivables	**36,185**	37,356	30,566
	– bills receivable	**—**	—	11,752
Entities controlled by Xuhui SAAC	Balance			
	– non-trade receivables	**199,918**	194,308	387,450
	– non-trade payables	**663,951**	603,568	1,117,670

48. Connected and Related Party Transactions and Balances (Continued)

(I) Connected Persons (Continued)

(a) (Continued)

Notes:

(i) The rentals were charged in accordance with the relevant tenancy agreements and the prevailing rent was equivalent or approximate to the open market rentals as certified by an independent firm of professional property valuers when the tenancy agreements were entered into.

(ii) The terms of these transactions were determined and agreed by both parties.

(iii) These transactions were carried out at market prices or, where no market price was available, at cost plus a percentage of profit mark-up.

(b) At 31st December 2008, SI Pharmaceutical had given guarantees amounting to approximately HK$10 million to banks in respect of banking facilities granted to Guangdong Techpool Biochem Pharma Co. Ltd. ("Guangdong Techpool"), a non-wholly owned subsidiary of SI Pharmaceutical. The guarantees were indemnified by Guangdong Techpool by providing pledge of raw materials, equipment and inventories of Guangdong Techpool in an aggregate amount of RMB11,670,000 (equivalent to HK$13,255,000) in favour of SI Pharmaceutical. Details of this provision of financial assistance were included in a published announcement of the Company dated 15th November 2007.

The guarantee was released during the year ended 31st December 2009.

(c) Pursuant to an agreement dated 26th December 2002 entered into between Xuhui State-owned Assets Management Co. Ltd ("State-owned Management Company") and Shanghai Urban Development (the "Cross Guarantee Agreement"), the parties thereto agreed to guarantee each other's obligations in respect of certain loans/facilities from time to time obtained from banks or credit unions by them respectively to the extent of not more than RMB700 million. In respect of those guarantees which have already been entered into by State-owned Management Company and Shanghai Urban Development pursuant to the Cross Guarantee Agreement, they will continue until the underlying loans/facilities mature/expire and all amounts owed are fully repaid.

As at 31st December 2009, the total amount of loans/facilities obtained by State-owned Management Company in respect of which guarantees were provided by Shanghai Urban Development amounted to approximately RMB636 million (equivalent to approximately HK$722 million) (31.12.2008: RMB686 million (equivalent to approximately HK$779 million)).

The provision of the aforesaid guarantees by Shanghai Urban Development constitutes non-exempt continuing connected transactions for the Company. Upon any variation of the Cross Guarantee Agreement, the Company shall then have the obligation to comply in full all applicable reporting, disclosure and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

48. Connected and Related Party Transactions and Balances (Continued)

(I) Connected Persons (Continued)

(d) During the year ended 31st December 2009, the Group acquired 20% equity interests in an associate, 上海星河數碼投資有限公司 ("Shanghai Galaxy"), from a fellow subsidiary for a consideration of HK$18,174,000. Shanghai Hu-Ning Expressway (Shanghai Section) Company Limited ("Shanghai Hu-Ning Expressway"), a subsidiary of the Company, entered into an asset management entrustment agreement with Shanghai Galaxy. The amount of funds entrusted to Shanghai Galaxy for the provision of assets management services amounted to RMB260 million (equivalent to approximately HK$295 million).

(e) Details of operating lease commitments with connected parties are set out in note 43.

(f) Details of the Acquisition and 2008 Acquisition are set out in notes 2 and 41A, respectively.

(g) Details of the disposal of a subsidiary, S.I. Technology, to a subsidiary of SIIC are set out in note 42.

(h) Details of an amount due to a fellow subsidiary are set out in note 34.

(II) Related parties, other than connected persons

(a) In addition to the transactions with the ultimate holding company and fellow subsidiaries as mentioned in note 48(I)(a) above, the significant transactions with related parties, during the year, and significant balances with them at the end of the reporting period, are as follows:

Related parties	Nature of transaction	THE GROUP 2009 HK$'000	THE GROUP 2008 HK$'000
Transactions			
Associates:			
上海申永燙金材料有限公司 (Shanghai Shen Yong Stamping Foil Co., Ltd.) ("Shanghai Shen Yong Stamping Foil")	Purchase of materials	**713**	2,601
廣西甲天下水松紙有限公司 (Guangxi Jiatianxia Tipping Paper Co., Ltd.) ("Guangxi Jiatianxia Tipping Paper")	Printing services income	**21,283**	17,633
陝西永鑫紙業包裝有限公司 (Xian Yong Xin Packing Co., Ltd.) ("Xian Yong Xin Packing")	Sales of materials	**—**	99
Beijing Youxin	Purchase of materials	**20,323**	204,397
	Interest income	**387**	431

48. Connected and Related Party Transactions and Balances (Continued)

(II) Related Parties, other than Connected Persons (Continued)

(a) (Continued)

Connected persons	Nature of transaction	THE GROUP **31.12.2009** **HK$'000**	 31.12.2008 HK$'000	 1.1.2008 HK$'000
Balances				
Jointly controlled entities:				
杭州胡慶餘堂國藥號有限公司 (Hangzhou Huqingyutang Drugstore Co., Ltd.)	Balance – non-trade receivable	**—**	2,840	2,671
中環保水務投資有限公司 General Water of China Co., Ltd.) ("General Water of China")	Balance – short-term loan receivable	**—**	—	21,367
Associates:				
Shanghai Shen Yong Stamping Foil	Balance – trade payable	**15**	1,302	1,676
浙江天外包裝印刷股份有限公司 (Zhejiang Tianwai Package Printing Co., Ltd.)	Balance – trade receivable	**—**	—	4
四川科美紙業有限公司	Balance			
	– trade receivable	**—**	—	1,076
	– shareholder loan	**—**	—	3,979
Guangxi Jiatianxia Tipping Paper	Balance – trade receivable	**2,339**	2,434	2,089
西安環球印務股份有限公司 (Xian Global Printing Stock Co., Ltd.)	Balance			
	– trade receivable	**—**	—	557
	– non-trade receivable	**—**	495	—
Xian Yong Xin Packing	Balance – trade receivable	**—**	18	290
Beijing Youxin	Balance – trade payable	**—**	56,166	—
Shanghai Jiadeli	Balance – non-trade payable	**—**	—	153,558

48. Connected and Related Party Transactions and Balances (Continued)

(III) Compensation of Key Management Personnel

The remuneration of directors and other members of key management during the year was as follows:

	2009 HK$'000	2008 HK$'000
Short-term benefits	**23,905**	24,656
Share-based payments	**—**	1,186
	23,905	25,842

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

The Company's outstanding balances with related parties are set out in the statement of financial position of the Company and in note 40.

49. Material Transactions and Balances with other State-Controlled Enterprises

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under SIIC which is controlled by the PRC government. Apart from the transactions with SIIC, other connected persons and related parties disclosed in note 48, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other state-controlled entities, the Group does not differentiate whether the counterparty is a state-controlled entity or not.

Material transactions/balances with other state-controlled entities are as follows:

	2009 HK$'000	2008 HK$'000
Transactions		
Trade sales	**1,273,991**	962,251
Trade purchases	**292,871**	282,363

	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Balances			
Amounts due from other state-controlled entities	**249,592**	187,502	260,388
Amounts due to other state-controlled entities	**31,575**	31,363	26,706

49. Material Transactions and Balances with other State-Controlled Enterprises (Continued)

In view of the nature of the Group's toll road operating business and consumer business, the directors are of the opinion that, except as disclosed above, it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions are with other state-controlled entities.

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

50. Government Grants

Government subsidies received by the Group towards the cost of acquisition of plant and machinery had been deducted from the carrying amount of the relevant assets in the respective years. The amount is transferred to income in the form of reduced depreciation charges over the useful lives of the relevant assets. This policy has resulted in a credit to income in the current year of HK$3,104,000 (31.12.2008: HK$3,104,000). As at 31st December 2009, an amount of HK$10,246,000 (31.12.2008: HK$13,350,000) remains to be amortised.

In addition, government grants of approximately HK$342.6 million (31.12.2008: HK$214.4 million) was received in the current year from the local government as compensation for the decrease of the toll fee income arising from the widening project of the toll road and approximately HK$58.9 million (31.12.2008: HK$9.2 million) was received as incentives for investment in certain provinces in the PRC. These amounts have been included in other income for the year.

51. Principal Subsidiaries

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

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued share/ registered capital held by the Company/subsidiaries		Principal activities
			31.12.2009	31.12.2008	
正大青春寶藥業有限公司 (Chia Tai Qingchunbao Pharmaceutical Co., Ltd.) (note i)	PRC	RMB128,500,000	**55%**	55%	Manufacture and sale of Chinese medicine and health products
Shanghai Hu-Ning Expressway (note ii)	PRC	RMB3,000,000,000	**100%**	100%	Holding of a right to operate a toll road
Shanghai Urban Development (note i)	PRC	RMB301,330,000	**59%**	59%	Property development and investment
SIIC MedTech Health Products	Hong Kong	Ordinary shares – US$2	**(note iv)**	100%	Investment holding
		Non-voting deferred shares – US$2	**(note iv)**	100%	

51. Principal Subsidiaries (Continued)

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued share/ registered capital held by the Company/subsidiaries 31.12.2009	31.12.2008	Principal activities
S.I. Infrastructure Holdings Limited ("S.I. Infrastructure")	British Virgin Islands/ Hong Kong	US$1	**100%**	100%	Investment holding
SIHL Treasury Limited ("SIHL Treasury")	Hong Kong	Ordinary shares – HK$2	**100%**	100%	Investment
SIIC Medicinal Science and Technology (Group) Limited	Cayman Islands/ Hong Kong	Ordinary shares – HK$40,893,400	**100%**	100%	Investment holding
Nanyang Tobacco (Marketing) Company, Limited	British Virgin Islands/PRC and Macau	Ordinary shares – US$1 – HK$100,000,000	**100%**	100%	Sale and marketing of cigarettes and raw materials sourcing
Nanyang Brothers Tobacco Company, Limited	Hong Kong	Ordinary shares – HK$2	**100%**	100%	Manufacture and sale of cigarettes
		Non-voting deferred shares – HK$8,000,000	**—**	—	
The Wing Fat Printing Company, Limited	Hong Kong	Ordinary shares – HK$2,000,000	**93.44%**	93.44%	Manufacture and sale of packaging materials, printed products and paper making
SI Pharmaceutical (note iii) (note 5)	PRC	Ordinary shares – RMB367,814,821	**43.62%**	43.62%	Investment holding
廈門中藥廠有限公司 (Xiamen Traditional Chinese Medicine Co., Ltd.) (note i)	PRC	RMB84,030,000	**61%**	61%	Manufacture and sale of Chinese medicine
遼寧好護士藥業(集團)有限責任公司 Liaoning Herbapex Pharmaceutical (Group) Co., Ltd. (note i)	PRC	RMB51,000,000	**55%**	55%	Manufacture and sale of Chinese medicine
上海三維生物技術有限公司 (Shanghai Sunway Biotech Co., Ltd.) (note i)	PRC	US$15,343,300	**70.40%**	70.40%	Manufacture and sale of Biomedicine
杭州胡慶餘堂藥業有限公司 (Hangzhou Huqingyutang Pharmaceutical Co., Ltd.) (note i)	PRC	RMB53,160,000	**51.007%**	51.007%	Manufacture and sale of Chinese medicine and health products
上海上實南洋大酒店有限公司 (Shanghai SIIC South Pacific Hotel Co., Ltd.) (note i)	PRC	US$72,000,000	**87%**	87%	Operation of a hotel
上海路橋發展有限公司 (Shanghai Luqiao Development Co., Ltd.) (note ii)	PRC	RMB1,600,000,000	**100%**	100%	Holding of a right to operate a toll road

51. Principal Subsidiaries (Continued)

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued share/ registered capital held by the Company/subsidiaries		Principal activities
			31.12.2009	31.12.2008	
南通基鉅基礎設施建設有限公司 (note ii)	PRC	US$3,000,000	100%	–	Holding of a property project
上海豐茂 (Shanghai Feng Mao) (note ii)	PRC	RMB54,713,000	100%	100%	Property development
上海豐啟 (Shanghai Feng Qi) (note ii)	PRC	RMB50,092,000	100%	100%	Property development

Notes:

(i) These companies were established in the PRC as sino-foreign equity joint venture companies.

(ii) These companies were established in the PRC as wholly foreign owned enterprises.

(iii) This company is listed on the A Shares Market of the Shanghai Stock Exchange.

(iv) This company was disposed of in June 2009.

With the exception of S.I. Infrastructure, SIHL Treasury and Shanghai Urban Development, all the above subsidiaries are indirectly held by the Company.

None of the deferred shares are held by the Group. The deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of the respective companies and have practically no rights to dividends or to participate in any distributions on winding up.

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

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

52. Principal Jointly Controlled Entities

Particulars of the Group's principal jointly controlled entities at 31st December 2009 and 2008 are as follows:

Name of jointly controlled entity	Place of incorporation or establishment/ operations	Percentage of registered capital attributable to the Group		Principal activities
		31.12.2009	31.12.2008	
中環保水務投資有限公司 (General Water of China Co., Ltd.)	PRC	50%	50%	Joint investment and operation of water-related and environment protection business in the PRC
微創醫療器械(上海)有限公司 (Microport Medical (Shanghai) Co., Ltd.)	PRC	(note)	19%	Manufacture and sale of medical instruments

Note: This jointly controlled entity was disposed of through the disposal of SIIC MedTech Health Products in June 2009 (see note 42).

The above jointly controlled entities are sino-foreign equity joint venture companies and indirectly held by the Company and the Group has members in the board of the respective entities.

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

53. Principal Associates

Particulars of the Group's principal associates at 31st December 2009 and 2008, which are all sino-foreign equity joint venture companies established in the PRC, are as follows:

Name of associate	Percentage of registered capital attributable to the Group		Principal activities
	31.12.2009	31.12.2008	
SMIC (note i) (note 9)	—	8.21%	Investment holding and manufacture and marketing of advanced technology semiconductors
Bright Dairy (note ii)	—	35.176%	Manufacture, distribution and sale of dairy and related products
Shanghai Galaxy	**20%**	—	Provision of asset management services

Notes:

(i) This associate is listed on the Stock Exchange and the New York Stock Exchange and was disposed of through the disposal of S.I. Technology during the year ended 31st December 2009 (see note 42). This company was an associate of SIIC as at 31st December 2009.

(ii) This associate is listed on the A Shares Market of the Shanghai Stock Exchange and was disposed of during the year ended 31st December 2009 (see note 10).

The above associates were indirectly held by the Company.

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

54. Events after the Reporting Period

Significant events of the Group happened after the end of the reporting period are as follows:

(a) On 19th January 2010, Novel Good Limited ("Novel Good"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("Sale and Purchase Agreement") with Invest Gain Limited ("Invest Gain"), a company wholly owned by Mr. Li Song Xian ("Mr. Li"), a former executive director and chairman of Neo-China Land Group (Holdings) Limited ("Neo-China"), pursuant to which Invest Gain has conditionally agreed to sell, and Novel Good has conditionally agreed to purchase, 500,000,000 Neo-China shares which is legally and beneficially owned by Invest Gain, at approximately HK$2.32 per share for a total consideration of approximately HK$1,160 million.

On 19th January 2010, Novel Good entered into a subscription agreement ("Subscription Agreement") with Neo-China, pursuant to which Neo-China has conditionally agreed, subject to completion of the Sale and Purchase Agreement, to allot and issue to Novel Good, and Novel Good has conditionally agreed to subscribe 683,692,000 Neo-China shares ("Subscribed Shares"), representing approximately 35.14% of the issued share capital of Neo-China and approximately 26.00% of the issued share capital of Neo-China as enlarged by the Subscribed Shares, at approximately HK$2.32 per share for a total consideration of approximately HK$1,586 million.

54. Events after the Reporting Period (Continued)

(a) (Continued)

On 19th January 2010, Turbo Wise Limited ("Turbo Wise"), a company wholly owned by Mr. Li, entered into a sale and purchase agreement ("Qi Ao Agreement") with Neo-China, pursuant to which Neo-China has conditionally agreed subject to completion of the Sale and Purchase Agreement and the Subscription Agreement to sell to Turbo Wise the Neo-China's entire interest in a property project in Qiao Island in Zhuhai ("Qi Ao Island Project") at a consideration of approximately HK$2,500 million, whilst retaining certain liabilities related to the Qi Ao Island Project including the liability to pay unpaid principal and accrued interest under a loan agreement entered into with subsidiaries of Neo-China amounting to approximately HK$1,790 million.

These transactions, details of which are set out in an announcement of the Company dated 19th January 2010, are not yet completed at the date of this report.

(b) On 8th December 2009, S.I. Urban Development Holdings Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Glory Shine to acquire 100% equity interest in S.I. Feng Tao Properties (BVI) Limited ("Feng Tao") and S.I. Feng Shun Properties (BVI) Limited ("Feng Shun"), and to take assignments of the unsecured, interest-free loans owing by Feng Tao and Feng Shun to Glory Shine for cash consideration of RMB182,550,000 (equivalent to HK$207,350,000) and RMB198,776,000 (equivalent to HK$225,780,000) respectively. Feng Tao owns a development project on a piece of land located at Zhujiajiao Town at Qingpu District in Shanghai, the PRC, with a total site area of 350,532.6 sq.m. Feng Shun owns a development project on a piece of land also located at Zhujiajiao Town at Qingpu District in Shanghai with a total site area of 401,273 sq.m. Details of these transactions are set out in an announcement of the Company dated 8th December 2009.

The acquisition of Feng Tao was completed in January 2010. The acquisition of Feng Shun was approved at an extraordinary general meeting held on 11th January 2010 but is not yet completed at the date of this report.

(c) On 8th December 2009, S.I. Infrastructure entered into a sale and purchase agreement with SIIC CM, to acquire 100% equity interest in S.I. Shen-Yu Development Limited ("Shen-Yu") and to take an assignment of the non-interest bearing shareholder's loan due from Shen-Yu to SIIC CM, at an aggregate consideration of approximately RMB1,222 million (equivalent to approximately HK$1,388 million). Shen-Yu holds 100% equity interests in Shanghai Shen-Yu Development Co. Ltd. through its subsidiaries, which in turn owns concession for operation rights of Hu-Yu Expressway (Shanghai Section) till 31st December 2027. Details of the transaction are set out in an announcement of the Company dated 8th December 2009.

The transaction was approved at an extraordinary general meeting held on 11th January 2010 but is not yet completed at the date of this report.

(d) The disposal of the Disposed Business, details of which are set out in note 12, was completed in February 2010. The directors of the Company are still in the progress of assessing the financial impact to the Group.

55. Segment Information

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

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss. The Group's operating segment under HKFRS 8 are therefore identical to the business segments under HKAS 14, namely:

Infrastructure facilities	—	investment in toll road projects and water-related business
Real estate	—	property development and investment and hotel operation
Consumer products	—	manufacture and sale of cigarettes, packaging materials, printed products and dairy products

The Group was involved in the manufacture and sale of medicine and health food and medical equipment, which was reported as a separate operating segment of "Medicine" under HKFRS 8. That operation was discontinued with effect during current year (see note 12).

Segment Revenues and Results

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

For the year ended 31st December 2009

Continuing operations

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Consolidated HK$'000
REVENUE				
Segment revenue – external sales	**818,509**	**2,309,087**	**3,790,289**	**6,917,885**
Segment profit	**849,545**	**1,560,583**	**820,769**	**3,230,897**
Net unallocated corporate expense				**(53,336)**
Finance costs				**(238,398)**
Share of results of jointly controlled entities				**43,552**
Share of results of associates				**(155,776)**
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities				**988,176**
Profit before taxation				**3,815,115**
Income tax expense				**(1,098,996)**
Profit for the year (continuing operations)				**2,716,119**

55. Segment Information (Continued)

Segment Revenues and Results (Continued)

For the year ended 31st December 2008

Continuing operations

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Consolidated HK$'000
REVENUE				
Segment revenue – external sales	938,802	2,961,994	3,551,309	7,452,105
Segment profit	831,197	1,029,190	666,162	2,526,549
Net unallocated corporate income				118,750
Finance costs				(300,669)
Share of results of jointly controlled entities				15,343
Share of results of associates				(106,804)
Discount on acquisition of interests in associates				1,410,222
Discount on acquisition of interest in a subsidiary				902
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities				548,005
Impairment loss recognised in respect of available-for-sale investments				(1,527,388)
Impairment loss recognised in respect of goodwill relating to a subsidiary				(1,115)
Profit before taxation				2,683,795
Income tax expense				(420,151)
Profit for the year (continuing operations)				2,263,644

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without allocation of net corporate income (expense), finance costs, share of results of jointly controlled entities, share of results of associates, discount on acquisition of interests in associates, discount on acquisition of interest in a subsidiary, net gain on disposal of interests in subsidiaries, associates and jointly controlled entities, impairment loss recognised in respect of available-for-sale investments and impairment loss recognised in respect of goodwill relating to a subsidiary. This is the measure reported to the Group's board of directors for the purposes of resource allocation and performance assessment.

55. Segment Information (Continued)

Segment Assets and Liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

At 31st December 2009

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Consolidated HK$'000
Segment assets	**11,612,250**	**25,004,404**	**5,592,157**	**42,208,811**
Interests in jointly controlled entities				**1,026,433**
Interests in associates				**298,734**
Investments				**3,415,477**
Corporate bank balances and cash				**5,123,644**
Deferred tax assets				**96,953**
Assets relating to discontinued operations				**7,096,169**
Other unallocated assets				**962,482**
Consolidated total assets				**60,228,703**
Segment liabilities	**205,323**	**6,744,102**	**636,267**	**7,585,692**
Bank and other borrowings				**13,627,724**
Deferred tax liabilities				**2,248,146**
Taxation payable				**852,077**
Liabilities relating to discontinued operations				**1,734,249**
Other unallocated liabilities				**93,463**
Consolidated total liabilities				**26,141,351**

At 31st December 2008 (restated)

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Consolidated HK$'000
Segment assets	12,037,055	18,845,087	5,096,222	35,978,364
Interests in jointly controlled entities				995,799
Interests in associates				4,032,222
Investments				746,989
Corporate bank balances and cash				4,175,026
Assets relating to discontinued operations				5,644,044
Other unallocated assets				143,900
Consolidated total assets				51,716,344
Segment liabilities	89,075	2,411,686	680,293	3,181,054
Bank and other borrowings				9,654,094
Deferred tax liabilities				2,220,869
Taxation payable				614,651
Liabilities relating to discontinued operations				1,308,543
Other unallocated liabilities				2,856,121
Consolidated total liabilities				19,835,332

55. Segment Information (Continued)

Segment Assets and Liabilities (Continued)

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

- all assets of continuing operations are allocated to operating segments other than investments, interests in associates, interests in jointly controlled entities, deferred tax assets, taxation recoverable and other unallocated assets; and
- all liabilities of continuing operations are allocated to operating segments other than taxation payable, bank and other borrowings, deferred tax liabilities and other unallocated liabilities.

Other Segment Information

2009

Continuing operations

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (note)	1,146,605	31,525	985,131	2,952	2,166,213
Depreciation and amortisation	215,172	72,212	172,917	2,205	462,506
Impairment loss on bad and doubtful debts	—	757	1,754	—	2,511
Amounts regularly provided to the Group's board of directors but not included in the measure of segment profit or segment assets:					
Interests in associates	36,481	31,857	230,396	—	298,734
Interests in jointly controlled entities	958,098	—	—	68,335	1,026,433
Share of results of associates	15,364	2,411	82,066	(255,617)	(155,776)
Share of results of jointly controlled entities	41,816	—	—	1,736	43,552

55. Segment Information (Continued)

Other Segment Information (Continued)

2008

Continuing operations

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (note)	1,226,516	31,611	355,110	2,230	1,615,467
Depreciation and amortisation	210,278	75,553	150,511	2,618	438,960
Impairment loss on bad and doubtful debts	—	8,659	3,358	—	12,017
Amounts regularly provided to the Group's board of directors but not included in the measure of segment profit or segment assets:					
Interests in associates	—	35,250	1,928,860	2,068,112	4,032,222
Interests in jointly controlled entities	926,922	—	1,104	67,773	995,799
Share of results of associates	—	10,811	49,673	(167,288)	(106,804)
Share of results of jointly controlled entities	6,387	—	149	8,807	15,343

Note: Non-current assets excluded those relating to discontinued operations and excluded financial instruments and deferred tax assets.

Geographical Information

Continuing operations

The Group's operations are mainly located in Hong Kong (place of domicile) and the PRC.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers	
	2009 HK$'000	2008 HK$'000
PRC	**5,553,386**	5,995,174
Asia areas, other than Hong Kong and the PRC ("Asia")	**840,672**	913,294
Hong Kong (place of domicile)	**419,112**	413,017
Other areas	**104,715**	130,620
	6,917,885	7,452,105

55. Segment Information (Continued)

Geographical Information (Continued)

Continuing operations (Continued)

	Non-current assets (note)	
	2009	2008
	HK$'000	HK$'000
PRC	**15,733,144**	16,199,384
Hong Kong (place of domicile)	**887,392**	930,315
Asia	**939**	987
	16,621,475	17,130,686

Note: Non-current assets excluded those relating to discontinued operations, financial instruments, goodwill and deferred tax assets.

Information about Major Customers

No revenues from individual customer of the corresponding years contributing over 10% of the total sales of the Group.

56. Capital Risk Management

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 35, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the repayment of existing debt.

57. Financial Instruments

(a) Categories of Financial Instruments (including those classified as part of a disposal group as at 31st December 2009)

	THE GROUP			THE COMPANY		
	31.12.2009 HK$'000	**31.12.2008 HK$'000 (restated)**	**1.1.2008 HK$'000**	**31.12.2009 HK$'000**	**31.12.2008 HK$'000**	**1.1.2008 HK$'000**
Financial assets						
Fair value through profit or loss						
Held-for-trading	**26,221**	23,824	393,593	**482**	—	—
Designated as at FVTPL	**2,822,985**	21,718	2,742,628	**—**	—	2,280,379
Loans and receivables (including cash and cash equivalents)	**17,737,231**	13,492,133	8,913,133	**21,759,128**	16,839,658	14,189,379
Available-for-sale investments	**748,797**	558,649	442,742	**—**	—	—
Held-to-maturity investments	**27,629**	142,798	—	**—**	—	—
Financial liabilities						
Amortised cost	**18,783,719**	15,802,686	12,754,801	**6,401,208**	1,809,346	1,476,687

(b) Reclassification of Financial Assets

During the year ended 31st December 2008, the Group has made the following reclassification in respect of financial assets:

	HK$'000
Reclassification of held-for-trading investments into:	
– available-for-sale investments (note)	303,927
– held-to-maturity investments (note)	142,798

Note: During the year ended 31st December 2008, the Group had reclassified certain financial assets following the severe deterioration of the world's financial market during the third quarter of 2008, certain investments previously held by the Group for short-term profit-taking are no longer held for trading purpose. The severe deterioration of the financial market is considered as a rare circumstance, such investments are reclassified to held-to-maturity investments or available-for-sale investments in July 2008.

As of the end of the reporting period, the carrying amount and fair value of the financial assets that have been reclassified are as follows:

	2009		2008	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Available-for-sale investments	**65,272**	**65,272**	196,660	196,660
Held-to-maturity investments	**27,629**	**28,163**	142,798	130,696

57. Financial Instruments (Continued)

(b) Reclassification of Financial Assets (Continued)

The financial effects recognised during the year ended 31st December 2008 in respect of the financial assets that were reclassified in July 2008 were as follows:

	Recognised in	
	Profit or loss HK$'000	Other comprehensive income HK$'000
Before reclassification:		
– Change in fair value of financial assets classified as held-for-trading	7,172	—
After reclassification:		
– Loss on fair value changes of available-for-sale investments	—	(107,267)
– Impairment loss	(64,348)	64,348
	(57,176)	(42,919)

In the current year, additional fair value increase of HK$513,000 (2008: decrease of HK$55,021,000) would had been recognised in profit or loss had the financial assets not been reclassified out of held-for-trading investments.

The range of effective interest rates and the estimated amounts of cash flows expected to recover in respect of the debt instruments that are reclassified from held-for-trading investments in 2008 are 6.3% and HK$150,242,000 at the date of reclassification of the financial assets.

(c) Financial Risk Management Objectives and Polices

The Group's major financial instruments include available-for-sale investments, loan receivables, trade and other receivables, financial assets at fair value through profit or loss, restricted bank deposits, pledged bank deposits, short-term bank deposits, bank balances, trade and other payables and bank and other borrowings. The Company's major financial instruments include other receivables, amounts due from subsidiaries, financial assets at fair value through profit or loss, short-term bank deposits, bank balances and amounts due to subsidiaries. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Currency risk*
The Group mainly operates in the PRC and Hong Kong and the exposure in exchange rate risks mainly arises from fluctuations in United States dollar, Hong Kong dollar and Renminbi exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. As Renminbi is under managed floating system, after reviewing the Group's exposure for the time being, the Group did not enter into any derivative contracts aimed at minimising exchange rate risks during the year. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

57. Financial Instruments (Continued)

(c) Financial Risk Management Objectives and Polices (Continued)

Market Risk (Continued)

(i) Currency risk (Continued)

	THE GROUP				THE COMPANY			
	Assets		Liabilities		Assets		Liabilities	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Renminbi	**11,358**	15,101	**—**	7	**—**	—	**—**	—
United States dollar	**2,330,544**	2,934,513	**108,626**	34,318	**1,235,778**	1,060,664	**—**	—
Hong Kong dollar	**1,813**	324	**—**	—	**—**	—	**—**	—

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% (2008: 5%) increase and decrease in the functional currency of each group entity against the above foreign currency. 5% (2008: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 5% (2008: 5%) increase in foreign currency rates. A positive number below indicates an increase in profit/investment revaluation reserve where the above foreign currency strengthens 5% against the functional currency of each group entity.

	THE GROUP		THE COMPANY	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Increase in profit after taxation	**104,948**	116,245	**61,789**	53,033
Increase in investment revaluation reserve	**6,807**	2,079	**—**	—

(ii) Interest rate risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings respectively. The Company's cash flow interest rate risks mainly relate to the variable-rate amount due from a subsidiary. The Group's held-to-maturity investments, advance to vendor of an investment project in the PRC and pledged bank deposits have exposure to fair value interest rate risk due to the fixed interest rate on these instruments. The Group's and the Company's bank balances also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances.

The management monitors interest rate exposure on ongoing basis and entered into interest rate swaps to hedge against its exposure to variability in cash flows of the variable-rate borrowings. The critical terms of these interest rate swaps are similar to those of hedged borrowings. These interest rate swaps are designated as effective hedging instruments and hedge accounting is used.

57. Financial Instruments (Continued)

(c) Financial Risk Management Objectives and Polices (Continued)

Market Risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and short-term bank deposits (collectively referred to as the "Bank Balances") and variable-rate borrowings at the end of the reporting period. The sensitivity analysis does not consider the exposure of the interest rate swaps because the effect is insignificant.

For variable-rate borrowings and Bank Balances, the analysis is prepared assuming that the amount of liability/asset outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point and 10 basis point (2008: 50 basis point and 10 basis point), respectively, increase or decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis point and 10 basis point (2008: 50 basis point and 10 basis point) higher/lower and all other were variables were held constant, the Group's profit after taxation for the year ended 31st December 2009 would decrease/increase by HK$62,738,000 (2008 (restated): HK$25,279,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate Bank Balances and borrowings.

No sensitivity analysis is prepared for the Company's exposure to interest rate risk as the impact is not significant.

(iii) Equity price risk

The Group and the Company are exposed to equity price risk through their listed investment in equity securities classified as either available-for-sale investments or financial assets at fair value through profit or loss. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's and the Company's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange. In addition, the management has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on quoted equity investments held by the Group at the reporting date:

If the prices of the respective quoted equity instruments had been 5% (2008: 5%) higher/lower:

- profit after taxation for the year ended 31st December 2009 would increase/decrease by HK$7,938,000 (2008: HK$994,000) as a result of the changes in fair value of financial assets at fair value through profit or loss; and

- investment revaluation reserve would increase/decrease by HK$19,642,000 (2008: HK$11,037,000) for the Group as a result of the changes in fair value of available-for-sale investments.

No sensitivity analysis is prepared for the Company's exposure to equity price risk as the impact is not significant.

57. Financial Instruments (Continued)

(c) Financial Risk Management Objectives and Polices (Continued)

Credit risk

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

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

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 45.

The Group's principal financial assets are restricted bank deposits, short-term bank deposits, bank balances and cash, equity and debt investments, and trade and loan receivables.

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Group's treasury operations, management has established internal procedures to monitor the Group's bank balances and cash, securities investments to be placed and entered into with financial institutions of good reputation. These internal procedures also impose limitation on the amount outstanding and to mange the credit ratings on equity investments to be held, so as to minimise the Group's credit risk exposure.

The Group's concentration of credit risk by geographical locations of customers are mainly on the PRC and Hong Kong which accounted for 74% (2008: 93%) and 26% (2008: 7%), respectively, of the trade receivables at 31st December 2009.

The Group's credit risk on bank balances and bank deposits is limited because the counterparties are banks with good reputation.

Except for a financial asset designated at FVTPL of approximately HK$2,680.6 million (31.12.2008: Nil) set out in note 27 and an advance to the vendor of an investment project in the PRC of approximately HK$1,301.7 million (31.12.2008: HK$1,206.1 million), which accounted for 78% (31.12.2008: Nil) and 41% (31.12.2008: 49%) of the Group's investments and other receivables, respectively, as at 31st December 2009, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Company has concentration of credit risk in relation to the amounts due from five subsidiaries which account for 88% (31.12.2008: 83%) of the total amounts due from subsidiaries balance. The Company's credit risk position is monitored closely by management of the Company.

57. Financial Instruments (Continued)

(c) Financial Risk Management Objectives and Polices (Continued)

Liquidity risk

The Group's liquidity position is monitored closely by management of the Company. The following table details the Group's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at end of the reporting period. No contractual maturity for the interest rate swaps entered into by the Group is disclosed as the impact is considered insignificant.

	Weighted average interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2009 HK$'000
THE GROUP							
2009							
Non-interest bearing	—	2,046,616	274,863	1,553,432	173,629	4,048,540	4,048,540
Fixed interest rate instruments	2.92	—	—	343,809	104,043	447,852	435,143
Variable interest rate instruments	0.97	1,658	7,585	3,263,545	10,174,454	13,447,242	13,192,581
		2,048,274	282,448	5,160,786	10,452,126	17,943,634	17,676,264
Financial guarantee contracts	—	1,672,098	—	—	—	1,672,098	—

	Weighted average interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000 (restated)
THE GROUP							
2008							
Non-interest bearing	—	2,450,184	560,992	3,111,688	25,728	6,148,592	6,148,592
Fixed interest rate instruments	3.21	—	—	901,318	2,228,248	3,129,566	3,032,099
Variable interest rate instruments	1.08	300,127	5,330	2,745,215	3,785,350	6,836,022	6,621,995
		2,750,311	566,322	6,758,221	6,039,326	16,114,180	15,802,686
Financial guarantee contracts	—	1,276,998	—	—	—	1,276,998	—

57. Financial Instruments (Continued)

(c) Financial Risk Management Objectives and Polices (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2009 HK$'000
THE COMPANY							
2009							
Non-interest bearing	—	8,570	—	4,067	6,388,571	6,401,208	6,401,208
Financial guarantee contracts	—	10,967,000	—	—	—	10,967,000	—

	Weighted average interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000
THE COMPANY							
2008							
Non-interest bearing	—	7,541	—	1,801,805	—	1,809,346	1,809,346
Financial guarantee contracts	—	6,050,000	—	—	—	6,050,000	—

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

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

(d) Fair Value

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of the financial asset at FVTPL under the Transaction is determined based on a discounted cash flows analysis using a discount factor estimated by reference to the credit rating of the counterparty and the remaining time to maturity;
- the fair value of other financial assets designated at fair value through profit or loss are determined by reference to bid prices quoted in active markets or prices provided by the respective issuing banks or financial institutions using valuation technique; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost, except for held-to-maturity investments (see note 27), in the consolidated financial statements approximate to their fair values.

57. Financial Instruments (Continued)

(d) Fair Value (Continued)

Fair Value Measurements Recognised in the Consolidated Statement of Financial Position (including those classified as part of a disposal group)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

— Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

— Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31.12.2009			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Listed convertible bonds / debentures	142,385	—	—	142,385
Non-derivative financial assets held for trading	26,221	—	—	26,221
Others	—	—	2,680,600	2,680,600
Available-for-sale financial assets				
Listed equity securities	453,532	—	—	453,532
Total	622,138	—	2,680,600	3,302,738

Reconciliation of Level 3 fair value measurement of financial assets:

	Others HK$'000
At 1st January 2009	—
Acquisition of a subsidiary (note 41B)	2,271,695
Change in fair value recognised in profit or loss (included in net investment income)	408,905
At 31st December 2009	2,680,600

Particulars of Major Properties

Details of the Group's major properties held for investment purposes as at 31st December 2009 are as follows:

	Location	Term of lease	Type of use	Group's interest
1.	Urban Development International Tower（城開國際大廈） situated at No. 386 Guangyuan Road West, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 7th October 2053	Commercial	59%
2.	20 office units on Levels 8, 9 and 10 and 12 car parks situated at No. 333 Zhaojiabang Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 5th December 2042	Commercial	59%
3.	Huimin Commercial Tower（滙民商廈） Levels 1 to 3, Nos. 498 and 500 Lane 388 Pubei Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 30th June 2050	Commercial	59%
4.	A commercial building and non-motor vehicle shed situated at Nos. 111 and 123 Tianyaoqiao Road, Xuhui District, Shanghai. the PRC	Held under a land use right with an unspecified term	Commercial	59%
5.	A detached villa situated at No. 3 Lane 16, Gaoyou Road, Xuhui District, Shanghai, the PRC	Held under a land use right with an unspecified term	Residential	59%

Details of the Group's properties under development as at 31st December 2009 are as follows:

	Location	Stage of completion	Expected completion date	Site area/ Gross floor area	Type of use	Group's interest
1.	Urban Cradle（萬源城）situated at Lots B, C, D, E and F, Wan Yuan Residential Area, Minhang District, Shanghai, the PRC	Lot B, D and E of the property are completed and Lot F are under construction whilst the remaining portion of the site is vacant	2007-2012 in phases	560,463 sq.m./ 1,307,369 sq.m.	Residential	53.1%
2.	Toscana（托斯卡納）situated at Xiangfu Road, Yuhua District, Changsha, Hunan Province, the PRC	Under construction	2006-2011 in phases	180,541 sq.m./ 202,425 sq.m.	Commercial/ Residential	32.45%
3.	Rose Town City Villa（玫瑰紳城）situated at The 2nd Ring South Road, Hefei, Anhui Province, the PRC	Under construction	2008-2010 in phases	181,215 sq.m./ 445,551 sq.m.	Commercial/ Residential	59%
4.	Royal Villa（琨城帝景園）situated at south of Yingbin Road, west of Han Pu Tang, Zhoushi Town, Kunshan, Jiangsu Province, the PRC	Under construction	2007-2011 in phases	205,017 sq.m./ 268,021 sq.m.	Commercial/ Residential/ Hotel	53.1%
5.	A parcel of composite land Xujiahui Centre（徐家匯中心）situated at Site 88, 150 Jiefang, Xujiahui, Xuhui District, Shanghai, the PRC	Under planning	2010-2017 in phases	35,343 sq.m./ 320,700 sq.m.	Composite	35.4%
6.	A parcel of composite land Urban Development International Centre（上海中心 • 城開國際）situated at Wuxi Lihu Economic Development Area, Wuxi, the PRC	Under planning	2009-2012 in phases	24,041 sq.m/ 191,660 sq.m.	Commercial/ Hotel	59%
7.	A parcel of residential land Ivy Aroma Town（常青藤 • 緹香小鎮）Chongqing, the PRC	Under planning	2009-2011 in phases	126,568 sq.m/ 79,085 sq.m	Residential	32.45%
8.	A parcel of composite land Yoooou.net（游站）Kunshan, the PRC	Under planning	2009-2011 in phases	34,223 sq.m./ 136,892 sq.m.	Composite	30.68%
9.	A parcel of composite land Shanghai Jing City（上海晶城）situated at Mei Long Town, Minhang District, Shanghai, the PRC	Under construction	2009-2013 in phases	259,182 sq.m./ 604,620 sq.m.	Residential	59%
10.	A parcel of Composite Land situated at Lots D and E, Zhujiajiao Town, Qingpu District, Shanghai, the PRC	Under planning	—	946,732 sq.m./ 473,366 sq.m.	Residential	100%

Particulars of Major Properties

Details of the Group's major properties held for sale as at 31st December 2009 are as follows:

	Location	Gross floor areas	Type of use	Group's interest
1.	27 villa units of Urban Cradle（萬源城） situated at Lots B Wan Yuan Residential Area, Minhang District, Shanghai, the PRC	17,578.83 sq.m.	Residential	53.1%
2.	1033 residential units of Urban Cradle（萬源城） situated at Lots D Wan Yuen Residential Area, Minhang District, Shanghai, the PRC	157,713.21 sq.m.	Residential	53.1%
3.	239 units of Phase I & II, Royal Villa （琨城帝景園）situated at South of Yingbin Road, west of Han Pu Tang, Zhoushi Town, Kunshan, Jiangsu Province, the PRC	45,522.27 sq.m.	Residential	53.1%
4.	172 units of Phase I & II Toscana（托斯卡納） situated at Xiangfu Road, Yuhua District, Changsha, Hunan Province, the PRC	34,195.80 sq.m.	Residential	32.45%
5.	1,801 residential units of Rose Town City Villa（玫瑰紳城） situated at The 2nd Ring South Road, Hefei, Anhui Province, the PRC	211,608.69 sq.m.	Residential	59%
6.	A club house, an office building and several shops situated at Nos. 1 to 21, Lane 88 and Nos. 32-68 (even), Sanjiang Road, Xuhui District, Shanghai, the PRC	4,817.70 sq.m.	Office/Residential	59%

Glossary of Terms

Term used	Brief description
Asia Water	Asia Water Technology Ltd. (Singapore listed company)
Bright Dairy	Bright Dairy and Food Co. Ltd. (SSE stock code: 600597)
Changzhou Pharmaceutical	Changzhou Pharmaceutical Co. Ltd.
Changzhou Pharmaceutical Factory	Changzhou Pharmaceutical Factory Co. Ltd.
Chengdu Wingfat Printing	Chengdu Wingfat Printing Co. Ltd.
General Water of China	General Water of China Co. Ltd.
Glorious Property	Glorious Property Holdings Ltd.
Guangdong Techpool	Guangdong Techpool Biochem Pharma Co. Ltd.
GWC Construction	General Water of China Construction Co. Ltd.
Feng Mao BVI	S.I. Feng Mao Properties (BVI) Ltd.
Feng Qi BVI	S.I. Feng Qi Properties (BVI) Ltd.
Hangzhou Qingchunbao	Chia Tai Qingchunbao Pharmaceutical Co. Ltd.
Hebei Yongxin Paper	Hebei Yongxin Paper Co. Ltd.
Hu-Ning Expressway	Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd.
Huqingyutang Pharmaceutical	Hangzhou Huqingyutang Pharmaceutical Co. Ltd.
Lianhua Supermarket	Lianhua Supermarket Holdings Co. Ltd. (Stock Exchange stock code: 980)
Liaoning Herbapex	Liaoning Herbapex Pharmaceutical (Group) Co. Ltd.
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Luqiao Development	Shanghai Luqiao Development Co. Ltd.
Mergen Biotech	Mergen Biotech Ltd.
Mergen Biotech Scheme	A share option scheme adopted by Mergen Biotech as approved by the shareholders at the extraordinary general meeting held on 28th May 2004
MicroPort Medical	MicroPort Medical (Shanghai) Co. Ltd.
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules
Nanyang Tobacco	Nanyang Brothers Tobacco Co. Ltd.
Neo-China	Neo-China Land Group (Holdings) Ltd.
Net Business Profit	Net profit excluding net corporate expenses
Novel Good	Novel Good Ltd.
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
Shanghai Galaxy	Shanghai Galaxy Investment Co. Ltd.
Shanghai Information Investment	Shanghai Information Investment Inc.
Shanghai Medical Instruments	Shanghai Medical Instruments Co. Ltd.

Glossary of Terms

Term used	**Brief description**
Shanghai Pharmaceutical	Shanghai Pharmaceutical Co. Ltd.
Shanghai Urban Development	Shanghai Urban Development (Holdings) Co. Ltd.
SI Pharmaceutical	Shanghai Industrial Pharmaceutical Investments Co. Ltd.
Sichuan Kemei Paper	Sichuan Kemei Paper Co. Ltd.
SIHL Scheme	A share option scheme adopted by the Company as approved by the shareholders at the extraordinary general meeting held on 31st May 2002
SIIC	Shanghai Industrial Investment (Holdings) Co. Ltd.
SIIC South Pacific Hotel	Shanghai SIIC South Pacific Hotel Co. Ltd.
SMIC	Semiconductor Manufacturing International Corporation (Stock Exchange stock code: 981)
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Ltd.
Sunway Biotech	Shanghai Sunway Biotech Co. Ltd.
WF Top Weld Packaging	Wing Fat Top Weld Packaging (HK) Ltd.
Wing Fat Printing	The Wing Fat Printing Co. Ltd.
Xiamen TCM	Xiamen Traditional Chinese Medicine Co. Ltd.
Yongjin Expressway	Zhejing Jinhua Yongjin Expressway Co. Ltd.
Zhejiang Rongfeng Paper	Zhejiang Rongfeng Paper Co. Ltd.

For the purposes of the "Chairman's Statement" and "Business Review, Discussion and Analysis" of this Annual Report, the exchange rate of HK$1.00 to RMB0.8804 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amounts has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

Production : Equity Financial Press Limited
Website : www.equitygroup.com.hk

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