蜆壳電器工業（集團）有限公司
SHELL ELECTRIC MFG. (HOLDINGS) CO. LTD.

(Stock Code : 00081)

Annual Report 2009

CONTENTS

CORPORATE INFORMATION

HONORABLE CHAIRMAN

Mr. KONG Qingping

DIRECTORS

Mr. HAO Jian Min *(Chairman of the Board) (*)*
Mr. Billy K YUNG *(Vice-Chairman of the Board) (*)*
Mr. CHEN Bin *(Chief Executive Officer)*
Mr. YU Shangyou
Mr. XIANG Hong
Mr. ZHU Bing Kun
Mr. Peter WONG Chung On *(**)*
Mr. Peter LAM *(**)*
Mr. Lawrence LEUNG Man Chiu *(**)*

(*) Non-executive Directors

(**) Independent non-executive Directors

REMUNERATION COMMITTEE

Mr. Peter Lam *(Chairman)*
Mr. Peter Wong Chung On
Mr. Billy K Yung

AUDIT COMMITTEE

Mr. Peter Wong Chung On *(Chairman)*
Mr. Peter Lam
Mr. Lawrence Leung Man Chiu

BANKERS

The Hongkong & Shanghai Banking Corporation Limited
Hang Seng Bank Limited

SOLICITORS

Mallesons Stephen Jaques

COMPANY SECRETARY

Ms. Connie CHIANG Yuet Wah

REGISTERED OFFICE

11th Floor, Three Pacific Place,1 Queen's Road East, Hong Kong

AUDITORS

Grant Thornton

SHARE REGISTRARS

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

LOSS FOR THE YEAR

The Group's audited consolidated loss attributable to the owners of the Company for the year ended 31st December, 2009 amounted to HK$279,713,000. Basic loss per share was HK$0.534.

FINAL DIVIDEND

The board of directors did not recommend the payment of a final dividend for the year ended 31st December, 2009 (2008: HK$0.03 per ordinary share).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 17th May, 2010 to Tuesday, 18th May, 2010 both days inclusive, during which period no transfer of the Company's shares will be effected. In order to determine the identity of the Shareholders who are entitled to attend and vote at the annual general meeting, all share certificates with the duly completed transfer forms must be lodged with the Company's Registrars, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 14th May, 2010.

BUSINESS REVIEW

Ceiling Fans

Sales pertaining to the Ceiling Fans business of the Group recorded a decrease in 2009 compared to 2008. The impact on sales was more severe in the North America market. Sales in the Middle East, Asia and Africa markets were stable; and sales in the Europe and Australia markets increased. An increase in gross margin was recorded resulting from effective expenditure and cost control measures.

Contract Manufacturing – Optics and Imaging

An increase in gross margin of the Group's Optics and Imaging Contract Manufacturing business was recorded under effective expenditure and cost control measures. Nevertheless, sales volume of fuser products recorded a decrease compared with the prior year due to dual sourcing for a high volume model by a customer and continuous pressure from the global economic situation. For laser scanner products, a drop in sales volume was recorded due to the economic slow down. "Paper handling options" progressed with satisfactory results and the sales target was achieved for the year of 2009 where contribution in the forth quarter was the highest.

Contract Manufacturing – Electric and Electronics

Due to the continuing recession during the year, sales volume of the Electric and Electronics Contract Manufacturing business slowed down and the target was not achieved. However, an increase in gross margin was recorded under effective expenditure and cost control measures.

Taxi Operation

The taxi company continued to implement the rental operating model. Under the rental operating model, the turnover and profit in 2009 recorded double digit growth compared with 2008.

Real Estate Investment & Development

Rental income from the retail properties of CITIC Plaza in Guangzhou in 2009 recorded a slight decrease compared to 2008 due to the reduction of rental price. The office properties rental income for 2009 was also lower than that of 2008 as a result of reduction in the average rental prices and increase in vacancy.

The hi-tech manufacturing facility in Shenzhen continues to provide stable rental contribution to the Group. During the year, the tenant company in the facility was acquired by an international electronics contract manufacturer group. The Group has then negotiated a multi-year extension lease term with the tenant that begins in 2011 and further, an idle land area in the facility compound occupied by the tenant and equivalent to 11,078 sq.m. or approximately one third of the total land area shall be released back to the Group.

During the year under review, both occupancy rate and rental income of the Group's office complex in Livermore, California declined as anticipated. The slight economic rebound in the US did not benefit the commercial real estate sector in 2009.

BUSINESS REVIEW (CONTINUED)

Real Estate Investment & Development (Continued)

The Group holds 70% interest in China Ever Bright Real Estate Development Limited (hereinafter described as "EBRE"). During the year, the property demands in China have started to recover, accordingly sale conditions have improved. A summary of the business activities of EBRE's major projects during the year is as follows:

At year end, the Ever Bright World Center Tower 1 in Beijing has approximately 40,923 sq. m. of saleable/leaseable area (net of area sold; with additional 400 basement parking spaces). During the year, about 5,056 sq. m. were sold with an accumulative area of about 18,787 sq. m. leased out. EBRE owns 100% of the project.

The commercial and residential development project located in Haidian district, Beijing was completed during the year, with progressive handover to the owners. Out of the accumulative area sold of 38,400 sq. m., an aggregate of 37,700 sq. m. has been recognized as revenue of RMB712.89 million. EBRE owns 100% of the project.

The low density residential development project located in the northern suburb of Beijing is going through a major re-design and up-keeping, as the original design is out of date. It is estimated that building construction work will be resumed at the end of 2010. EBRE owns 90% of the project.

On 8th April, 2009, EBRE has disposed of its 67% interest in a primary development project in the southern suburb of Beijing to the original shareholder at a small premium, as the total return of the project fell below the expected value.

EBRE owned 70% interest in a residential development project in Qingdao. As the relevant government permits have not been obtained for a prolonged period of time, EBRE and the original owners of the project had entered into a Deed of Release on 24th June, 2009, such that upon receiving back its shareholder loan (including accrued interest and penalty), EBRE will convey the 70% interest back to the original owners (during the year, EBRE had received a total of RMB20.8 million, with a remaining shareholder loan of RMB144.51 million, accrued interest and penalty in default in accordance with the terms of the Deed of Release).

Guangzhou Ever Bright Garden has recognized total sales of about 36,600 sq. m. in respect of Phase K southern region during the year, while about 78,000 sq. m. have been contracted for in respect of the Phase K northern region. Cumulative sales deposits received amounted to RMB906.56 million. EBRE owns 100% of the project.

Construction work for the residential and retail shopping mall development project located in Haizhu district, Guangzhou has commenced, with target opening of the mall in the first half of 2011. Leasing has begun and we anticipate the handover of the site for anchor tenant remodeling in the second half of 2010. Pre-sale of the residential portion is expected to start after the mall is officially delivered. EBRE owns 100% of this project.

The franchised primary development project in Hohhot, Inner Mongolia has obtained government permission to proceed on its 1,300 mu of land. EBRE owns 80% interest of the primary development project company.

The property development project company in Hohhot, Inner Mongolia has successfully pre-sold 300 units on the first day of launching on 28th June, being a new record for the first-day-sale for any new residential development in Hohhot. During the year, the project has sold a cumulative area of 81,400 sq. m., with total sales deposits received amounting to RMB262.6 million. EBRE owns 100% equity interest of this secondary property development project company.

The scientific research office building in the Zhang Jiang High-tech Zone in Shanghai is 67% let. EBRE owns 65% interest in this project.

The Guilin project is undergoing the final planning stage with construction targeted for 2010. EBRE owns 65.8% interest of this project.

In July 2009, a subsidiary company of EBRE together with a third party had jointly won the bid for a parcel of land in Huizhou for an area of about 197,000 sq. m. for the purpose of residential development.

BUSINESS REVIEW (CONTINUED)

Real Estate Investment & Development (Continued)

The Group is prudently optimistic in respect of the China property market in 2010, and judges that the market fundamentals will revert to a more normal and stable situation. On one hand, the steady macroscopic economic policies, a strong recovery in the economy, together with buoyant housing requirements are all-in-all supporting the Group's growth in the China mainland's property development businesses. On the other hand, the global economy remains vulnerable, coupled with the uncertainty in respect of the macro control polices for the property market in China mainland, would invariably induce certain degree of external market risk and operating risk to the Group.

Accordingly, in 2010, the Group would closely follow the trend of the external economy and policy decisions, operate prudently in practical terms, safeguard its interest against risks, actively pursue the perfecting of the development and sales of the existing projects, and speed up cash inflows. On these bases, the Group would also look for possible investment opportunities. The Group would collaborate with its holding company in project developments, operation models, sharing of market intelligence and resources so as to achieve a synergy effect. It will spare no efforts to enhance the returns to development projects and control costs effectively. These would create shareholders value continuously and put in place the sustainable and healthy development of the Group's property development businesses.

Enterprise Software Solutions

Appeon operated a profitable business of providing IT outsourcing services and Web development software — Appeon@ for PowerBuilder@. Despite a tumultuous economic climate that has resulted in reduced IT spending and projects, the company's turnover from IT outsourcing increased while overall turnover decreased marginally in 2009 compared to the same period of 2008. Appeon has continued to attract more distribution partners (including resellers and OEM partners) for its Web development software.

Computing and Data Storage System

The company has started exports of its data storage products to Taiwanese and US regional distributors. Although sales increased for the export market, many customers in China suspended their procurement plan causing a decrease in overall sales in the period compared to the same period of 2008. The company has developed a software solution to replace the hardware controller in its data storage system to reduce material cost. The company has reduced its operational cost and is actively exploring market and channel customers.

Financial Investment

For the year ended 31st December, 2009, the Group's financial investment activities recorded profit of approximately HK$26,007,000 and the market value of the Group's financial investment holdings amounted to about HK$28,499,000.

CHANGE OF COMPANY NAME

On 12th April, 2010, the Board announces that the name of the Company be proposed to be changed from "Shell Electric Mfg. (Holdings) Company Limited" to "China Overseas Grand Oceans Group Limited". The proposed change name of the Company is subject to the passing of a special resolution by the Shareholders at the Annual General Meeting and the approval of the Registrar of Companies in Hong Kong.

LITIGATION

A writ of summons dated 18th August, 2009 was served to the Company and certain subsidiaries of the Company as defendants by a minority shareholder of another subsidiary (the "PRC Entity") claiming the defendants for disposing of their interests in the PRC Entity without first allowing the minority shareholder to consider the interests, and for termination of the general manager and director of the PRC Entity without going through proper procedures as disclosed in the announcements made by the Company dated 20th August, 2009. A notice of discontinuance was filed by the minority shareholder of the PRC Entity to the High Court of Hong Kong on 20th October, 2009 to terminate such legal proceedings against the Company and the related subsidiaries of the Company with effect from 20th October, 2009.

By Order of the Board
Billy K Yung
Vice-Chairman and non-executive Director

Hong Kong, 12th April, 2010

REVENUE AND OPERATING RESULTS

Revenue from the Group's continuing operations for the year ended 31st December, 2009 totalled HK$2,708 million, representing an increase of HK$205 million or 8.2% compared to HK$2,503 million for the corresponding period last year. The increase in revenue is mainly attributable to completion of sales of certain units in the Haidian district in Beijing.

Profit attributable to the owners of the company for the year ended 31st December, 2009 dipped from HK$23.6 million to a loss of HK$279.7 million representing a decrease of HK$303.3 million or 1,285% over the corresponding period last year. The plunge in profit was mainly attributable to (i) a loss provision for two property projects in Huizhou and Songjiang totalling HK$171 million (net of non controlling interest) this year; (ii) a loss provision for the termination of a property development project in Qingdao of HK$114 million (net of non controlling interest) this year; (iii) an impairment loss provision for a Guangzhou property project of HK$91 million (net of non controlling interest) this year; (iv) a provision of HK$44 million (net of non controlling interest) for termination benefits to certain PRC staff this year; and (v) a share option expense (net of non controlling interest) of HK$101 million compared to a HK$37 million expense for the corresponding period last year, partly offset by a fair value gain (net of deferred taxation and non controlling interest) of HK$95 million on certain investment properties within the Group coupled with a fair value loss (net of deferred taxation and minority interest) of HK$74 million for the corresponding period last year. Both of the fair value adjustment and the share option expense involved no cash movement.

FINANCIAL RESOURCES AND LIQUIDITY

The Group was able to maintain a satisfactory financial position with its financial resources and liquidity position consistently monitored and put in place in a healthy state throughout the period under review. Given the current economic situation, the Group would constantly re-evaluate its operational and investment status with a view to improving its cash flow and minimising its financial risks.

The U.S. and the PRC long term loans of US$12 million and RMB1,335 million respectively were secured by certain assets of the group located in the United States and Mainland China respectively. The Group has two three-year long-term loans totalling HK$476 million. Apart from the above, all banking facilities of the Group have been arranged on short-term basis.

The banking facilities of the Group were subject to a mix of fixed interest rates and floating interest rates. Interest cover of the Group as at 31st December, 2009, calculated as operating profit divided by total interest expenses net of those capitalized and interest income, stood at 2 times (31st December, 2008: 7 times).

FOREIGN EXCHANGE EXPOSURE

The Group's borrowings were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The Group continued to conduct its sales mainly in US dollars and Renminbi and make payments either in US dollars, Hong Kong dollars or Renminbi. As the Group conducted its sales, receivables and payables, bank borrowings and expenditures in Renminbi for its PRC property development business, the directors considered that a natural hedge mechanism existed. The Group would, however, closely monitor the volatility of the Renminbi exchange rate. All in all, the directors considered that the Group's risk exposure to foreign exchange rate fluctuations remained minimal.

GEARING RATIO

The Group continued to follow its policy of maintaining a prudent gearing ratio. As at 31st December, 2009, the Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash and pledged deposits to total equity of the Group of 41.8% (31st December, 2008: 36.9%).

SIGNIFICANT DISPOSALS

During the period under review, the Group disposed of its interest in a property development project through the disposal of its entire equity interest in 北京寅豐房地產開發有限責任公司 to an independent third party at a cash consideration of RMB46.5 million. The transaction was completed in April 2009 and resulted in a gain of approximately HK$17.3 million.

On 24th June, 2009 the Group entered into a co-operation termination agreement and a settlement agreement in respect of the property development project conducted by青島頤景房地產開發有限公司 ("青島頤景"). Pursuant to the co-operation termination agreement, the Group agreed to terminate the Co-operation Agreement dated 2 August 2007. Pursuant to the settlement agreement, the substantial owner of 青島頤景 agreed to repay the outstanding shareholder's loan and pay certain amount of penalty and fund appropriation fees of approximately RMB197 million in aggregate to the Group. Upon the full repayment of the outstanding shareholder's loan, the Group will transfer its 70% registered capital of 青島頤景 to the substantial owner for a consideration of RMB7 million. As the substantial owner has failed to fulfill certain conditions as specified in the agreements up to the date of this report the disposal has not yet been completed. The changes in the current business environment and the local government policy which have an adverse impact on the commercial viability of the project have finally brought about the write-down of the carrying value of this project by approximately HK$164 million in the current year.

Other than the above, there is no significant acquisition and/or disposal during the period and up to the date of this report.

GROUP RESTRUCTURING, CAPITAL REDUCTION, DISTRIBUTION IN SPECIE, SUBSCRIPTION, MANAGEMENT OPTIONS AND COMPENSATION

On 9th September, 2009, the Company entered into a conditional subscription agreement in relation to a possible group restructuring and capital restructuring of the Company which will involve a distribution of certain business of the Group to the shareholders of the Company. Further details about the transactions are set out in the circular of the Company issued on 8th December, 2009.

Several events occurred after the end of the reporting period as of 31st December, 2009 details of which are set out in note 49 to the financial statements under the heading "Events After The End of The Reporting Period".

CAPITAL COMMITMENTS AND GUARANTEE

During the period under review, the Group had capital commitments totalling HK$2,562 million which related mainly to property development and construction works. In addition, the Group issued guarantees to banks amounting to HK$920 million mainly for facilitating end-user mortgages in connection with its PRC property sales.

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totalling HK$33 million during the period under review.

Based on certain real estate in Mainland China, the Group secured certain mortgage loans totalling RMB1,335 million from certain PRC banks during the period under review.

During the period under review, the Group had charges on assets totalling HK$3,540 million mainly for securing mortgage loans.

The Group also pledged its 100% interest of the issued share capital of its subsidiary, Full Revenue Inc, to a bank to secure for a long-term loan granted to the Group.

EMPLOYEES

As at 31st December, 2009, the Group has approximately 3,450 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

NON-EXECUTIVE DIRECTORS

Mr. Hao Jian Min, aged 45, graduated from Shenyang Jianzhu University and is a Master of Harbin Institute of Technology and MBA of Fordham University in USA. Mr. Hao joined China Overseas Holdings Limited ("COHL") in 1989. He is now an executive director, vice chairman and chief executive officer of China Overseas Land & Investment Ltd. ("COLI"). Mr. Hao is also a director of COHL and certain of its subsidiaries. He has 23 years' experience in construction and property business.

Mr. Billy K Yung, aged 56, received a Bachelor degree in Electrical Engineering from University of Washington and a Master degree in Industrial Engineering from Stanford University. Mr. Yung has over 30 years of experience in managing manufacturing, retailing, transportation, semi-conductor, computer hardware and software business in USA, Hong Kong and China. He has also over 25 years of experience in real-estate investment and development in USA, Canada, Holland, Hong Kong, Taiwan, Macau and China.

EXECUTIVE DIRECTORS

Mr. Chen Bin, aged 40, BEng. (Southeast University), MBA (Kellogg-HKUST), Senior Engineer. He joined China State Construction Engineering Corporation in 1993. Mr. Chen has been appointed as an executive director of COLI in November 2006. He was also a director of COHL since March 2004 and has about 17 years' management experience in construction business and personnel administration.

Mr. Yu Shangyou, aged 51, Mr. Yu graduated from Ohio University with a Master degree, Senior Economist. He has more than twenty-eight years of experiences in the financial fields including corporate finance and investment, asset management, corporate strategy, M&A, corporate operation and risk management. From 1988 to 1993, Mr. Yu was a project manager with China Heilongjiang International Economic & Technical Cooperation Corporation. In 1993, Mr. Yu joined COHL and was subsequently designated as a director of Chung Hoi Finance Ltd. in 1997, and the deputy general manager of finance department of COHL from March 2000 to May 2005, the director & general manager of Chung Hoi Finance Ltd. in May 2005, vice chairman of China Overseas Finance Investment Limited in January 2007, a director of COHL in March 2008. Furthermore, Mr. Yu was also appointed as the deputy general manager of Shenzhen China Overseas Investment Management Co., Ltd. in December 2008, and director of Anhui Guoyuan Trust Co., Ltd in September 2009.

Mr. Xiang Hong, aged 42, graduated from Murdoch University in Australia, holder of master degree, senior accountant. He joined a subsidiary of COLI in 1993. Mr. Xiang was appointed as the deputy financial controller of a subsidiary of COLI in February 2006. He has been appointed as the deputy financial controller of COLI since November 2009. Mr. Xiang is also a director of certain subsidiaries of COLI. He has about 20 years' experience in corporate financial management.

Mr. Zhu Bing Kun, aged 58, graduated from School of Public Administration in Shanghai, senior economist. He joined a subsidiary of COLI in 1994. Mr. Zhu is also a director of certain subsidiaries of COLI. He has about 26 years' experience in human resources management and corporate management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Peter Wong Chung On, aged 60, has been appointed as an Independent Non-Executive director in March 2004. Mr. Wong received his Bachelor of Laws Degree and Master of Laws Degree in Chinese and Comparative Law from University of Wolverhampton in United Kingdom and City University of Hong Kong respectively. He is an associate member of both of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants of the United Kingdom. In addition, he is also an associate member of the Hong Kong Institute of Certified Public Accountants. During the period from 1986 to 1990, he was employed by the Group as the Financial Controller and an in-house Financial Consultant. He has approximately 20 years of financial management experience in the manufacturing field before joining the Group. He is now a Solicitor practicing in Peter C.O. Wong & Associates.

Mr. Peter Lam, aged 58, has been appointed as an Independent Non-Executive Director in September 2004. Mr. Lam received a Bachelor degree in Civil Engineering from Lehigh University and a Master degree in Construction Management from Stanford University. He is the Permanent Supervisor of The Hong Kong Construction Association and Vice Chairman of Heifer International Hong Kong. He was a Former President of the Hong Kong Construction Association, Former Vice President of Hong Kong Institution of Engineers, Former Committee Member of Institute for Enterprise of The Hong Kong Polytechnic University, Former Director of 'Mother Choice' Association under Community Chest and a member of The Selection Committee for the First Government of Hong Kong Special Administrative Region. He is the President of Lam Construction Group Limited.

Mr. Lawrence Leung Man Chiu, aged 62, has been appointed as an Independent Non-Executive Director in January 2009. Mr. Leung is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He graduated in 1969 from the Hong Kong Technical College (now the Hong Kong Polytechnic University) with a diploma in accountancy and qualified himself as a certified public accountant in 1972. Mr. Leung is a practising certified public accountant and has been in public practice for over 40 years. He has extensive experience in accounting and auditing and had served in listing and auditing projects for a number of Hong Kong public listed companies. He is now practising as a partner in Tang and Fok. Mr. Leung is an independent non-executive director of Pak Fah Yeow International Limited and Safety Godown Company, Limited, both of which are public listed companies in Hong Kong.

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

PRINCIPAL ACTIVITIES

During the current year, the principal activities of the Group are property investment and development, manufacturing and marketing of electric fans and other electrical household appliances and contract manufacturing business, property leasing and investment holding. Details of the activities of its principal subsidiaries, associates and jointly controlled entities are set out in note 52 to note 54 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2009 are set out in the consolidated income statement on page 19.

An interim dividend of HK$0.02 per share amounting to HK$10,470,000 was paid to the shareholders during the year. The board of directors of the Company (the "Board") does not recommend the payment of a final dividend for the year ended 31st December, 2009.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the year in the share capital of the Company and outstanding share options of the Company and its subsidiaries are set out in note 36 and note 40 to the financial statements respectively.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and note 37 to the financial statements respectively.

DIVIDEND RESERVE

Dividend reserve of the Company at 31st December, 2009, calculated under section 79B of the Companies Ordinance was nil (2008: HK$15,705,000).

DONATIONS

During the year, the Group made charitable and other donations totalling HK$12,962,000 (2008: HK$17,634,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties held for development and/or sale and for investment purposes are set out on page 93.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 91.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

In February 2009, the Company repurchased on the Stock Exchange a total of 2,000,000 of its own ordinary shares of HK$0.5 each of the Company at an aggregate consideration of HK$4,200,000 before expenses. All of these shares had been cancelled upon being repurchased.

DIRECTORS

The directors of the Company during the year and up to date of this report are as follows:

Non-executive directors

Mr. HAO Jian Min *(Chairman of the Board)*	*(appointed on 27th February, 2010)*
Mr. Billy K YUNG *(Vice-Chairman of the Board)*	*(resigned from the Group Chairman and Chief Executive of the Company with effect from 10th February, 2010 and has been re-designated from Chairman of the Board and executive Director to respectively Vice-Chairman of the Board and non-executive Director of the Company with effect from 27th February, 2010)*
Mr. Simon YUNG Kwok Choi	*(removed as non-executive director on 30th March, 2010)*

Executive directors

Mr. CHEN Bin *(Chief Executive Officer)*	*(appointed as Chief Executive Officer on 10th February, 2010 and appointed as executive director on 27th February, 2010)*
Mr. YU Shangyou	*(appointed on 27th February, 2010)*
Mr. XIANG Hong	*(appointed on 27th February, 2010)*
Mr. ZHU Bing Kun	*(appointed on 27th February, 2010)*
Madam YUNG HO Wun Ching	*(resigned as executive director on 29th March, 2010)*
Mr. LEUNG Chun Wah	*(appointed as alternate director to Mr. Eddie Hurip on 11th September, 2009 and resigned on even date; and resigned as executive director on 29th March, 2010)*
Mr. Eddie HURIP	*(resigned as executive director on 29th March, 2010; and appointed as alternate director to Mr. Billy K Yung on 30th March, 2010 and resigned on even date)*

Independent non-executive directors

Mr. Peter WONG Chung On	
Mr. Peter LAM	
Mr. Lawrence LEUNG Man Chiu	*(appointed on 30th January, 2009)*

In accordance with Article 103 of the Company's Articles of Association, Mr. Peter Wong Chung On, Mr. Peter Lam and Mr. Lawrence Leung Man Chiu shall retire by rotation at the forthcoming annual general meeting and will not offer themselves for re-election.

In accordance with Article 94 of the Company's Articles of Association, Mr. Hao Jian Min, Mr. Chen Bin, Mr. Yu Shangyou, Mr. Xiang Hong and Mr. Zhu Bing Kun, who were appointed by the Board on 27th February, 2010, shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Company still considers such directors to be independent.

Each director (including non-executive directors) is subject to retirement by rotation in accordance with the Company's Articles of Association.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management as at the date of this report are set out on page 8.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS

(a) In contracts of significance

No contracts of significance to which the Company or any of its 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.

(b) Shares

As at 31st December, 2009, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of Director	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company
Mr. Billy K Yung	Beneficial Owner	Personal	37,322,000	263,651,084	50.36%
	Interest of child under 18 or spouse *(Note 1)*	Other	216,329,084		
	Interest held jointly with another person *(Note 2)*	Other	10,000,000		
Mr. Peter Lam	Beneficiary of a trust *(Note 3)*	Other	1,300,000	1,300,000	0.25%
Madam Yung Ho Wun Ching	Beneficial Owner	Personal	53,246,300	63,246,300	12.08%
	Interest of Spouse *(Note 4)*	Family	10,000,000		
Mr. Leung Chun Wah	Beneficial Owner	Personal	1,559,400	1,559,400	0.30%
Mr. Simon Yung Kwok Choi	Beneficial Owner	Personal	39,147,911	43,577,351	8.32%
	Interest of controlled corporation *(Note 5)*	Corporate	3,529,440		
	Interest of spouse *(Note 6)*	Family	900,000		

Notes:

(1) These shares are held by a trust for the benefit of Mr. Billy K Yung's family members.

(2) These shares are held jointly with his wife, Madam Vivian Hsu.

(3) These shares are held by a trust for the benefit of Mr. Peter Lam.

(4) This interest represents the holding of Shares held by the late Dr. Yung Yau.

(5) These shares are held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung Kwok Choi.

(6) This interest represents the holding of shares held by Mr. Simon Yung Kwok Choi's spouse, Madam Chiu Man.

(c) Share options

Particulars of the directors' interests in the share option schemes of the Company and its subsidiaries, namely, Appeon Corporation, Galactic Computing Corporation and the option deeds of Pan China Land (Holdings) Corporation are set out in note 40 to the financial statements.

DIRECTORS' INTERESTS (CONTINUED)

(d) Disclosure of other interest

(i) Certain directors held shares in subsidiaries as trustees for the Company.

(ii) Certain directors held the option deeds of Pan China Land (Holdings) Corporation, an indirect 70%-owned subsidiary of the Company, as trustee for the benefit of Timely Hero Limited, a wholly owned subsidiary of the Company. Details are set out in note 40(c) to the financial statements.

Save as disclosed above, none of the directors or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation as at 31st December, 2009.

SUBSTANTIAL SHAREHOLDERS

At 31st December, 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain directors, the following shareholders had relevant interests and short positions in the issued share capital of the Company.

Name of substantial shareholder	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company
UBS Trustees (BVI) Limited	Trustees of trusts *(Note 1)*	Other	224,437,334	224,437,334	42.87%
Diamond Key Enterprises Inc.	Beneficial owner *(Note 1)*	Beneficial	143,612,287	143,612,287	27.43%
On Fat Profits Corporation	Beneficial owner *(Note 1)*	Beneficial	72,716,797	72,716,797	13.89%
Madam Chiu Man	Beneficial owner Interest of spouse *(Note 2)*	Personal Family	900,000 42,677,351	43,577,351	8.32%
Madam Vivian Hsu	Interest of spouse Interest held jointly with another person *(Note 3)*	Family Other	37,272,000 10,000,000	47,272,000	9.03%
China Overseas Land & Investment Limited	Beneficial owner *(Note 4)*	Beneficial	157,045,368	157,045,368	30.00%
China Overseas Holdings Limited	Interest of corporation controlled by substantial shareholder *(Note 4)*	Interest in controlled corporation	157,045,368	157,045,368	30.00%
China State Construction Engineering Corporation Limited	Interest of corporation controlled by substantial shareholder *(Note 4)*	Interest in controlled corporation	157,045,368	157,045,368	30.00%
China State Construction Engineering Corporation	Interest of corporation controlled by substantial shareholder *(Note 4)*	Interest in controlled corporation	157,045,368	157,045,368	30.00%

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Notes:

(1) 143,612,287 shares and 72,716,797 shares form part of the 224,437,334 shares held by UBS Trustees (BVI) Limited of which the aggregate of 143,612,287 shares and 72,716,797 shares (i.e. 216,329,084 shares) are disclosed in the section headed "DIRECTORS' INTERESTS" above as being held under a trust with Mr. Billy K Yung's family as the beneficiaries. None of the directors are directors or employees of On Fat Profits Corporation and Diamond Key Enterprises Inc.

(2) Madam Chiu Man's shares held under personal interest and family interest are in fact the same block of shares already disclosed respectively under family interest, personal and corporate interests of her husband, Mr. Simon Yung Kwok Choi as disclosed in the section headed "DIRECTORS' INTERESTS" above.

(3) Madam Vivian Hsu's shares held under family interest and other interest are in fact the same block of shares already disclosed respectively under personal interest and other interests of her husband, Mr. Billy K Yung as disclosed in the section headed "DIRECTORS' INTERESTS" above.

(4) China Overseas Land & Investment Limited (Stock Code: 688) is a non wholly-owned subsidiary of China Overseas Holdings Limited. China Overseas Holdings Limited is a wholly-owned subsidiary of China State Construction Engineering Corporation Limited, which in turn is a non wholly-owned subsidiary of China State Construction Engineering Corporation. By virtue of entering into the subscription agreement for the subscription of 157,045,368 new Shares, China Overseas Land & Investment Limited, China Overseas Holdings Limited, China State Construction Engineering Corporation Limited and China State Construction Engineering Corporation are deemed to be interested in these Shares.

Other than as disclosed above, there was no person, other than the directors of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company kept under section 336 of SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Except for the share options granted to the directors pursuant to the schemes as set out in note 40 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements 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.

MAJOR SUPPLIERS AND CUSTOMERS

For the financial year ended 31st December, 2009, the five largest customers accounted for approximately 24% of the total sales of the Group's turnover, of which 10% was attributable to the largest customer. Purchase from the Group's five largest suppliers accounted for less than 22% of the total purchases for the year.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in the major suppliers or customers noted above.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors and their respective associates has any interest in a business or is interested in any business which competes or may compete either directly or indirectly with, or is similar to, the business of the Group as at 31st December, 2009.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has not maintained the prescribed public float under the Listing Rules as at the date of this report. The directors of the Company will take appropriate steps to restore the minimum public float as required under Rule 8.08 of the Listing Rules as soon as possible.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Grant Thornton as auditors of the Company.

On behalf of the Board

Billy K Yung
Vice-Chairman and Non-Executive Director

Hong Kong, 12th April, 2010

This Corporate Governance Report is issued pursuant to Appendix 23 of the Listing Rules.

The Company is firmly committed to statutory and regulatory corporate governance standards and adheres to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness.

The Board of Directors (the "Board") is pleased to report that throughout the year up to 31st December, 2009, the corporate governance practices of the Group are in compliance with the Code Provisions of the Code on Corporate Governance Practices (the"Code") as set out in Appendix 14 of the Listing Rules, except for the deviations set out in the following detailed discussion.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business and decision making processes are regulated in proper and prudent manner.

The following detailed discussion sets out the manner by which the Group has met the Code Provisions in the Code for the year ended 31st December, 2009.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct for dealings in securities of the Company by the Directors. Having made thorough enquiry of the Directors, the Company can reasonably confirm that the Directors have complied with the required standard set out in the Model Code during the year ended 31st December, 2009.

On 22nd September 2005, the Board has approved that the Model Code also applies to other specified relevant employees of the Group regarding their dealings in the securities of the Company.

BOARD OF DIRECTORS

Pursuant to the subscription agreement dated 9th September, 2009 (the "Subscription Agreement") entered into among the Company, Mr. Billy K Yung, currently a Vice-Chairman and non-executive Director of the Company, and China Overseas Land & Investment Limited ("COLI") in relation to the subscription by COLI of an aggregate of 157,045,368 new shares of the Company (the "Subscription Shares") representing approximately 23.08% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. Upon the completion of the Subscription Agreement on 10th February, 2010, COLI made a voluntary unconditional cash offer to the Shareholders of the Company to acquire all the shares other than those already held or agreed to be acquired by COLI and parties acting in concert with it (the "COLI Offer"). At the closing date of COLI Offer 29th March, 2010, COLI has received the valid acceptance in respect of 213,412,876 Shares under the COLI Offer. Immediately after the COLI Offer, COLI held 370,458,244 shares of the Company (representing approximately 54.44% of the entire issued shares of the Company). The details of the Subscription Agreement and COLI Offer were set out in the circular and announcements of the Company dated 29th September, 2009, 8th December, 2009 and 29th March, 2010. Unless otherwise defined, the capitalised terms used in this report shall have the same meanings as those defined in the circular of the Company.

Due to the change in control of the Company, there was a change in the composition of the Board. Mr. Hao Jian Min was appointed as the Chairman of the Board and a non-executive Director of the Company with effect from 27th February, 2010, and each of Mr. Chen Bin, Mr. Yu Shangyou, Mr. Xiang Hong and Mr. Zhu Bing Kun was appointed as an executive Director of the Company with effect from 27th February, 2010. Mr. Billy K Yung has resigned as the Group Chairman and Chief Executive of the Company with effect from 10th February, 2010 and he has been re-designated from Chairman of the Board and executive Director to Vice-Chairman of the Board and non-executive Director of the Company with effect from 27th February, 2010. In addition, each of Madam Yung Ho Wun Ching, Mr. Leung Chun Wah and Mr. Eddie Hurip has resigned as an executive Director of the Company with effect from 29th March, 2010 and Mr. Simon Yung Kwok Choi has been removed as a non-executive Director of the Company with effect from 30th March,2010. The details of the appointment, resignation, re-designation and removal of directors were set out in the announcements of the Company dated 12th February, 2010, 26th February, 2010, 29th March, 2010 and 30th March, 2010.

As at the date of this report, the Board comprises nine members, of which four members are executive Directors, two members are non-executive Directors and three members are independent non-executive Directors. Biographical details of the Directors are set out on page 8 of this Annual Report.

The Board supervises the management of the business and affairs of the Group. It has established self-regulatory and monitoring mechanisms to ensure that effective corporate governance is practiced. The Board oversees the Group's overall strategic plans, approves major funding and investment proposals and reviews the financial performance of the Group. The day-to-day management, administration and operation of the Group are delegated to the executive board members.

The Board meets regularly and additional meetings are convened when deemed necessary by the Board. Board members are provided with complete, adequate and timely information to allow the Directors to fulfil their duties properly.

Under the Code Provision D.1.1, management should report back and obtain prior approval from the board of the Company before making decisions or entering into any commitments on behalf of the Company whenever notifiable and/or connected transactions are involved.

On 8th April, 2009, an indirectly owned subsidiary of the Company entered into a disposal agreement with a substantial shareholder of 北京寅豐房地產開發有限責任公司 ("北京寅豐") for the disposal of its 67% registered capital in 北京寅豐 at a consideration of RMB46.5 million. The details of disposal were set out in the Circular to shareholders dated 21st May, 2009.

The above disposal constituted a connected transaction for the Company under Rule 14A.13(1) (a) of the Listing Rules. Delays in the gathering of the relevant information from parties concerned, the time lags in the communication between the Group's staff in the PRC and in Hong Kong due to the Easter holidays have caused the Company not to be in a position to make an informed announcement of the transactions contemplated under the relevant disposal agreement until such information are obtained. The Company's Board of Directors has ratified on 24th April, 2009 and announced on 30th April, 2009 the transaction contemplated under the disposal agreement.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Prior to the Group restructuring, the Group deviated from the Code Provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Prior to the Group restructuring, Mr. Billy K Yung was the Group Chairman and the Chief Executive of the Company. The Board at that time believed that the structure is more suitable to the Company because it can promote the efficient formulation and implementation of the Company's strategies.

Subsequent to the restructuring of the Board, Mr. Billy K. Yung has resigned as the Group Chairman and Chief Executive of the Company with effect from 10th February, 2010 and he has been re-designated from Chairman of the Board and executive Director to Vice-Chairman of the Board and non-executive Director of the Company with effect from 27th February, 2010. Mr. Hao Jian Min was appointed as the Chairman of the Board and a non-executive Director of the Company with effective from 27th February, 2010, and Mr. Chen Bin was appointed as the Chief Executive Officer and general manager of the Company with effect from 10th February, 2010 and he was then appointed as an executive Director of the Company with effect from 27th February, 2010

DIRECTORS' ATTENDANCE AT THE BOARD, AUDIT COMMITTEE AND REMUNERATION COMMITTEE MEETINGS DURING THE YEAR 2009

Name of Director	Board Meeting	Audit Committee Meeting	Remuneration Committee
Mr. Billy K Yung	9/9	N/A	1/1
Madam Yung Ho Wun Ching (resigned on 29th March, 2010)	8/9	N/A	N/A
Mr. Leung Chun Wah (resigned on 29th March, 2010)	9/9	N/A	N/A
Mr. Eddie Hurip (resigned on 29th March, 2010)	9/9**	N/A	N/A
Mr. Simon Yung Kwok Choi (removed on 30th March, 2010)	6/9	N/A	N/A
Mr. Peter Wong Chung On	8/9	2/2	1/1
Mr. Peter Lam	8/9	2/2	1/1
Mr. Lawrence Leung Man Chiu (appointed on 30th January, 2009)	8/9	2/2	N/A

** Mr. Leung Chun Wah was appointed as the Alternate Director for one day for attending one Board Meeting on behalf of Mr. Eddie Hurip.

NOMINATION OF DIRECTORS

The Board has established a formal and transparent process for the Company in the appointment of new Directors and re-nomination and re-election of Directors at regular intervals.

During the year 2009, the Board nominated and appointed Mr. Lawrence Leung Man Chiu as an independent non-executive Director of the Company.

In accordance with Article 103 of the Company's Article of Association, Mr. Peter Wong Chung On, Mr. Peter Lam and Mr. Lawrence Leung Man Chiu shall retire at the forthcoming annual general meeting and will not offer themselves for re-election.

Among the current Directors, Messrs.Hao Jian Min, Chen Bin, Yu Shangyou, Xiang Hong and Zhu Bing Kun were appointed by the Board with effect from 27th February, 2010. In accordance with Article 94 of the Company's Article of Association, they shall hold office until the conclusion of the forthcoming annual general meeting of the Company and shall then be eligible for re-election.

None of the independent non-executive Directors has been appointed for a term of more than three years.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Mr. Simon Yung Kwok Choi, the non-executive Director of the Company, was not appointed for a specific term but was subject to retirement by rotation and re-election in accordance with the Company's Articles of Association. However, he has been removed as a non-executive Director with effect from 30th March, 2010 pursuant to article 101(A)(vi) of the Articles of Association of the Company on the ground that there is a divergence of view on the business objectives of the Company and its subsidiaries between Mr. Simon Yung Kwok Choi and the Board.

Mr. Billy K Yung is the brother of Mr. Simon Yung Kwok Choi. Both of them are the sons of Madam Yung Ho Wun Ching. Save as disclosed above, during the year, none of the other directors has or maintained any financial, business, family or other material, relevant relationship with any of the other directors.

REMUNERATION COMMITTEE

The Remuneration Committee was formed on 20th January, 2005. The Remuneration Committee consists of a majority of independent non-executive Directors and its members are:

Mr. Peter Lam *(independent non-executive Director) (Chairman)*
Mr. Peter Wong Chung On *(independent non-executive Director)*
Mr. Billy K Yung *(re-designated from executive Director to non-executive Director on 27th February, 2010*)

The Remuneration Committee is charged with the responsibility of determining the specific remuneration packages of all executive Directors and senior management, including benefits-in-kind, pension rights, and compensation payments, and to advise the Board on the remuneration of the independent non-executive Directors. In developing remuneration policies and making recommendation as to the remuneration of the Directors and key executives, the Remuneration Committee takes into account the performance of the Group as well as those individual Directors and key executives.

The Remuneration Committee Meeting held considered and approved the pay scale and bonus payments of the employees (including executive directors) of the Company.

ACCOUNTABILITY AND AUDIT

The Directors have acknowledged by executing a management representation letter with the Auditors that they bear the ultimate responsibility of preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards. The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 18.

AUDIT COMMITTEE

The Audit Committee was formed on 22nd September, 1998 to review and supervise the financial reporting process and internal control mechanism of the Company. The Audit Committee comprises three members, all of whom are independent non-executive Directors. The members are:

Mr. Peter Wong Chung On *(Chairman)*
Mr. Peter Lam
Mr. Lawrence Leung Man Chiu (appointed on 30th January, 2009)

Mr. Lawrence Leung Man Chiu has been appointed as an independent non-executive director and a member of the Audit Committee of the Company effective from 30th January, 2009.

The Audit Committee has reviewed with management and auditors of the Company the accounting principles and practices adopted by the Group and discussed the audited financial statements for the year ended 31st December, 2009.

The amount of audit fee for the year ended 31st December, 2009 was HK$3,840,000 (2008: HK$4,090,000). The amount of non-audit fees payable to the auditors of the Company for the year ended 31st December, 2009 was HK$1,615,000 (2008: HK$130,000). The Audit Committee is of the view that the auditors' independence was not affected by the provision of these non-audit related services.

The Audit Committee has recommended to the Board that Grant Thornton, Certified Public Accountants, be nominated for re-appointment as auditors of the Company at the forthcoming annual general meeting of the Company.

INTERNAL CONTROLS

Management has implemented a system of internal controls to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purposes and investment and business risks affecting the Group are identified and properly managed. The Company's internal audit department is responsible for monitoring adherence to policies on the safekeeping of assets and effectiveness and efficiency of operational procedures. Periodical audit plan is prepared in determining the audit focus and frequencies.

The Audit Committee has conducted a review of the effectiveness of the system of internal control. Such review will consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Audit Committee and the Board consider that the Group's internal control system is satisfactory.

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of Shell Electric Mfg. (Holdings) Company Limited蜆壳電器工業(集團)有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shell Electric Mfg. (Holdings) Company Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 19 to 90, which comprise the consolidated and company statements of financial position as at 31st December, 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit 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 financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the 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 loss 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.

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

12th April, 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Revenue	5	**2,707,924**	2,502,632
Cost of sales and services provided		**(2,198,201)**	(1,662,292)
Gross profit		**509,723**	840,340
Other income	7	**60,192**	44,231
Distribution and selling expenses		**(76,008)**	(73,194)
Administrative expenses		**(435,175)**	(300,415)
Other operating expenses		**(115,646)**	(107,239)
Other gains/(losses)			
Fair value gain on reclassification of inventories of properties to investment properties	15	**426,803**	–
Fair value loss on investment properties	15	**(131,681)**	(64,337)
Fair value gain/(loss) on investments held for trading		**21,993**	(62,286)
Impairment loss on goodwill arising on acquisition of a subsidiary		**–**	(2,283)
Impairment loss on an owner-occupied property		**(527)**	(3,423)
Impairment losses on other assets		**(244,322)**	(5,116)
Reversal of impairment of financial assets		**–**	7,684
Reversal of unutilised provision		**–**	67,309
Gain on disposal of a subsidiary	41	**17,286**	56,115
Others		**3,351**	4,755
Operating profit		**35,989**	402,141
Finance costs	9	**(35,796)**	(73,109)
Share of results of associates		**36,157**	46,354
Share of results of jointly controlled entities		**2,721**	7,366
Gain on disposal of a jointly controlled entity		**–**	176,533
Impairment loss on interest in a jointly controlled entity		**–**	(28,361)
Profit before income tax	8	**39,071**	530,924
Income tax expense	10	**(421,221)**	(456,518)
(Loss)/Profit for the year		**(382,150)**	74,406
(Loss)/Profit for the year attributable to:			
Owners of the Company	11	**(279,713)**	23,563
Non-controlling interests		**(102,437)**	50,843
		(382,150)	74,406
		HK Cents	HK Cents
(Loss)/Earnings per share	13		
– Basic		**(53.40)**	4.48
– Diluted		**N/A**	3.81

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2009

	2009 HK$'000	2008 HK$'000
(Loss)/Profit for the year	**(382,150)**	74,406
Other comprehensive income		
Exchange difference arising from translation of overseas operations		
– subsidiaries	**2,791**	119,401
– associates and jointly controlled entities	**8,040**	14,739
	10,831	134,140
Reclassification from assets revaluation reserve to profit or loss upon sales of inventories of properties	**(71,534)**	(36,243)
Income tax	**23,859**	15,671
	(47,675)	(20,572)
Other comprehensive income for the year, net of tax	**(36,844)**	113,568
Total comprehensive income for the year	**(418,994)**	187,974
Total comprehensive income attributable to:		
Owners of the Company	**(303,411)**	137,412
Non-controlling interests	**(115,583)**	50,562
	(418,994)	187,974

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment properties	15	**1,244,869**	747,220
Property, plant and equipment	16	**212,284**	209,592
Prepaid lease rental on land	17	**20,305**	21,239
Goodwill	18	**84,991**	84,934
Other intangible assets	19	**236,570**	240,591
Interests in associates	21	**459,795**	418,860
Interests in jointly controlled entities	22	**223,219**	222,800
Available-for-sale financial assets	23	**3,300**	2,920
Loans receivable	24	**106,597**	130,138
Deferred tax assets	39	**2,098**	1,908
		2,594,028	2,080,202
Current assets			
Inventories of properties	25	**6,416,537**	6,099,493
Other inventories	26	**100,851**	124,228
Trade and other receivables, prepayments and deposits	27	**715,487**	1,036,644
Prepaid lease rental on land	17	**527**	524
Loans receivable	24	**4,013**	15,345
Amount due from an associate	29	**2,340**	–
Amounts due from jointly controlled entities	29	**119,077**	77,295
Amount due from an investee	29	**8,411**	20,831
Amounts due from minority shareholders	29	**4,202**	33,856
Investments held for trading	30	**28,499**	20,643
Tax prepaid		**8,631**	8,704
Restricted cash and deposits	31	**137,837**	52,582
Cash and cash equivalents	32	**853,072**	873,326
		8,399,484	8,363,471
Current liabilities			
Trade and other payables	33	**2,688,665**	2,378,746
Sales deposits received		**1,347,027**	772,395
Amount due to an associate	34	**96**	118
Amount due to a jointly controlled entity	34	**227**	226
Amount due to a minority shareholder	34	**82,385**	186,612
Amount due to a related party	34	**291**	291
Consideration payable on acquisition of a subsidiary	42	**74,082**	210,097
Taxation liabilities	10	**745,109**	607,398
Bank borrowings	35	**760,502**	929,179
		5,698,384	5,085,062
Net current assets		**2,701,100**	3,278,409
Total assets less current liabilities		**5,295,128**	5,358,611

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Bank borrowings	35	**1,483,718**	1,282,184
Loan from a minority shareholder	38	**3,599**	3,386
Other liabilities		**12,015**	6,155
Deferred tax liabilities	39	**464,601**	436,319
		1,963,933	1,728,044
Net assets		**3,331,195**	3,630,567
Capital and reserves			
Share capital	36	**261,742**	262,742
Reserves	37	**2,609,901**	2,841,271
Equity attributable to owners of the Company		**2,871,643**	3,104,013
Non-controlling interests		**459,552**	526,554
Total equity		**3,331,195**	3,630,567

YU SHANGYOU
Director

BILLY K YUNG
Director

STATEMENT OF FINANCIAL POSITION

As at 31st December, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment properties	15	–	23,000
Property, plant and equipment	16	–	8,499
Interests in subsidiaries	20	**1,950,750**	586,533
Available-for-sale financial assets	23	–	2,920
		1,950,750	620,952
Current assets			
Other inventories	26	–	2,948
Trade and other receivables, prepayments and deposits	27	**4,853**	14,891
Loan receivable	24	–	11,339
Amounts due from subsidiaries	28	**87,995**	1,959,460
Amount due from an investee	29	–	7,250
Cash and cash equivalents		**7,728**	1,923
		100,576	1,997,811
Current liabilities			
Trade and other payables	33	**4,718**	36,694
Amounts due to subsidiaries	28	–	64,059
Amount due to a related party	34	–	104,326
Taxation liabilities		**291**	–
Bank borrowings	35	–	162,387
		5,009	367,466
Net current assets		**95,567**	1,630,345
Total assets less current liabilities		**2,046,317**	2,251,297
Non-current liabilities			
Bank borrowings	35	–	375,086
Deferred tax liabilities	39	–	3,930
		–	379,016
Net assets		**2,046,317**	1,872,281
Capital and reserves			
Share capital	36	**261,742**	262,742
Reserves	37	**1,784,575**	1,609,539
Total equity		**2,046,317**	1,872,281

YU SHANGYOU
Director

BILLY K YUNG
Director

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	Capital redemption reserve HK$'000	Share option reserve of a subsidiary HK$'000	Translation reserve HK$'000	Assets revaluation reserve HK$'000	Dividend reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st January, 2008	262,742	640,099	43,822	4,913	118,415	142,368	63,058	15,377	1,717,861	3,008,655	460,234	3,468,889
Net profit for the year	–	–	–	–	–	–	–	–	23,563	23,563	50,843	74,406
Exchange difference arising from translation of overseas operations												
– subsidiaries	–	–	–	–	111,265	–	–	–	–	111,265	8,136	119,401
– associates and jointly controlled entities	–	–	–	–	14,739	–	–	–	–	14,739	–	14,739
Reclassification from assets revaluation reserve to profit or loss upon sales of inventories of properties	–	–	–	–	–	(12,155)	–	–	–	(12,155)	(8,417)	(20,572)
Total comprehensive income for the year	–	–	–	–	126,004	(12,155)	–	–	23,563	137,412	50,562	187,974
Interim dividend declared *(note 12)*	–	–	–	–	–	–	15,765	–	(15,765)	–	–	–
Appropriations	–	–	–	–	–	–	–	24,757	(24,757)	–	–	–
Final dividend proposed *(note 12)*	–	–	–	–	–	–	15,705	–	(15,705)	–	–	–
Recognition of equity-settled share-based payments *(note 40(c))*	–	–	–	36,769	–	–	–	–	–	36,769	15,758	52,527
Dividend paid	–	–	–	–	–	–	(78,823)	–	–	(78,823)	–	(78,823)
Transactions with owners	–	–	–	36,769	–	–	(78,823)	–	–	(42,054)	15,758	(26,296)
At 31st December, 2008	262,742	640,099	43,822	41,682	244,419	130,213	15,705	40,134	1,685,197	3,104,013	526,554	3,630,567
At 1st January, 2009	**262,742**	**640,099**	**43,822**	**41,682**	**244,419**	**130,213**	**15,705**	**40,134**	**1,685,197**	**3,104,013**	**526,554**	**3,630,567**
Net loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(279,713)**	**(279,713)**	**(102,437)**	**(382,150)**
Exchange difference arising from translation of overseas operations												
– subsidiaries	**–**	**–**	**–**	**–**	**3,025**	**–**	**–**	**–**	**–**	**3,025**	**(234)**	**2,791**
– associates and jointly controlled entities	**–**	**–**	**–**	**–**	**8,040**	**–**	**–**	**–**	**–**	**8,040**	**–**	**8,040**
Reclassification from assets revaluation reserve to profit or loss upon sales of inventories of properties	**–**	**–**	**–**	**–**	**–**	**(34,763)**	**–**	**–**	**–**	**(34,763)**	**(12,912)**	**(47,675)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**11,065**	**(34,763)**	**–**	**–**	**(279,713)**	**(303,411)**	**(115,583)**	**(418,994)**
Interim dividend declared *(note 12)*	**–**	**–**	**–**	**–**	**–**	**–**	**10,470**	**–**	**(10,470)**	**–**	**–**	**–**
Appropriations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**23,996**	**(23,996)**	**–**	**–**	**–**
New subsidiaries incorporated	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,108**	**5,108**
Recognition of equity-settled share-based payments *(note 40(c))*	**–**	**–**	**–**	**101,438**	**–**	**–**	**–**	**–**	**–**	**101,438**	**43,473**	**144,911**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**(26,175)**	**–**	**–**	**(26,175)**	**–**	**(26,175)**
Shares repurchased and cancelled *(note 36)*	**(1,000)**	**–**	**1,000**	**–**	**–**	**–**	**–**	**–**	**(4,222)**	**(4,222)**	**–**	**(4,222)**
Transactions with owners	**(1,000)**	**–**	**1,000**	**101,438**	**–**	**–**	**(26,175)**	**–**	**(4,222)**	**71,041**	**48,581**	**119,622**
At 31st December, 2009	**261,742**	**640,099**	**44,822**	**143,120**	**255,484**	**95,450**	**–**	**64,130**	**1,366,796**	**2,871,643**	**459,552**	**3,331,195**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2009

	2009 HK$'000	2008 HK$'000
Operating activities		
Profit before income tax	**39,071**	530,924
Adjustments for:		
Share of results of associates	**(36,157)**	(46,354)
Share of results of jointly controlled entities	**(2,721)**	(7,366)
Gain on disposal of a jointly controlled entity	**–**	(176,533)
Gain on disposal of a subsidiary	**(17,286)**	(56,115)
Fair value gain on reclassification of inventories of properties to investment properties	**(426,803)**	–
Fair value loss on investment properties	**131,681**	64,337
Fair value (gain)/loss on investments held for trading	**(21,993)**	28,687
Depreciation and amortisation	**33,742**	26,900
Impairment loss on financial and non-financial assets	**262,353**	103,759
Reversal of allowance of inventories	**(1,487)**	(2,935)
Reversal of impairment of financial assets	**–**	(7,684)
Reversal of unutilised provision	**–**	(67,309)
Write down of inventories of properties	**294,262**	–
Share-based payments	**144,911**	52,527
Write back of long outstanding payables	**(5,802)**	(3,691)
Interest income	**(17,760)**	(14,178)
Finance costs	**35,796**	73,109
Gain on disposal of property, plant and equipment	**(1,148)**	(469)
Write-off of property, plant and equipment	**1,162**	364
Exchange difference	**(3,700)**	49,253
Operating cash flows before movements in working capital	**408,121**	547,226
Increase in inventories of properties	**(810,900)**	(527,350)
Decrease/(Increase) in other inventories	**24,833**	(7,504)
Increase in trade and other receivables, prepayments and deposits	**(50,059)**	(297,562)
(Increase)/Decrease in amounts due from associates	**(2,340)**	6,535
(Increase)/Decrease in amounts due from jointly controlled entities	**(41,660)**	110,097
Decrease/(Increase) in amounts due from an investee	**12,420**	(14,114)
Decrease in amount due from a related party	**–**	1,367
(Increase)/Decrease in amounts due from minority shareholders	**(69)**	14,400
Decrease/(Increase) in investments held for trading	**14,137**	(7,687)
Increase in trade and other payables	**431,565**	165,610
Increase/(Decrease) in sales deposits received	**573,406**	(49,225)
(Decrease)/Increase in amount due to an associate	**(22)**	118
Increase/(Decrease) in amounts due to jointly controlled entities	**1**	(1,818)
(Decrease)/Increase in amounts due to minority shareholders	**(104,227)**	18,908
Cash generated from/(used in) operations	**455,206**	(40,999)
Hong Kong profits tax refunded/(paid)	**794**	(20,702)
Tax paid in other jurisdictions	**(257,940)**	(176,957)
Net cash generated from/(used in) operating activities	**198,060**	(238,658)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2009

	2009 HK$'000	2008 HK$'000
Investing activities		
Proceeds from disposal of a subsidiary *(note 41)*	**52,658**	75,086
Proceeds from disposal of a jointly controlled entity	**–**	27,760
Return of deposit for investment in convertible and non-convertible notes	**–**	77,496
Proceeds from disposal of investment properties	**28,722**	–
Proceeds from disposal of property, plant and equipment	**1,900**	1,811
Interest received	**15,531**	33,482
Dividend received from a jointly controlled entity	**2,630**	2,575
Purchase of property, plant and equipment	**(33,359)**	(35,974)
Purchase of investment properties	**–**	(413)
Acquisition of subsidiaries	**(136,355)**	(93,024)
Repayment of loans receivable, net	**37,535**	21,718
Decrease in pledged cash deposits	**–**	876,858
(Increase)/Decrease in restricted cash and deposits	**(85,255)**	63,706
Capital injection from minority shareholders	**5,108**	–
Amounts recovered from impaired financial assets	**–**	5,968
Net cash flow (used in)/generated from investing activities	**(110,885)**	1,057,049
Financing activities		
New bank and other borrowings	**1,232,910**	2,115,261
Repayment of bank and other borrowings	**(1,194,846)**	(2,572,008)
Dividends paid	**(26,175)**	(78,823)
Interest paid	**(117,158)**	(150,505)
Payment for repurchase of shares	**(4,222)**	–
Net cash used in financing activities	**(109,491)**	(686,075)
Net (decrease)/increase in cash and cash equivalents	**(22,316)**	132,316
Cash and cash equivalents at 1st January	**873,326**	704,716
Effect of foreign exchange rate change	**2,062**	36,294
Cash and cash equivalents at 31st December	**853,072**	873,326

1. GENERAL INFORMATION

Shell Electric Mfg. (Holdings) Company Limited (the "Company") is a limited company incorporated in the Hong Kong Special Administrative Region ("Hong Kong"), the People's Republic of China (the "PRC") and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is 11th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong and the address of its principal place of business is Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively, the "Group") mainly comprise property investment and development, manufacturing and marketing of electric fans and other electrical household appliances and contract manufacturing business, property leasing and investment holding.

As at the date of this report, the Group is controlled by China Overseas Land & Investment Limited ("COLI"), a company incorporated in Hong Kong with limited liability and its shares are listed on the Stock Exchange. The ultimate parent company of the Group is China State Construction Engineering Corporation, an entity established in the PRC.

The consolidated financial statements on pages 19 to 90 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the Hong Kong Companies Ordinance and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial statements for the year ended 31st December, 2009 were approved for issue by the board of directors (the "Board") on 12th April, 2010. On the same date, the Board announced that the name of the Company be proposed to be changed from "Shell Electric Mfg. (Holdings) Company Limited 蜆壳電器工業（集團）有限公司" to "China Overseas Grand Oceans Group Limited 中國海外宏洋集團有限公司". The proposed change name of the Company is subject to the passing of a special resolution by the shareholders of the Company at the annual general meeting and the approval of the Registrar of Companies in Hong Kong.

2. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1st January, 2009:

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or an associate
HKFRS 2 (Amendments)	Share-based payment – vesting conditions and cancellations
HKFRS 7 (Amendments)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK (IFRIC) – Int 15	Agreements for the construction of real estate
Various improvements to HKFRSs	Annual improvements to HKFRSs 2008

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. A third statement of financial position as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements. It also gives rise to additional disclosures.

The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example exchange difference arising on the translation of overseas operations. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting polices on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or parent company statement of financial position at 1st January, 2008 and accordingly the third statement of financial position as at 1st January, 2008 is not presented.

HKAS 23 (Revised 2007) Borrowing costs

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy of accounting for borrowing costs aligns with the requirements of the revised HKAS 23, the revised HKAS 23 does not have any financial impact on the Group.

2. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

HKAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate

The amendments require the investor to recognise dividends from a subsidiary, jointly controlled entity or associate in profit or loss irrespective of whether the distributions are out of the investee's pre-acquisition or post-acquisition reserves. Under the new accounting policy, all such dividends receivable will be recognised in profit or loss and the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets after the dividend distribution. The new accounting policy has been applied prospectively as required by the amendments to HKAS 27, and therefore no comparatives have been restated.

HKFRS 2 (Amendments) Share-based payment – vesting conditions and cancellations

This standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment does not have any impact on the financial position or performance of the Group.

HKFRS 7 (Amendments) Improving disclosures about financial instruments

The amendments require additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent of observable market data used in making the measurements. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

HK(IFRIC) – Int 15 Agreement for the construction of real estate

This interpretation clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 "Construction Contracts" or an agreement for sale of goods or services in accordance with HKAS 18 "Revenue". As the Group's current policy of accounting for the construction of real estate aligns with the requirements of the interpretation, the interpretation does not have any financial impact on the Group.

Annual improvements to HKFRSs 2008

In October 2008, the HKICPA issued its first "Annual improvements to HKFRSs" which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. Of these, the amendment to "HKAS 28 Investments in Associates" has changed the Group's accounting policies on allocation of impairment losses but did not have any impact of the current period results and financial position. The amendment clarifies that an investment in associate accounted for under the equity method is a single asset for the purpose of impairment testing. Any impairment loss recognised by the investor after applying the equity method is not allocated to individual assets including goodwill included in the investment balance. Accordingly, any reversal of such impairment losses in a subsequent period is recognised to the extent that the recoverable amount of the associate has increased. The new policy also applies to the Group's investment in the jointly controlled entity, which is accounted for under the equity method in the consolidated financial statements. For the current period, there were no impairment losses recognised and no reversals of impairment losses recognised in prior periods on investments in associates and jointly controlled entities and therefore the adoption of this new policy has no impact on the current period results and financial position. The new accounting policy has been applied prospectively as permitted by the amendment and comparatives have not been restated.

The adoption of other new and revised HKFRSs which are effective during the current year does not have an impact on the financial statements.

2. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

At the date of approval of these financial statements, certain new and revised HKFRSs have been published but are not yet effective, and have not been adopted early by the Group. The directors anticipate that all of the respective pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and revised HKFRSs that are expected to have an impact on the Group's accounting policies is provided below. Certain other new and revised HKFRSs have been issued but are not expected to have a material impact on the Group's financial statements.

HKFRS 3 Business combinations (Revised 2008)

The standard is applicable to reporting periods beginning on or after 1st July, 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interests) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1st July, 2009.

HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1st January, 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of its application.

HKAS 27 Consolidated and separate financial statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1st July, 2009 and introduces changes to the accounting requirements for the loss of control in a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors do not expect the standard to have a material effect on the Group's financial statements.

Annual improvements 2009

The HKICPA has issued "Improvements to Hong Kong Financial Reporting Standards 2009". Most of the amendments will become effective for annual periods beginning on or after 1st January, 2010. The Group expects the amendment to HKAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1st January, 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will be applied retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of its application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

3.1 Basis of preparation

These financial statements have been prepared under the historical cost basis except for investment properties and financial instruments classified as at fair value through profit or loss which are measured at fair values. Disposal groups and non-current assets held for sale (other than investment properties) are stated at the lower of their carrying amounts and fair values less costs to sell. The measurement bases are fully described in the accounting policies below.

Accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and conditions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's financial statements, are disclosed in note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see 3.3 below) made up to 31 December each year. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intercompany transactions, balances and unrealised gains and losses on transactions within the Group are eliminated on consolidation. Unrealised losses resulting from intercompany transaction are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired and liabilities including contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. For business combination achieved in stages, adjustment to fair values relating to previously held interests of the acquirer is a revaluation which is dealt with in the asset revaluation reserve in equity.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of original business combination and the share of changes in equity by non-controlling interests since the date of the combination. Losses applicable to the non-controlling interests in excess of their interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interests have a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the non-controlling interests only after the share of losses of non-controlling interests previously absorbed by the Group has been recovered.

Acquisitions of non-controlling interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The results of the subsidiaries are included in the Company's statement of comprehensive income to the extent of dividend received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses, unless they are classified as held for sale in accordance with HKFRS 5 "Non-current Assets held for Sale and Discontinued Operations" (note 3.9).

3.4 Associates and jointly controlled entities

A jointly controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. An associate is an entity, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

Interests in associates and jointly controlled entities are accounted for in the financial statements under the equity method of accounting. Under equity method of accounting, investments are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the associates' and the jointly controlled entities' net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, less any identified impairment loss. Where the profit sharing ratio is different to the Group's equity interest in a jointly controlled entity, the share of post-acquisition results of the jointly controlled entity is determined based on the agreed profit sharing ratio. The Group's share of the post-acquisition post-tax items of statement of other comprehensive income of the associates and jointly controlled entities is included in the statement of other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Associates and jointly controlled entities (Continued)

Unrealised profit on transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associates and jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group's share of losses in an associate/a jointly controlled entity equals or exceeds its interest in the associate/jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate/jointly controlled entity.

When an interest in an associate or a jointly controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 (note 3.9).

3.5 Goodwill

Goodwill arising from the acquisition of subsidiaries, associates and jointly controlled entities represents the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets acquired and liabilities including contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated statement of financial position as an asset at cost and subsequently measured at cost less any accumulated impairment losses. In case of associates and jointly controlled entities, goodwill is included in the carrying amount of the interests in associates and jointly controlled entities respectively, rather than recognised as a separate asset in the consolidated statement of financial position.

Goodwill is reviewed for impairment annually at the end of the reporting period or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired (note 3.12). On subsequent disposal of a subsidiary, associate or jointly controlled entity, the carrying amount of goodwill relating to the entity sold is included in determining the amount of the gain or loss on disposal.

3.6 Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of the subsidiaries, associates and jointly controlled entities is recognised immediately in profit or loss.

3.7 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value as determined by external professional valuers to reflect the prevailing market conditions at the end of the reporting period. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in profit or loss. Rental income from investment properties is accounted for as described in note 3.28(v).

For a transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use. For property occupied by the Group as an owner-occupied property which becomes an investment property, the Group accounts for such property in accordance with the policy of property, plant and equipment (note 3.8) up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with in assets revaluation reserve. On disposal of the property, the assets revaluation reserve is transferred to retained profits as a movement in reserves.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Property, plant and equipment

Freehold land is stated at cost and is not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (note 3.12). When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 (note 3.9).

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is provided to write off the cost of each item of property, plant and equipment less its residual value, if applicable, over its estimated useful lives on a straight-line basis at the following rates per annum:

Category of property, plant and equipment	Annual rates
Land and buildings (note 3.11)	2% to 5%
Plant, machinery, tools, moulds and equipment	10% to 20%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles (including taxi)	20% to 25%

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the item and is recognised in profit or loss.

3.9 Non-current assets and disposal groups held for sale

Non-current assets and 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 subject only to terms that are usual and customary for the sale of such assets or disposal groups. Non-current assets and disposal groups (other than investment properties) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

3.10 Intangible assets (Other than goodwill)

Intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment (note 3.12) whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but reviewed for impairment annually (note 3.12) either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Research and development expenditures

Expenditure incurred on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development expenditure is recognised only if the Group can demonstrate the technical feasibility of the intangible asset; how economic benefits are generated from the intangible asset, the availability of resources to complete the development of the intangible asset, the ability to measure the expenditure attributable to the intangible asset reliably, the Group's intention to complete the intangible asset and the Group's ability to use or sell it. Other development expenditure is recognised as an expense in the period in which it is incurred. Deferred development expenditures are stated at cost less any impairment losses and are amortised on a straight-line basis over the commercial lives of the underlying products.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Intangible assets (Other than goodwill) (Continued)

Taxi licences

Cost incurred in the acquisition of permanent taxi operating licences, which have indefinite useful lives, are carried at cost less any impairment losses and are not amortised.

Shopping mall operating right

Shopping mall operating right represents the right of operating a shopping mall. Cost incurred in the acquisition of the right is carried at cost less any impairment losses and is amortised over the period of operation of 30 years.

3.11 Operating leases

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

Prepaid lease rental on land are up-front prepayments made for the leasehold land and land use rights which are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in cost of land and buildings as a finance lease in property, plant and equipment (note 3.8).

When the Group's interests in leasehold land and buildings are in the course of development for investment purpose, the leasehold land component is included in properties under development and properties held for sale. During the development period of such properties, the amortisation charge of the prepaid land lease is capitalised as part of the building costs but charged to profit or loss on completion of development of such properties.

3.12 Impairment of non-financial assets

Goodwill, other intangible assets, property, plant and equipment and interests in subsidiaries, associates and jointly controlled entities are subject to impairment testing. Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Impairment of non-financial assets (Continued)

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

3.13 Investments and other financial assets

Financial assets within the scope of HKAS 39 are classified into one of the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at every end of the reporting period.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract when the analysis shows that the economic characteristics and the risks of the embedded derivatives are not closely related to those of the host contract.

All regular way purchases and sales of financial assets are recognised on trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading which are classified as "Investments held for trading" in the statement of financial position and financial assets designated by the Group on initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividends or interests earned on these financial assets. Interests or dividends earned on these financial assets are recognised in profit or loss in accordance with the policies set out in note 3.28.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Investments and other financial assets (continued)

Loans and receivables

Loans and receivables including amounts due from related parties are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any other categories of financial assets. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income and accumulated in equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in profit or loss and removed from equity. Interests or dividends earned on these financial assets are recognised in profit or loss in accordance with the policies set out in note 3.28.

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

When the fair value of unlisted equity securities cannot be reliably measured because the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

3.14 Impairment of financial assets

At the end of each reporting period, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that come to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data include but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment of financial assets (continued)

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs. Loan and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Available-for-sale financial assets

If there is objective evidence that an available-for-sale financial asset is impaired, an amount comprising the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss on that asset previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss. Impairment losses in respect of debt instruments are reversed through profit or loss if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted investment that is not carried at fair value has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3.15 Inventory of properties

Inventory of properties comprise properties under development and properties held for sale. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventory of properties are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of inventory of properties consist of land held under operating lease (see note 3.11), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

3.16 Other inventories

Other inventories are stated at the lower of cost, computed using weighted average method, and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Foreign currencies

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

The functional currencies of certain entities of the Group are currencies other than HK$. For the purpose of the consolidated financial statements, assets and liabilities of those entities at the end of the reporting period are translated into HK$ at exchange rate prevailing on the end of the reporting period. Income and expense items are translated into HK$ at the average exchange rate for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the foreign entity is disposed of.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.18 Cash and cash equivalents

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

3.19 Income tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Income tax (continued)

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

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

3.20 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 be ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, including amortisation of discounts or premiums relating to the borrowing, and amortisation of ancillary costs incurred in connection with arranging the borrowing.

3.21 Financial liabilities

Financial liabilities, comprising borrowings and trade and other payables including amounts due to related parties, are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 3.20). A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Financial liabilities at amortised costs

Borrowings and trade and other payables including amounts due to related parties are financial liabilities at amortised cost which are recognised initially at fair value (net of transaction costs incurred for borrowings) and subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through amortisation process.

3.22 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income. The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3.25 if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Employee benefits

Salaries, allowance, paid annual leave and other benefits are accrued in the year in which the associated services are rendered by the employee. Payments to the Mandatory Provident Fund Scheme and other retirement benefit schemes as set out in note 43 are charged as an expense when employees have rendered services entitling them to the contributions.

3.24 Share-based payment transactions

Equity-settled share-based payment

The Group operates equity-settled share-based compensation plans for remuneration of its employees. All employee services received in exchange for the grant of financial instruments, for example, share options are measured at their fair values. The cost of equity-settled share-based compensation is measured by reference to the fair value at the date on which they are granted. In determining the fair value, no account is taken of any non-market vesting conditions (for example, profitability and sales growth targets).

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

When fair value of equity instruments cannot be estimated reliably, the Group measures the equity instruments at their intrinsic value initially at the date the grantees rendered services and subsequently at the end of each reporting period and when equity instruments are exercised, forfeited or lapsed, with any change in intrinsic value recognised in profit or loss.

All equity-settled share-based compensation is ultimately recognised as an expense in profit or loss unless it qualifies for recognition as asset with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

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

In respect of share options, the fair value of the share options granted by the Group to its employees is recognised in profit or loss with a corresponding increase in share option reserve. Upon exercise of the share options, the amount in the share option reserve is transferred to the share premium account. In case the share options lapsed, the amount in the share option reserve is released directly to retained profits.

Cash-settled share-based payment

The cost of cash-settled share-based payment transactions is measured initially at fair value at the grant date. The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is measured at the end of each reporting period up to and including the settlement date with changes in fair value recognised in profit or loss.

3.25 Provisions and contingent liabilities

Provision is recognised when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the effect of discounting is material, provision is stated at the present value of the expenditure expected to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement. All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Provisions and contingent liabilities (Continued)

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

3.26 Equity instruments

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

3.27 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognised as a liability. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3.28 Revenue and other income recognition

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

(i) Sales of goods are recognised as revenue when goods are delivered and title has passed.

(ii) Sale of properties is recognised as revenue when all of the following criteria are met:

- 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;
- 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.

Deposits received on properties sold prior to the date of revenue recognition are included in the statement of financial position as sales deposits received under current liabilities.

(iii) Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

(iv) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(v) Rental income is recognised on a straight-line basis over the periods of the respective tenancies.

(vi) Taxi licence fee income is recognised in accordance with the substance of the licence agreement when the taxi licence holders' rights to receive payment have been established.

(vii) Building management and service fee income are recognised on an appropriate basis over the relevant period in which the services are rendered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.29 Related parties

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

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

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

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

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

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

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3.30 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chief operating decision-maker i.e. the most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

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

Estimates of fair value of investment properties

As disclosed in note 15, the investment properties were revalued at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (continued)

Impairment of assets

The Group reviews at least annually and assesses whether goodwill and other intangible assets with indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on a value in use calculation which requires the use of estimates including expected future cash flows of the asset/cash-generating unit and discount rate adopted to calculate the present value of those cash flows. Details about the estimates used in assessing impairment for goodwill and other intangible asset are set out in notes 18 and 19 respectively.

Estimates of current tax and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Particularly for PRC land appreciation tax, and implementation of these taxes varies amongst various PRC cities. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made.

Allowance for loans and receivables

The policy on allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of loans and receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including current creditworthiness and the past collection history of each customer. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payments, additional allowances may be required.

Allowance for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable values. A considerable amount of judgement is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required.

Estimate of net realisable value of inventory of properties

Management reviews the recoverable amount of inventory of properties at the end of each reporting period. The recoverable amount is the estimated selling price of the properties less estimated cost to completion and estimated costs to sell. Management makes estimates in determining the recoverable amount.

Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 3.28(ii). The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction.

4.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

Some properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

5. REVENUE

The principal activities of the Group are disclosed in note 1. Turnover of the Group is the revenue from these activities. Revenue from the Group's principal activities recognised during the year is as follows:

	2009 HK$'000	2008 HK$'000
Sales of properties	**1,480,016**	1,200,246
Sales of goods	**981,479**	1,100,008
Property management fee income	**65,929**	56,948
Property rental income	**124,223**	106,726
Taxi licence fee income	**56,277**	38,704
Total revenue	**2,707,924**	2,502,632

During the year ended 31st December, 2009, the Group's revenue of HK$582,984,000 (2008: HK$605,719,000) or 22% (2008: 24%) was derived from a single customer and the revenue of which is reported under the segment of "Electrical household appliances". The revenue from this single customer derived from the sale transactions and sale arrangements with the customer.

6. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's most senior management for the purposes of resource allocation and assessment of segment performance. The Group has identified the following reportable segments for its operating segments:

Electrical household appliances – This segment manufactures electrical appliances including electric fans, vacuum cleaners, lighting products, fuser and laser scanner. The Group's manufacturing facilities are located primarily in the PRC and products are mainly sold to customers in the PRC and overseas such as North America and European countries.

Property leasing – This segment leases industrial properties and commercial units located in Hong Kong, the PRC and the United States to generate rental income and gain from appreciation in the properties' values in the long term. Part of the business is carried out through certain associates and jointly controlled entities.

Property investment and development – This segment constructs commercial and residential properties in the PRC for external customers.

Securities trading – This segment mainly carries out trading of securities to generate gain from appreciation in the value of the securities.

Car rental – This segment carries out taxi rental operation in the PRC and generates licence fee income.

All other segments – Operating segments which are not reportable comprise manufacturing and trading of electric cables and trading of computer hardware and software which generate revenue from sales of goods, as well as direct investments which derive gain from holding investments in enterprises engaging in high-tech business.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment profit/loss includes the Group's share of profit/loss arising from the activities of the Group's associates and jointly controlled entities. Reportable segment profit/loss excludes corporate income and expenses from the Group's profit/loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

Segment assets include all assets with the exception of corporate assets, including available-for-sale financial assets, bank balances and cash and other assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

Segment liabilities include trade and other payables, accrued liabilities, amounts due to related parties and other liabilities directly attributable to the business activities of operating segments and exclude corporate liabilities and liabilities such as bank borrowings that are managed on a group basis.

6. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reconciliations to revenue, profit/loss before income tax, total assets, total liabilities and other segment information are as follows:

	Electrical household appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	Consolidated HK$'000
Year ended 31st December, 2009							
Reportable segment revenue*	950,281	124,223	1,545,945	–	56,277	31,198	2,707,924
Reportable segment profit/(loss)	(17,492)	444,709	(364,260)	26,007	34,324	(7,436)	115,852
Corporate income							53,628
Corporate expenses							(101,237)
Elimination^							(29,172)
Profit before income tax							39,071
							Total HK$'000
As at 31st December, 2009							
Reportable segment assets	482,590	1,973,615	7,613,574	57,899	247,815	156,623	10,532,116
Corporate assets							461,396
Total assets							10,993,512
As at 31st December, 2009							
Reportable segment liabilities	190,701	45,134	3,738,360	30	33,898	13,026	4,021,149
Corporate liabilities							3,641,168
Total liabilities							7,662,317

	Electrical household appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	Corporate HK$'000	Elimination^ HK$'000	Consolidated HK$'000
Other information:									
Year ended 31st December, 2009									
Interest income	3,276	4,765	4,989	795	882	533	53,278	(50,758)	17,760
Depreciation and amortisation	(8,842)	(4,626)	(5,854)	–	(9,089)	(1,473)	(3,858)	–	(33,742)
(Impairment losses)/Reversal of impairment losses recognised in profit or loss	(4,337)	(2,407)	(259,703)	–	–	4,341	(247)	–	(262,353)
Written down of inventories of properties	–	–	(294,262)	–	–	–	–	–	(294,262)
Reversal of allowance/(Allowance) for other inventories	(982)	–	–	–	–	2,469	–	–	1,487
Fair value gain on reclassification of inventories of properties to investment properties	–	426,803	–	–	–	–	–	–	426,803
Fair value loss on investment properties	–	(131,681)	–	–	–	–	–	–	(131,681)
Write back of long outstanding payables	–	–	–	–	5,802	–	–	–	5,802
Share of results of associates	–	44,446	–	–	–	(8,289)	–	–	36,157
Share of results of jointly controlled entities	–	1,117	(351)	–	–	1,955	–	–	2,721
Additions to specified non-current assets	410	–	2,197	–	30,604	16	132	–	33,359
Write-off of property, plant and equipment	(28)	–	(924)	–	–	–	(210)	–	(1,162)
Equity-settled share-based payments	–	–	(144,911)	–	–	–	–	–	(144,911)
As at 31st December, 2009									
Interests in associates	–	396,846	–	–	–	62,949	–	–	459,795
Interests in jointly controlled entities	–	56,698	162,950	–	–	3,571	–	–	223,219

6. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (Continued)

	Electrical household appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	Consolidated HK$'000
Year ended 31st December, 2008							
Reportable segment revenue*	1,057,136	106,726	1,257,194	–	38,704	42,872	2,502,632
Reportable segment profit/(loss)	56,202	98,218	493,104	(64,062)	25,137	(4,783)	603,816
Corporate income							75,886
Corporate expenses							(90,729)
Elimination^							(58,049)
Profit before income tax							530,924
							Total HK$'000
As at 31st December, 2008							
Reportable segment assets	537,373	1,386,390	7,690,044	28,724	243,230	121,883	10,007,644
Corporate assets							436,029
Total assets							10,443,673
As at 31st December, 2008							
Reportable segment liabilities	248,738	41,580	2,874,821	105	44,425	7,777	3,217,446
Corporate liabilities							3,595,660
Total liabilities							6,813,106

	Electrical household appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	Corporate HK$'000	Elimination^ HK$'000	Consolidated HK$'000
Other information:									
Year ended 31st December, 2008									
Interest income	2,533	254	7,729	550	319	1,485	55,769	(54,461)	14,178
Depreciation and amortisation	(8,527)	(5,422)	(3,948)	–	(3,647)	(1,073)	(4,283)	–	(26,900)
(Impairment losses)/Reversal of impairment losses recognised in profit or loss	(2,262)	(3,491)	(86,107)	–	–	(12,257)	358	–	(103,759)
Reversal of allowance/(Allowance) for other inventories	2,257	–	–	–	–	1,089	(411)	–	2,935
Fair value loss on investment properties	–	(64,337)	–	–	–	–	–	–	(64,337)
Write back of long outstanding payables	1,003	–	–	–	1,675	–	1,013	–	3,691
Share of results of associates	–	46,435	–	–	–	(81)	–	–	46,354
Share of results of jointly controlled entities	–	41,581	(36,671)	–	–	2,456	–	–	7,366
Additions to specified non-current assets	15,079	413	2,797	–	16,822	170	1,106	–	36,387
Write-off of property, plant and equipment	(63)	–	(282)	–	–	–	(19)	–	(364)
Reversal of unutilised provision	–	–	67,309	–	–	–	–	–	67,309
Equity-settled share-based payments	–	–	(52,527)	–	–	–	–	–	(52,527)
As at 31st December, 2008									
Interests in associates	–	355,335	–	–	–	63,525	–	–	418,860
Interests in jointly controlled entities	–	55,494	163,043	–	–	4,263	–	–	222,800

* *This represents sales from external customer and there were no inter-segment sales between different business segments for the years ended 31st December, 2009 and 2008.*

^ *Inter-companies interest elimination.*

6. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations are located in Hong Kong, other regions in the PRC, Asia other than the PRC, North America (comprising Canada and the United States) and Europe (mainly the United Kingdom).

An analysis of the Group's revenue by geographical locations, determined based on locations to which the goods are delivered or the services are provided and locations of assets which give rise to the rental income and the licence fee income, is as follows:

	2009	2008
	HK$'000	HK$'000
Hong Kong (place of domicile)	**17,281**	18,624
Other regions of the PRC	**2,196,817**	2,018,853
Asia, other than the PRC	**45,074**	46,266
North America	**248,303**	265,291
Europe	**84,730**	56,427
Others	**115,719**	97,171
	2,707,924	2,502,632

An analysis of the Group's investment properties, other properties, plant and equipment, prepaid lease rental on land, intangible assets including goodwill and interests in associates and jointly controlled entities (i.e., "specified non-current assets") by geographical locations, determined based on physical location of the assets or location of operations in case of goodwill, and interests in associates and jointly controlled entities, is as follows:

	2009	2008
	HK$'000	HK$'000
Hong Kong	**149,775**	151,630
Other regions of the PRC	**2,132,414**	1,515,621
North America	**199,844**	277,985
	2,482,033	1,945,236

7. OTHER INCOME

	2009	2008
	HK$'000	HK$'000
Interest income on:		
Bank deposits	**11,634**	9,564
Loans to investees	**2,354**	1,991
Others, including loans receivable	**3,772**	2,623
Total interest income on financial assets not at fair value through profit or loss	**17,760**	14,178
Dividends from listed equity securities	**263**	971
Other rental income	**1,882**	2,216
Handling fee income	**18,241**	16,220
Write back of long outstanding payables	**5,802**	3,691
Sundry income	**16,244**	6,955
	60,192	44,231

8. PROFIT BEFORE INCOME TAX

	2009 HK$'000	2008 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortisation:		
Prepaid lease rental on land	**588**	607
Other intangible assets #	**4,400**	4,449
Depreciation of property, plant and equipment	**28,754**	21,844
Total amortisation and depreciation	**33,742**	26,900
Auditors' remuneration:		
Current year	**4,440**	4,090
Over provision in prior year	**(600)**	–
Cost of sales and services provided comprise:		
Amount of inventories recognised as expense	**1,691,278**	1,485,487
Write-down of inventories of properties *(note (a))*	**294,262**	–
Reversal of allowance for other inventories	**(1,487)**	(2,935)
Donations	**12,962**	17,634
Gain on disposal of property, plant and equipment	**(1,148)**	(469)
Impairment loss on non-financial assets:		
Property, plant and equipment	**151**	3,224
Prepaid lease rental on land	**376**	199
Other assets *(note (b))*	**244,322**	5,116
Goodwill	**–**	2,283
Interest in a jointly controlled entity	**–**	28,361
Impairment loss on financial assets:		
Loans and receivables*	**17,504**	63,271
Available-for-sale financial assets	**–**	1,305
Net foreign exchange loss/(gain) **	**1,417**	(2,105)
Operating lease charge on land and buildings	**3,269**	3,456
Outgoings in respect of investment properties	**13,449**	13,931
Net rental income	**(110,774)**	(92,795)
Research and development cost * ^	**778**	824
Staff costs *(note (c))*	**378,881**	222,949
Write-off of property, plant and equipment	**1,162**	364
Business tax and other levies	**111,042**	111,808

included in "Cost of sales and services provided" in the consolidated income statement

* included in "Other operating expenses" in the consolidated income statement

** included in "Other gains/(losses) – Others" in the consolidated income statement

^ excluding depreciation of property, plant and equipment and staff costs

Notes:

(a) The amount represents the write-down of the carrying value of two property development projects in Qingdao (the "Qingdao Project") and Guangzhou by approximately HK$164 million and HK$130 million respectively. Regarding the Qingdao Project, on 24th June, 2009, the Group entered into a co-operation termination agreement and a settlement agreement in relation to the disposal of its interest in the project through the disposal of its 70% equity interest in 青島頤景房地產開發有限公司 ("青島頤景") to a the minority shareholder of 青島頤景. The minority shareholder of 青島頤景 has failed to fulfil certain conditions as specified in the agreements and the disposal has not yet been completed up to the date of this report. In light of the changes in the business environment and the local government policy which have an adverse impact on the commercial viability of these projects, the carrying value of these projects have been written down by approximately HK$294 million in aggregate.

(b) During the year ended 31st December, 2009, prepayment and deposits for the pre-construction works of certain property development projects amounting to HK$244,322,000 were written off due to change of development plans.

(c) Staff costs (including directors' emoluments)

	2009 HK$'000	2008 HK$'000
Salaries, allowances and other benefits	**165,357**	166,868
Retirement fund contributions *(note 43)*	**4,829**	3,418
Equity-settled share-based payments *(note 40(c))*	**144,911**	52,527
Termination benefits	**63,784**	136
	378,881	222,949

9. FINANCE COSTS

	2009	2008
	HK$'000	HK$'000
Interest charges on:		
Bank loans and overdrafts		
– wholly repayable within five years	**99,726**	142,813
– wholly repayable over five years	**12,914**	8,999
Other loans wholly repayable within five years	**519**	1,436
Total interest expense on financial liabilities not at fair value through profit or loss	**113,159**	153,248
Bank charges	**150**	1,167
Total borrowing costs	**113,309**	154,415
Less: Amount capitalised in properties under development	**(77,513)**	(81,306)
	35,796	73,109

10. INCOME TAX EXPENSE

	2009	2008
	HK$'000	HK$'000
Income tax expenses comprise:		
Current tax for the year		
Hong Kong profits tax	**2,629**	1,123
Other regions of the PRC		
– Enterprise income tax ("EIT")	**171,529**	276,580
– Land appreciation tax ("LAT")	**206,879**	272,226
Others	**1,291**	1,022
	382,328	550,951
Under/(Over) provision in prior years		
Hong Kong profits tax	**(367)**	(117)
Other regions of the PRC		
– EIT	**8,295**	18,671
– LAT	**3,485**	(4,291)
Others	**–**	28
	11,413	14,291
Deferred tax *(note 39)*		
– Income tax	**839**	(104,717)
– LAT	**26,641**	(4,007)
	27,480	(108,724)
	421,221	456,518

Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) on the estimated assessable profits for the year.

EIT arising from other regions of the PRC for the year ended 31st December, 2009 is calculated at 10% to 25% of the estimated assessable profits (2008: 10% to 25%).

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

10. INCOME TAX EXPENSE (CONTINUED)

The income tax expenses can be reconciled to the profit before income tax at applicable tax rates as follows:

	2009 HK$'000	2008 HK$'000
Profit before income tax	**39,071**	530,924
Tax on profit at the rates applicable to profits in the countries concerned	**4,476**	138,503
Expenses not deductible for tax purpose	**228,083**	185,079
Income not taxable for tax purpose	**(29,755)**	(136,917)
Share of results of associates and jointly controlled entities	**(6,480)**	(1,785)
Tax exemption	**(3,446)**	(5,087)
Effect of change in tax rate on deferred tax assets/liabilities	**–**	(1,117)
Utilisation of tax losses previously not recognised	**(7,674)**	(8,952)
LAT deductible for calculation of income tax	**(20,976)**	(23,373)
Tax losses not recognised	**14,012**	24,031
Under provision in prior years	**7,928**	18,582
Others	**(1,952)**	3,626
	184,216	192,590
LAT	**237,005**	263,928
Income tax expense	**421,221**	456,518

Taxation liabilities

Taxation liabilities as at 31st December, 2009 comprise Hong Kong profits tax liabilities of approximately HK$27,883,000 (2008: HK$23,000,000), EIT liabilities of approximately HK$243,953,000 (2008: HK$277,100,000) and LAT liabilities of approximately HK$473,273,000 (2008: HK$307,200,000). EIT liabilities as at 31st December, 2009 include income tax liabilities arising from the disposal of a subsidiary during the year amounting to approximately HK$3,687,000 (note 41).

11. (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Among the consolidated loss attributable to owners of the Company of HK$279,713,000 (2008: profit of HK$23,563,000), a gain of HK$204,433,000 (2008: loss of HK$47,783,000) has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	2009 HK$'000	2008 HK$'000
Interim dividend declared and paid during the year of HK$0.02 (2008: HK$0.03) per ordinary share	**10,470**	15,765
Final dividend proposed after the end of the reporting period of nil (2008: HK$0.03) per ordinary share	**–**	15,705
	10,470	31,470

The directors did not recommend the payment of a final dividend for the current financial year.

In respect of last financial year, final dividend of HK$0.03 per ordinary share had been proposed by the directors and was subject to approval by the shareholders of the Company in the annual general meeting.

Dividend recognised as distributions during the year ended 31st December, 2009 amounted to HK$26,175,000 (2008: HK$78,823,000) or HK$0.05 (2008: HK$0.15) per ordinary share.

13. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to the owners of the Company of HK$279,713,000 (2008: profit of HK$23,563,000) and the weighted average number of ordinary shares in issue during the year of 523,775,000 (2008: 525,485,000).

No diluted loss per share has been presented for this year because the impacts of the exercise of the Group's outstanding share options was anti-dilutive. The calculation of diluted earnings per share for last financial year is based on the following data:

	2009	2008
	HK$'000	HK$'000
Earnings		
Earnings used in calculating basic earnings per share	**N/A**	23,563
Adjustment to the share of profit of a subsidiary based on dilution of its earnings per share#	**N/A**	(3,549)
Earnings for the purpose of calculating diluted earnings per share	**N/A**	20,014

\# *The calculation of diluted earnings per share does not assume conversion or exercise of potential ordinary shares that would have an anti-dilutive effect on earnings per share.*

The denominators for the calculation of diluted earnings per share are the same as those used for the basic earnings per share.

14. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

2009	**Fees HK$'000**	**Salaries, allowances and other benefits HK$'000**	**Retirement fund contribution HK$'000**	**Share-based payments HK$'000**	**Total HK$'000**
Executive directors					
Mr. Billy K Yung *(note (a))*	120	5,614	241	24,986	30,961
Mdm Yung Ho Wun Ching *(note (b))*	120	1,342	–	–	1,462
Mr. Leung Chun Wah *(note (b))*	120	1,212	61	–	1,393
Mr. Eddie Hurip *(note (b))*	120	2,654	–	999	3,773
Non-executive director					
Mr. Simon Yung Kwok Choi *(note (c))*	120	–	–	–	120
Independent non-executive directors					
Dr. The Hon Leo Tung-Hai Lee *(note (d))*	10	8	–	–	18
Mr. Peter Wong Chung On	120	130	–	–	250
Mr. Peter Lam	120	120	–	–	240
Mr. Lawrence Leung Man Chiu *(note (d))*	111	66	–	–	177
	961	11,146	302	25,985	38,394

14. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Directors' emoluments (Continued)

2008	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Retirement fund contribution HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors					
Mr. Billy K Yung	120	4,694	191	9,056	14,061
Mdm Yung Ho Wun Ching	120	1,525	–	–	1,645
Mr. Leung Chun Wah	120	1,213	60	–	1,393
Mr. Eddie Hurip	120	2,699	–	362	3,181
Non-executive director					
Mr. Simon Yung Kwok Choi	120	–	–	–	120
Independent non-executive directors					
Dr. The Hon Leo Tung-Hai Lee	120	96	–	–	216
Mr. Shiu-Kit Ngai (note (e))	120	72	–	–	192
Mr. Peter Wong Chung On	120	108	–	–	228
Mr. Peter Lam	120	120	–	–	240
	1,080	10,527	251	9,418	21,276

Notes:

(a) Mr. Billy K Yung was re-designated from executive director to non-executive director on 27th February, 2010.

(b) Madam Yung Ho Wun Ching, Mr. Leung Chun Wah and Mr. Eddie Hurip resigned on 29th March, 2010.

(c) Mr. Simon Yung Kwok Choi was removed on 30th March, 2010.

(d) Dr. The Hon Leo Tung-Hai Lee resigned on 30th January, 2009 and Mr. Lawrence Leung Man Chiu was appointed as an independent non-executive director on the same date.

(e) Mr. Shiu-Kit Ngai resigned on 19th December, 2008.

There is no arrangement under which a director waived or agreed to waive any emoluments during the year.

Five highest paid individuals

The five individuals with the highest emoluments in the Group included 2 (2008: 3) directors, whose emoluments are included in the disclosures above. The emoluments of the remaining 3 (2008: 2) individuals for the years ended 31st December, 2009 were as follows:

	2009 HK$'000	2008 HK$'000
Salaries, allowances and other benefits	**3,983**	4,230
Retirement fund contributions	**74**	12
Share-based payments	**34,553**	11,411
	38,610	15,653

Their emoluments were within the following bands:

	Number of employee 2009	2008
HK$4,000,001-HK$4,500,000	**–**	1
HK$4,500,001-HK$5,000,000	**1**	–
HK$9,000,001-HK$9,500,000	**1**	–
HK$11,500,001-HK$12,000,000	**–**	1
HK$24,500,001-HK$25,000,000	**1**	–

No emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

15. INVESTMENT PROPERTIES

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at 1st January	**747,220**	791,956	**23,000**	22,000
Translation adjustment	**825**	19,188	**–**	–
Additions	**–**	413	**–**	–
Disposal	**(28,722)**	–	**(23,000)**	–
Transfer from inventories of properties *(note (b))*	**657,227**	–	**–**	–
(Decrease)/Increase in fair value	**(131,681)**	(64,337)	**–**	1,000
Carrying amount at 31st December	**1,244,869**	747,220	**–**	23,000

The carrying amount of the Group's and Company's interests in investment properties are analysed as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
In Hong Kong, held under long leases	**138,200**	136,000	**–**	23,000
In other regions of the PRC, held under medium-term leases	**913,229**	339,780	**–**	–
In the USA, freehold	**193,440**	271,440	**–**	–
	1,244,869	747,220	**–**	23,000

Notes:

(a) Investment properties which are situated in Hong Kong and other regions of the PRC were revalued as at 31st December, 2009 by Knight Frank Petty Limited and CB Richard Ellis Limited on an open market basis. The valuations were arrived at by reference to comparable market transactions and where appropriate, on the basis of capitalisation of net income. Investment properties situated in the USA were revalued as at 31st December, 2009 by Cushman & Wakefield of California, Inc on an income approach with reference to comparable market conditions. Knight Frank Petty Limited, CB Richard Ellis Limited and Cushman & Wakefield of California, Inc are independent firms of professionally qualified valuers and have appropriate qualifications and recent experiences in the valuation of similar properties in nearby locations.

(b) During the current year, the Group reclassified certain inventories of properties with carrying value of HK$230,424,000 as investment properties and recognised a fair value gain of HK$426,803,000 on the date of reclassification.

The investment properties are leased to third parties under operating leases to earn rental income, further details of which are included in note 45.

In securing a three-year term loan borrowed from a bank, the Group undertook, under a negative pledge clause, to obtain prior written consent from the bank regarding the transfer, sales or disposal of certain investment properties with carrying value of HK$138,200,000 as at 31st December, 2009 (2008: HK$136,000,000).

Certain investment properties of the Group are pledged as further detailed in note 44.

Further particulars of the investment properties are included on page 93.

16. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Land and buildings HK$'000	Plant and machinery HK$'000	Tools and moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1st January, 2008	150,024	45,208	63,309	63,918	35,422	357,881
Translation adjustment	7,715	2,556	2,931	2,182	1,795	17,179
Additions	10,091	1,996	–	5,052	18,835	35,974
Disposals	(1,606)	–	–	(32)	(631)	(2,269)
Write-off	–	(166)	(1,192)	(1,875)	(475)	(3,708)
Transfer from inventories of properties	10,394	–	–	–	–	10,394
At 31st December, 2008 and 1st January, 2009	176,618	49,594	65,048	69,245	54,946	415,451
Translation adjustment	260	72	80	60	83	555
Additions	–	95	25	1,619	31,620	33,359
Disposals	(460)	–	–	(1,225)	(2,785)	(4,470)
Disposal of a subsidiary	–	–	–	(157)	–	(157)
Write-off	–	(84)	(471)	(11,076)	(1,172)	(12,803)
At 31st December, 2009	**176,418**	**49,677**	**64,682**	**58,466**	**82,692**	**431,935**
DEPRECIATION AND IMPAIRMENT						
At 1st January, 2008	32,016	30,566	62,959	42,285	9,119	176,945
Translation adjustment	1,556	1,728	2,925	1,410	498	8,117
Impairment	3,224	–	–	–	–	3,224
Depreciation provided	4,340	3,352	138	6,677	7,337	21,844
Disposals	(359)	–	–	(26)	(542)	(927)
Write-off	–	(118)	(1,192)	(1,592)	(442)	(3,344)
At 31st December, 2008 and 1st January, 2009	40,777	35,528	64,830	48,754	15,970	205,859
Translation adjustment	84	53	80	44	35	296
Impairment	151	–	–	–	–	151
Depreciation provided	4,639	2,487	126	7,656	13,846	28,754
Disposals	(276)	–	–	(1,143)	(2,299)	(3,718)
Disposal of a subsidiary	–	–	–	(50)	–	(50)
Write-off	–	(79)	(471)	(10,815)	(276)	(11,641)
At 31st December, 2009	**45,375**	**37,989**	**64,565**	**44,446**	**27,276**	**219,651**
NET CARRYING AMOUNT						
At 31st December, 2009	**131,043**	**11,688**	**117**	**14,020**	**55,416**	**212,284**
At 31st December, 2008	135,841	14,066	218	20,491	38,976	209,592

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

THE COMPANY

	Land and buildings HK$'000	Plant and machinery HK$'000	Tools and moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1st January, 2008	3,085	366	479	19,846	8,245	32,021
Additions	–	–	–	307	799	1,106
Disposals	(1,606)	–	–	(23)	–	(1,629)
At 31st December, 2008 and 1st January, 2009	1,479	366	479	20,130	9,044	31,498
Addition	–	–	–	89	–	89
Write-off	–	(55)	(471)	(10,645)	–	(11,171)
Disposals	(1,479)	(311)	(8)	(9,574)	(9,044)	(20,416)
At 31st December, 2009	–	–	–	–	–	–
DEPRECIATION						
At 1st January, 2008	695	358	479	14,668	3,944	20,144
Depreciation provided	48	5	–	1,322	1,842	3,217
Disposals	(359)	–	–	(3)	–	(362)
At 31st December, 2008 and 1st January, 2009	384	363	479	15,987	5,786	22,999
Depreciation provided	25	3	–	917	1,275	2,220
Write-off	–	(55)	(471)	(10,434)	–	(10,960)
Disposals	(409)	(311)	(8)	(6,470)	(7,061)	(14,259)
At 31st December, 2009	–	–	–	–	–	–
NET CARRYING AMOUNT						
At 31st December, 2009	–	–	–	–	–	–
At 31st December, 2008	1,095	3	–	4,143	3,258	8,499

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The carrying amounts of land and buildings and prepaid lease rental on land held by the Group and the Company are analysed as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
In Hong Kong, held under long-term leases	**3,673**	3,873	**–**	1,095
In other regions of the PRC, held under				
– medium-term leases	**137,400**	142,760	**–**	–
– long-term leases	**4,528**	4,606	**–**	–
In the USA, freehold	**6,274**	6,365	**–**	–
	151,875	157,604	**–**	1,095
Land and building included in property, plant and equipment	**131,043**	135,841	**–**	1,095
Prepaid lease rental on land *(note 17)*	**20,832**	21,763	**–**	–
	151,875	157,604	**–**	1,095

In securing a three-year term loan borrowed from a bank during the year ended 31st December, 2009, the Group undertook, under a negative pledge clause, to obtain prior written consent from the bank regarding the transfer, sales or disposal of certain property, plant and equipment with carrying value of HK$75,265,000 as at 31st December, 2009 (2008: HK$77,835,000).

17. PREPAID LEASE RENTAL ON LAND

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Carrying amount at the beginning of the year	**21,763**	21,081
Translation adjustment	**33**	1,295
Amortisation charged	**(588)**	(607)
Impairment loss	**(376)**	(199)
Transfer from inventories of properties	**–**	193
Carrying amount at the end of the year	**20,832**	21,763
Analysed into:		
Non-current portion included in non-current assets	**20,305**	21,239
Current portion included in current assets	**527**	524
	20,832	21,763

18. GOODWILL

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Carrying amount at the beginning of the year	**84,934**	106,173
Translation adjustment	**57**	2,275
Elimination on disposals of indirectly held subsidiary and jointly controlled entity	**–**	(21,231)
Impairment loss	**–**	(2,283)
Carrying amount at the end of the year *(note)*	**84,991**	84,934

18. GOODWILL (CONTINUED)

Note:

The amount of goodwill as at the end of each reporting period is allocated to the cash-generating units within the property investment and development segment and is tested for impairment by the management by estimating the recoverable amount of these cash-generating units based on value in use calculations. The calculations use cash flow projections based on the financial budgets approved by the management. The period covered by the financial budgets is 3 years up to year 2012 (2008: 3 years up to year 2011). Based on the results of the impairment testing, management determines that there is no impairment of the cash-generating units within the property investment and development segment attributed to the goodwill. For the year ended at 31st December, 2008, impairment of HK$2,283,000 was determined by the management.

Key assumptions used by the management in the value in use calculations of these cash-generating units include gross profit margin of 25% – 40% (2008: 25% – 45%) and growth rate by reference to the Gross Domestic Products Index in the PRC. These assumptions have been determined based on past performance and management's expectations in respect of the market development in the PRC. The pre-tax discount rate used reflect the specific risks relating to the cash-generating units within property investment and development segment and applied to the cash flow projections is 14% (2008: 14%).

Apart from the considerations described above in determining the value in use of the cash-generating units of the property investment and development segment the management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

19. OTHER INTANGIBLE ASSETS

		THE GROUP	
	Taxi licences	**Shopping mall operating right**	**Total**
	HK$'000	HK$'000	HK$'000
COST			
At 1st January, 2008	224,744	62,809	287,553
Translation adjustment	13,890	4,582	18,472
As 31st December, 2008 and 1st January, 2009	238,634	67,391	306,025
Translation adjustment	379	117	496
As 31st December, 2009	**239,013**	**67,508**	**306,521**
AMORTISATION AND IMPAIRMENT			
At 1st January, 2008	42,667	14,073	56,740
Translation adjustment	2,637	1,608	4,245
Amortisation charged	–	4,449	4,449
As 31st December, 2008 and 1st January, 2009	45,304	20,130	65,434
Translation adjustment	72	45	117
Amortisation charged	–	4,400	4,400
As 31st December, 2009	**45,376**	**24,575**	**69,951**
NET CARRYING AMOUNT			
At 31st December, 2009	**193,637**	**42,933**	**236,570**
At 31st December, 2008	193,330	47,261	240,591

The carrying amount of taxi licences as at 31st December, 2009 is tested for impairment by the management by estimating its recoverable amount based on a value in use calculation. The calculations use cash flow projections based on the financial budgets approved by the management.

The financial budgets prepared for the years ended 31st December, 2009 and 2008 are up to year 2023 as management considers that the application for extending the business operating period of the relevant subsidiary by 10 years to year 2023 will be approved by the PRC government.

19. OTHER INTANGIBLE ASSETS (CONTINUED)

Other key assumptions used by management in the value in use calculation of the taxi licences have been determined based on past performance and its expectations for the market development in the PRC. Key assumptions underlying the cash flow projections include (i) the number of taxi licences held by the Group will remain the same throughout the forecast period, and (ii) the forecast taxi licence fee income is determined based on the fee income received during the respective year, adjusted by the expected market development in the PRC. The pre-tax discount rate applied to the cash flow projections is 10% (2008: 8%) which reflects specific risks relating to the taxi rental operation.

20. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**1,950,750**	676,962
Less: Impairment	**–**	(90,429)
	1,950,750	586,533

The reversal of impairment arises from conducting part of the steps of the Group Restructuring as defined and details in note 49(a)(ii).

Details of the Company's principal subsidiaries as at 31st December, 2009 are set out in note 52. Certain of the Group's interests in subsidiaries are pledged as further detailed in note 44.

21. INTERESTS IN ASSOCIATES

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Share of net assets	**458,945**	418,010
Goodwill on acquisition of an associate	**850**	850
	459,795	418,860

Details of the Group's principal associates are set out in note 53. The following illustrates the summarised financial statements of the Group's associates extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	100% basis	
	2009	2008
	HK$'000	HK$'000
Results for the year		
Revenue	**800,141**	1,104,349
Profit after income tax expenses	**41,305**	167,345
Financial positions		
Assets	**3,701,869**	3,910,594
Liabilities	**(2,167,182)**	(2,437,661)
Net assets	**1,534,687**	1,472,933

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Share of net assets	**222,829**	222,410
Goodwill on acquisition	**28,751**	28,751
	251,580	251,161
Less: Impairment	**(28,361)**	(28,361)
	223,219	222,800

Details of the Group's principal jointly controlled entities are set out in note 54. The following illustrates the summarised financial information of the Group's jointly controlled entities extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	2009	2008
	HK$'000	HK$'000
Share of results for the year		
Revenue	**11,782**	10,697
Profit after income tax expenses	**2,721**	7,366
Share of assets and liabilities		
Total non-current assets	**121,765**	117,454
Total current assets	**528,633**	532,326
Total current liabilities	**(359,475)**	(361,174)
Total non-current liabilities	**(68,094)**	(66,196)
	222,829	222,410

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted investments:				
Club debentures *(note)*	**3,300**	2,920	**–**	2,920

Note: Club debentures are carried at cost less impairment.

24. LOANS RECEIVABLE

	THE GROUP		THE COMPANY	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Loans receivable from:				
Investees *(note (a))*	**12,958**	14,212	**8,339**	8,996
Associates *(note (b))*	**105,991**	128,928	**–**	–
Others *(note (c))*	**30,841**	40,593	**–**	11,339
	149,790	183,733	**8,339**	20,335
Less: Impairment *(notes (a) and (c))*	**(39,180)**	(38,250)	**(8,339)**	(8,996)
	110,610	145,483	**–**	11,339
Analysed into:				
Amount repayable in more than one year included in non-current assets	**106,597**	130,138	**–**	–
Amount repayable within one year included in current assets	**4,013**	15,345	**–**	11,339
	110,610	145,483	**–**	11,339

Notes:

(a) The loans to investees are unsecured, interest-bearing at 4% – 7.5% per annum and repayable as to HK$5,146,000 within twelve months from the end of the reporting period and HK$7,812,000 after twelve months from the end of the reporting period. Having considered the financial position of the borrowers, management assessed that only a portion of the balance can be recovered and accordingly, impairment provision of HK$8,339,000 (2008: HK$8,996,000) was made in respect of the loan balance.

(b) The loans to associates are unsecured and interest-free. The amortised costs of the loans to associates as at 31st December, 2009 are calculated at the present values of the expected settlements from the associates in accordance with the business plans of the respective associates, discounted at the rates of return of similar financial assets. The loans to associates will not be repayable within twelve months from the respective end of the reporting period and accordingly, they are classified as non-current assets. Having considered the financial position of these associates, and the status of settlements from them, the management assessed that there is no indication of impairment in respect of these loans.

(c) The balances are unsecured, interest-bearing at 8% – 10% per annum and repayable on demand. Having considered the financial position of the borrowers, management assessed that the balances cannot be recovered and accordingly, full provision of HK$30,841,000 (2008: HK$29,254,000) was made in respect of the balances.

In the opinion of the directors, the carrying amounts of the loans receivable at the end of the reporting period approximate their fair values.

25. INVENTORIES OF PROPERTIES

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Properties under development, at cost	**5,257,917**	5,196,004
Properties held for sale, at cost	**1,158,620**	903,489
	6,416,537	6,099,493

As at the end of the reporting period, properties under development amounting to HK$1,304,080,000 (2008: HK$3,220,400,000) are not expected to be recovered within twelve months from the end of the reporting period.

The Group's properties under development and properties held for sale are located in other regions of the PRC. At the end of the reporting period, leasehold interests in land included in inventories of properties which are held under long-term or medium-term leases amounted to HK$1,343,377,000 (2008: HK$1,383,869,000).

Certain inventories of properties are pledged by the Group for obtaining certain banking facilities with further details stated in note 44.

26. OTHER INVENTORIES

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Raw materials	**50,280**	72,290	**–**	–
Work-in-progress	**8,229**	6,636	**–**	–
Finished goods	**42,342**	45,302	**–**	2,948
	100,851	124,228	**–**	2,948
Inventories stated				
At cost	**93,724**	107,668	**–**	2,948
At net realisable value	**7,127**	16,560	**–**	–
	100,851	124,228	**–**	2,948

27. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**226,970**	284,390	**–**	4,510
Less: Impairment of trade receivables	**(21,025)**	(22,701)	**–**	(2,546)
Trade receivables, net *(note (a))*	**205,945**	261,689	**–**	1,964
Other receivables	**67,201**	84,896	**325**	11,050
Prepayments and deposits *(note (b))*	**442,341**	690,059	**4,528**	1,877
	715,487	1,036,644	**4,853**	14,891

Notes:

(a) The Group maintains a defined credit policy. For sales of goods, the Group normally allows a credit period of 45 days or 60 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The credit terms in connection with sales of properties granted to the buyers are set out in the sale and purchase agreements and vary from different agreements.

In general, trade receivables that are aged below one year are not considered impaired based on management's historical experience and management would consider allowance for impairment of trade receivables which are aged one year or above.

The ageing analysis of the trade receivables (based on invoice date) net of impairment allowance as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
30 days or below	**87,779**	108,982	**–**	1,928
31–60 days	**77,146**	66,713	**–**	5
61–90 days	**34,099**	45,710	**–**	4
91–180 days	**4,352**	38,071	**–**	11
181–360 days	**2,065**	916	**–**	10
Over 360 days	**504**	1,297	**–**	6
	205,945	261,689	**–**	1,964

27. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

Notes: (continued)

(a) (continued)

The movement in the allowance for impairment of trade receivables is as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at the beginning of the year	**22,701**	13,805	**2,546**	2,651
Translation adjustment	**30**	360	**–**	–
Impairment losses recognised	**4,144**	10,328	**–**	–
Impairment losses reversed	**(1,635)**	(1,553)	**–**	–
Amounts written off as uncollectible	**(4,215)**	(239)	**(2,546)**	(105)
Carrying amount at the end of the year	**21,025**	22,701	**–**	2,546

At the end of each reporting period, management reviews receivables for evidence of impairment on both an individual and collective basis. As of 31st December, 2009, the Group's trade receivables of HK$21,025,000 (2008: HK$22,701,000) were impaired and accordingly allowances were made in respect of these balances. The Company's trade receivables of HK$2,546,000 as at 1st January, 2009 were impaired and accordingly allowance were made in respect of these balances. The individually impaired receivables mainly relate to customers that were in financial difficulties and management assessed that the entire amount of the respective receivable balances is unlikely to be recovered. The Group and the Company do not hold any collateral over these trade receivables balances other than rental and building management deposits from tenants of the Group's investment properties.

The ageing analysis of trade receivables which were impaired and for which allowances were made for at the end of the reporting period is as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
30 days or below	**991**	298	**–**	–
31–60 days	**145**	132	**–**	–
61–90 days	**–**	905	**–**	–
91–180 days	**406**	499	**–**	–
181–360 days	**902**	1,276	**–**	–
Over 360 days	**18,581**	19,591	**–**	2,546
	21,025	22,701	**–**	2,546

The ageing analysis of trade receivables that are past due, based on due date, but are not considered impaired at the end of the reporting period is as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
61–90 days	**34,099**	45,710	**–**	4
91–180 days	**4,352**	38,071	**–**	11
181–360 days	**2,065**	916	**–**	10
Over 360 days	**504**	1,297	**–**	6
	41,020	85,994	**–**	31

Trade receivables that were not yet past due relate to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good payment record with the Group and the Company. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group and the Company do not hold any collateral over these trade receivables balances other than rental and building management deposits from tenants of the Group's investment properties.

27. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

Notes: (continued)

(b) The balances of prepayments and deposits as at 31st December, 2009 mainly comprise an amount of HK$314,079,000 (2008: HK$250,276,000) paid by the Group for the primary development on certain areas in Hohhot, Inner Mongolia (the "Primary Development Land"). During the year ended 31st December, 2008, the Group successfully acquired the land use right for certain area of the Primary Development Land through a public tender. According to the approval document issued by the relevant land authority in Hohhot, the cost of these lands was offset against the payment made by the Group for the Primary Development Land. It is the assessment as well as intention of the directors that the amount of prepayment made for the Primary Development Land can be fully recovered through similar land auction exercise in future.

The balance of prepayments and deposits as at 31st December, 2008 included an amount of RMB 200 million (equivalent to HK$226,780,000) to a third party in relation to certain potential investments in the PRC. During the year, the Group has agreed with the counterparty to offset the consideration in respect of the acquisition of a piece of land in the PRC acquired through the connection of the counterparty as well as the pre-construction work for the land.

Trade and other receivables are of short maturity periods and hence the directors consider the carrying amount of trade and other receivables approximate their fair values.

28. AMOUNTS DUE FROM/TO SUBSIDIARIES

As at 31st December, 2009, the balances are unsecured, interest-free and repayable on demand. As at 31st December, 2008, the balances are unsecured and repayable on demand. Except for an amount of HK$48,447,000 which is interest-bearing at prevailing market rate, the balances due from the subsidiaries are interest-free. Except for an amount of HK$16,994,000 which is interest-bearing at prevailing market rate, the balances due to the subsidiaries are interest-free. The directors consider that the carrying amounts of the balances approximate their fair values.

29. AMOUNT(S) DUE FROM AN ASSOCIATE/JOINTLY CONTROLLED ENTITIES/AN INVESTEE/MINORITY SHAREHOLDERS

The amount(s) due are unsecured, interest-free and repayable on demand. The directors consider that the carrying amounts of the above balances approximate their fair values.

30. INVESTMENTS HELD FOR TRADING

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Equity securities, at fair value		
Listed in Hong Kong	**22,040**	11,349
Listed outside Hong Kong	**6,459**	9,294
	28,499	20,643

The fair values of the listed equity securities are determined based on quoted market prices available on the relevant stock exchanges. Certain equity securities are pledged as further detailed in note 44.

31. RESTRICTED CASH AND DEPOSITS

In accordance with the relevant documents issued by the PRC State-Owned Land and Resources Bureau, certain subsidiaries of the Group engaging in property development are required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for the construction of the related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC State-Owned Land and Resources Bureau is obtained. Such guarantee deposits will only be released after the completion of development of the related pre-sold properties or issuance of the real estate ownership certificate, whichever is the earlier. The amount of cash restricted for such purpose as at 31st December, 2009 was HK$137,837,000 (2008: HK$52,582,000).

32. CASH AND CASH EQUIVALENTS

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Cash at bank, in hand and deposited with security brokers	**990,909**	925,908
Less: Restricted cash and deposits classified under current assets *(note 31)*	**(137,837)**	(52,582)
	853,072	873,326

Cash balance denominated in Renminbi ("RMB") amounted to approximately HK$818,715,000 (2008: HK$866,120,000) as at 31st December, 2009. The RMB is not freely convertible into other currencies.

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term time deposits are made for periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The directors consider that the fair values of the short-term deposit are not materially different from their carrying amounts because of the short maturity period.

33. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**2,210,633**	1,462,252	**–**	12,495
Temporary receipts	**27,238**	37,690	**–**	121
Deferred income	**12,358**	17,509	**–**	–
Other payables and accruals	**391,253**	819,861	**4,718**	22,140
Deposit received	**47,183**	41,434	**–**	1,938
	2,688,665	2,378,746	**4,718**	36,694

The ageing analysis of trade payables (based on invoice date) is as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
30 days or below	**1,631,386**	670,690	**–**	10,763
31–60 days	**29,567**	27,639	**–**	1,291
61–90 days	**13,011**	15,521	**–**	21
91–180 days	**23,537**	10,424	**–**	11
181–360 days	**295,484**	166,389	**–**	8
Over 360 days	**217,648**	571,589	**–**	401
	2,210,633	1,462,252	**–**	12,495

Trade and other payables are of short maturity and hence the directors consider the carrying amounts of trade and other payables approximate their fair values.

34. AMOUNT DUE TO AN ASSOCIATE/A JOINTLY CONTROLLED ENTITY/A RELATED PARTY/ A MINORITY SHAREHOLDER

The amounts due are unsecured, interest-free and repayable on demand. The directors consider that the carrying amounts of the balances approximate their fair values.

As at 31st December, 2009, amount due to a related party represented the advance made from a company which is connected to a director of the Company.

35. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings				
Secured	**1,863,069**	1,883,169	**–**	300,000
Unsecured	**381,151**	328,194	**–**	237,473
	2,244,220	2,211,363	**–**	537,473

The movement of bank borrowings is as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at the beginning of the year	**2,211,363**	2,559,340	**537,473**	387,463
Translation adjustment	**2,429**	116,622	**–**	–
New bank loans raised	**1,225,274**	2,107,409	**355,105**	964,084
Repayment of bank loans	**(1,194,846)**	(2,572,008)	**(892,578)**	(814,074)
Carrying amount at the end of the year	**2,244,220**	2,211,363	**–**	537,473

The maturity of bank borrowings is as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans				
Due within one year	**760,502**	929,179	**–**	162,387
Due more than one year, but not exceeding two years	**1,211,353**	448,414	**–**	48,771
Due more than two years, but not exceeding five years	**232,616**	794,083	**–**	326,315
Due more than five years	**39,749**	39,687	**–**	–
	2,244,220	2,211,363	**–**	537,473
Less: Amounts due within one year included in current liabilities	**(760,502)**	(929,179)	**–**	(162,387)
Amounts due after one year included in non-current liabilities	**1,483,718**	1,282,184	**–**	375,086

The carrying amounts of the bank loans are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollar	**462,251**	400,357	**–**	400,352
RMB	**1,516,160**	1,530,766	**–**	–
US Dollar	**265,809**	280,240	**–**	137,121
	2,244,220	2,211,363	**–**	537,473

35. BANK BORROWINGS (CONTINUED)

Among the bank borrowings as at 31st December, 2009, HK$155,565,000 (2008: HK$178,098,000) were arranged at fixed annual interest rates of 0.58% – 0.93% (2008: 0.95% – 3.84%). The remaining balance of the bank borrowings of HK$2,088,655,000 (2008: HK$2,033,265,000) were arranged at floating rates of 1.28% – 6.53% (2008: 3.15% – 7.72%) per annum.

In the opinion of the directors, the carrying amounts of the Group's and the Company's current and non-current bank borrowings approximate their fair values. The fair values of the non-current borrowings are calculated by discounting their expected future cash flows at market rate.

36. SHARE CAPITAL

	2009		2008	
	Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
Authorised				
Ordinary share of HK$0.50 each				
Balance at beginning and end of the year	**900,000**	**450,000**	900,000	450,000
Issued and fully paid				
Ordinary share of HK$0.50 each				
Balance at beginning of the year	**525,485**	**262,742**	525,485	262,742
Share repurchased and cancelled	**(2,000)**	**(1,000)**	–	–
Balance at end of the year	**523,485**	**261,742**	525,485	262,742

In February 2009, the Company repurchased on the Stock Exchange a total of 2,000,000 ordinary shares of HK$0.5 each of the Company at an aggregate consideration of HK$4,200,000 before expenses. All of these shares had been cancelled upon being repurchased.

The share capital of the Company comprises only of fully paid ordinary shares with a par value of HK$261,742,000. All shares are equally eligible to receive dividends and to the repayment of capital and each share is entitled to one vote at shareholders' meeting of the Company.

37. RESERVES

THE GROUP

Details of the movements on the Group's reserves are set out in the consolidated statement of changes in equity on page 24. The nature and purpose of the reserves are as follows:

Share premium and capital redemption reserve

The application of the share premium and capital redemption reserve is governed by the relevant provisions of the Hong Kong Companies Ordinance.

Share option reserve of a subsidiary

Share option reserve of a subsidiary has been set up in accordance with the accounting policy set out in note 3.24.

Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy adopted in note 3.17.

Asset revaluation reserve

Asset revaluation reserve has been set up in accordance with the accounting policies set out in notes 3.2 and 3.7.

37. RESERVES (CONTINUED)

THE GROUP (Continued)

Statutory reserves

In accordance with the relevant PRC rules and regulations, certain subsidiaries of the Company are required to appropriate certain % of their profits after tax to the respective statutory reserves. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to make good previous years' losses, if any, or to increase the paid-up capital of the respective subsidiaries, and may be used for capital expenditure on staff welfare facilities, as appropriate.

THE COMPANY

Details of the movements on the Company's reserves are as follows:

	Share premium	Capital redemption reserve	Dividend reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January, 2008	640,099	43,822	63,058	989,166	1,736,145
Interim dividend declared *(note 12)*	–	–	15,765	(15,765)	–
Dividends paid	–	–	(78,823)	–	(78,823)
Final dividend proposed *(note 12)*	–	–	15,705	(15,705)	–
Loss and total comprehensive income for the year	–	–	–	(47,783)	(47,783)
At 31st December, 2008 and 1st January, 2009	640,099	43,822	15,705	909,913	1,609,539
Interim dividend declared *(note 12)*	–	–	10,470	(10,470)	–
Dividends paid	–	–	(26,175)	–	(26,175)
Profit and total comprehensive income for the year	–	–	–	204,433	204,433
Share repurchased and cancelled	–	1,000	–	(4,222)	(3,222)
At 31st December, 2009	**640,099**	**44,822**	**–**	**1,099,654**	**1,784,575**

The Company's reserves available for distribution to shareholders are as follows:

	2009	2008
	HK$'000	HK$'000
Dividend reserve	**–**	15,705
Retained profits	**1,099,654**	909,913
	1,099,654	925,618

38. LOAN FROM A MINORITY SHAREHOLDER

The loan is unsecured, interest-free and not repayable within twelve months from the end of the reporting period. As assessed by the directors, the difference between the carrying amount of the loan and the fair value of the loan, calculated by discounting the expected future cash flows at prevailing interest rate, is not material.

39. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting periods:

THE GROUP

	Accelerated tax depreciation HK$'000	Amortisation on intangible assets HK$'000	Allowance on trade receivables HK$'000	Inventories of properties HK$'000	Revaluation of properties HK$'000	Others HK$'000	Total HK$'000
At 1st January, 2008	1,778	12,368	(463)	466,979	34,946	1,317	516,925
Translation adjustment	–	807	–	24,312	1,005	86	26,210
Charged/(Credited) to profit or loss							
– effect of change in tax rate	(100)	–	27	–	(1,049)	5	(1,117)
– others	(694)	4,911	381	(120,079)	9,282	(1,408)	(107,607)
At 31st December, 2008 and 1st January, 2009	984	18,086	(55)	371,212	44,184	–	434,411
Translation adjustment	(1)	33	(1)	406	175	–	612
Charged/(Credited) to profit or loss	(3,461)	5,163	(493)	(99,753)	126,024	–	27,480
Reclassification	–	–	–	(27,806)	27,806	–	–
At 31st December, 2009	(2,478)	23,282	(549)	244,059	198,189	–	462,503

Represented by:

	2009 HK$'000	2008 HK$'000
Deferred tax liabilities	**464,601**	436,319
Deferred tax assets	**(2,098)**	(1,908)
	462,503	434,411

At the end of the reporting period, the expiry dates of the Group's unused tax losses available for offset against future profits, not recognised as deferred tax assets, are analysed as follows:

	2009 HK$'000	2008 HK$'000
2009	**N/A**	23,679
2010	**66,183**	64,540
2011	**13,718**	9,969
2012	**31,293**	23,958
2013	**27,831**	13,217
2014	**48,609**	–
2019	**1,330**	9,980
2020	**10,629**	10,629
2021	**7,482**	7,482
2022	**2,970**	2,970
2024	**9,805**	9,805
2025	**2,868**	2,868
2026	**1,380**	1,380
Carried forward indefinitely	**77,295**	100,515
	301,393	280,992

39. DEFERRED TAX (CONTINUED)

THE GROUP (Continued)

No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The tax losses of the subsidiaries in Hong Kong may be carried forward indefinitely. The tax losses of the subsidiaries in the PRC except Hong Kong and in the U.S.A. may be carried forward for five years and twenty years respectively from the financial year when the corresponding loss was incurred.

Deferred tax liabilities of approximately HK$59,196,000 (2008: HK$55,000,000) have not been established for the withholding and other taxation that would be payable on the unremitted earnings of certain PRC subsidiaries as at 31st December, 2009, as in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. Such unremitted earnings amounted to approximately HK$702,808,000 as at 31st December, 2009 (2008: HK$628,000,000).

THE COMPANY

	Accelerated tax depreciation HK$'000	Allowance on trade receivables HK$'000	Revaluation of properties HK$'000	Others HK$'000	Total HK$'000
At 1st January, 2008	1,748	(463)	2,721	(89)	3,917
Charged/(Credited) to profit or loss					
– effect of change in tax rate	(100)	27	(156)	5	(224)
– others	(693)	436	410	84	237
At 31st December, 2008 and 1st January, 2009	955	–	2,975	–	3,930
Credited to profit or loss	(955)	–	(2,975)	–	(3,930)
At 31st December, 2009	–	–	–	–	–

For the purposes of presentation of the financial statements, the deferred tax assets and liabilities have been offset as they are related to income taxes levied by the same tax authority and the assets and liabilities are intended to be settled in net, or settled/realised simultaneously.

40. SHARE OPTION SCHEMES

The Company

At the annual general meeting of the Company held on 11th May, 2005, the shareholders of the Company approved the adoption of a new share option scheme (the "Scheme") for a period of 10 years commencing on the adoption date. Since 11th May, 2005, the board of directors of the Company may, at its discretion, grant share options to any eligible person to subscribe for shares in the Company subject to the terms and conditions as stipulated in the Scheme. No share options were granted during the period since adoption.

Subsidiaries

The share option schemes of Appeon Corporation ("Appeon") and Galactic Computing Corporation ("Galactic"), subsidiaries of the Company, became effective on 11th November, 2002. Certain directors, employees and consultants of Appeon and Galactic were granted options as an incentive to them for their continuing contribution to the companies they worked for at a consideration of HK$1 on acceptance of the option offer. Details of those share option schemes of the subsidiaries are set out in the Company's circular to the shareholders dated 25th October, 2002.

During the year ended 31st December 2007, Terborley Limited ("Terborley"), an indirect non-wholly-owned subsidiary of the Company, also granted options to certain individuals. Details of these options were set out in the announcement of the Company dated 29th November, 2007.

40. SHARE OPTION SCHEMES (CONTINUED)

Subsidiaries (Continued)

(a) Appeon

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Appeon ("Appeon Scheme"), together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of Appeon and/or its subsidiary, must not exceed 30% of the number of the issued shares from time to time (subject to the approval of the shareholders of the Company). At the date of issue of these financial statements, the total maximum number of share options available for further issue under the Appeon Scheme amounted to 1,000,984 (subject to approval of the shareholders of the Company) which represented 27.36% of the issued share capital of Appeon (excluding any shares issued pursuant to the Appeon Scheme) on the same date.

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2009 are as follow:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options As at 1.1.2009	Lapsed during the year	Granted during the year	As at 31.12.2009
			US$				
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	2.50	6,750	–	–	6,750
	09.06.2003	01.10.2003 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2006 – 10.11.2012	2.50	3,375	–	–	3,375
				27,000	–	–	27,000
Other directors of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2003 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2003 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2004 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2004 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2005 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2005 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2006 – 10.11.2012	2.50	563	–	–	563
				4,500	–	–	4,500
Employees	25.11.2002	25.11.2002 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2003 – 10.11.2012	2.50	2,688	–	–	2,688
	25.11.2002	01.10.2003 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2004 – 10.11.2012	2.50	2,688	–	–	2,688
	25.11.2002	01.10.2004 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2005 – 10.11.2012	2.50	2,688	–	–	2,688
	25.11.2002	01.10.2005 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2006 – 10.11.2012	2.50	2,688	–	–	2,688
	02.06.2003	02.06.2003 – 10.11.2012	2.50	750	–	–	750
	02.06.2003	01.10.2003 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2006 – 10.11.2012	2.50	375	–	–	375

40. SHARE OPTION SCHEMES (CONTINUED)

Subsidiaries (Continued)

(a) Appeon (Continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	Number of share options As at 1.1.2009	Lapsed during the year	Granted during the year	As at 31.12.2009
Employees	26.09.2005	01.03.2006 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.09.2006 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.03.2007 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.09.2007 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.03.2008 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.09.2008 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.03.2009 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.09.2009 – 10.11.2012	3.00	1,250	–	–	1,250
				34,500	–	–	34,500
Consultants of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2006 – 10.11.2012	2.50	1,250	–	–	1,250
	09.06.2003	09.06.2003 – 10.11.2012	0.10	5,106	–	–	5,106
	09.06.2003	01.10.2003 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2006 – 10.11.2012	0.10	2,554	–	–	2,554
				30,425	–	–	30,425
				96,425	–	–	96,425
				HK$	HK$	HK$	HK$
Weighted average exercise price				15.94	–	–	15.94

40. SHARE OPTION SCHEMES (CONTINUED)

Subsidiaries (Continued)

(a) Appeon (Continued)

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2008 are as follow:

Grantee	Subscription price per share	As at 1.1.2008	Number of share options Lapsed during the year	Granted during the year	As at 31.12.2008
	US$				
Directors of Appeon	2.50	40,500	(9,000)	–	31,500
Employees	2.50	24,500	–	–	24,500
	3.00	10,000	–	–	10,000
Consultants of Appeon	2.50	10,000	–	–	10,000
	0.10	20,425	–	–	20,425
		105,425	(9,000)	–	96,425
		HK$	HK$	HK$	HK$
Weighted average exercise price		16.24	19.50	–	15.94

No option was exercised by the grantees during the year and in last year.

The number of share options which are exercisable under the Appeon Scheme as at 31st December, 2009 is 96,425 (2008: 93,925). The weighted average remaining contractual life of the outstanding share options under the Appeon Scheme as at 31st December, 2009 is 2.86 years (2008: 3.86 years).

(b) Galactic

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Galactic ("Galactic Scheme"), together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of Galactic and/or its subsidiary, must not exceed 30% of the number of issued shares from time to time (subject to the approval of the shareholders of the Company). The total maximum number of share options available for further issue under the Galactic Scheme amounted to 1,579,724 as at 31st December, 2009 (subject to approval of the shareholders of the Company) which represented 6.62% of the issued share capital of Galactic (excluding any shares issued pursuant to the Galactic Scheme) on the same date.

40. SHARE OPTION SCHEMES (CONTINUED)

Subsidiaries (Continued)

(b) Galactic (Continued)

Movements in the options to subscribe for shares in Galactic for the year ended 31st December, 2009 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options			
				As at 1.1.2009	Lapsed during the year	Granted during the year	As at 31.12.2009
			US$				
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	25,000	–	–	25,000
				200,000	–	–	200,000
Other directors of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2003 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2004 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2004 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2005 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2005 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2006 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2006 – 10.11.2012	0.45	22,500	–	–	22,500
	09.06.2003	09.06.2003 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	10,000	–	–	10,000
	31.12.2007	01.01.2008 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2008 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.01.2009 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2009 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.01.2010 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2010 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.01.2011 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2011 – 10.11.2012	0.45	372,831	–	–	372,831
				3,242,655	–	–	3,242,655

40. SHARE OPTION SCHEMES (CONTINUED)

Subsidiaries (Continued)

(b) Galactic (Continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	Number of share options As at 1.1.2009	Lapsed during the year	Granted during the year	As at 31.12.2009
Employees	25.11.2002	01.06.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	25.05.2005	25.05.2005 – 10.11.2012	0.60	6,250	(6,250)	–	–
	25.05.2005	01.10.2005 – 10.11.2012	0.60	6,250	(6,250)	–	–
	25.05.2005	01.04.2006 – 10.11.2012	0.60	6,250	(6,250)	–	–
	25.05.2005	01.10.2006 – 10.11.2012	0.60	6,250	(6,250)	–	–
	25.05.2005	01.04.2007 – 10.11.2012	0.60	6,250	(6,250)	–	–
	25.05.2005	01.10.2007 – 10.11.2012	0.60	6,250	(6,250)	–	–
	25.05.2005	01.04.2008 – 10.11.2012	0.60	6,250	(6,250)	–	–
	25.05.2005	01.10.2008 – 10.11.2012	0.60	6,250	(6,250)	–	–
	31.12.2007	01.01.2008 – 10.11.2012	0.45	238,615	(9,321)	–	229,294
	31.12.2007	01.07.2008 – 10.11.2012	0.45	238,608	(9,321)	–	229,287
	31.12.2007	01.01.2009 – 10.11.2012	0.45	229,294	–	–	229,294
	31.12.2007	01.07.2009 – 10.11.2012	0.45	229,287	(9,320)	–	219,967
	31.12.2007	01.01.2010 – 10.11.2012	0.45	229,294	(9,321)	–	219,973
	31.12.2007	01.07.2010 – 10.11.2012	0.45	229,291	(9,321)	–	219,970
	31.12.2007	01.01.2011 – 10.11.2012	0.45	229,293	(9,321)	–	219,972
	31.12.2007	01.07.2011 – 10.11.2012	0.45	229,291	(9,321)	–	219,970
	10.03.2009	10.03.2009 – 10.11.2012	0.45	–	–	111,851	111,851
	10.03.2009	01.07.2009 – 10.11.2012	0.45	–	–	37,283	37,283
	10.03.2009	01.01.2010 – 10.11.2012	0.45	–	–	37,283	37,283
	10.03.2009	01.07.2010 – 10.11.2012	0.45	–	–	37,283	37,283
	10.03.2009	01.01.2011 – 10.11.2012	0.45	–	–	37,283	37,283
	10.03.2009	01.07.2011 – 10.11.2012	0.45	–	–	37,283	37,283
				1,952,973	(115,246)	298,266	2,135,993
				5,395,628	(115,246)	298,266	5,578,648
				HK$	HK$	HK$	HK$
Weighted average exercise price				3.52	4.02	3.51	3.51

40. SHARE OPTION SCHEMES (CONTINUED)

Subsidiaries (Continued)

(b) Galactic (Continued)

Movements in the options to subscribe for shares in Galactic for the year ended 31st December, 2008 are as follow:

Grantee	Subscription price per share US$	As at 1.1.2008	Number of share options Lapsed during the year	Granted during the year	As at 31.12.2008
Directors of Galactic	0.45	3,692,655	(250,000)	–	3,442,655
Employees	0.45	2,734,389	(831,416)	–	1,902,973
	0.60	50,000	–	–	50,000
		6,477,044	(1,081,416)	–	5,395,628
		HK$	HK$	HK$	HK$
Weighted average exercise price		3.52	3.51	–	3.52

No option was exercised by the grantees during the year and in last year.

The number of share options which are exercisable under the Galactic Scheme as at 31st December, 2009 is 3,058,304 (2008: 1,782,887). The weighted average remaining contractual life of the outstanding share options under the Galactic Scheme as at 31st December, 2009 is 2.86 years (2008: 3.86 years).

During the year, options to subscribe for 298,266 shares were granted under the Galactic Scheme at a consideration of HK$1. Details of the inputs to the Black-Scholes Option Pricing Model used in calculating the fair values of the share options granted under the Galactic Scheme during the year are as follows:

Expected volatility (%)	43.99%
Risk-free interest rate (%)	2.684%
Dividend yield (%)	0%
Expected life of option (years)	2.5 years

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Black-Scholes option pricing model. No special features pertinent to the options granted were incorporated into the measurement of fair value.

The fair values of the share options granted under the Galactic Scheme are insignificant and accordingly, they are not accounted for in the financial statements.

(c) Terborley

On 29th November, 2007, Terborley entered into the option deeds (the "Option Deeds") with an aggregate of 49 individuals (the "Grantees"). Pursuant to the Option Deeds, Terborley has granted to the Grantees certain options (the "Options") to acquire from Terborley an aggregate of 116,000 ordinary shares (the "Option Shares") of Pan China Land (Holdings) Corporation ("Pan China Land"), an investee of Terborley, at the exercise price specified in the Option Deeds. The options will vest on the date on which the shares of Pan China Land are listed on the Stock Exchange (the "Listing Date") and are exercisable for a period of 10 years from the Listing Date (the "Option Period").

Details of the Grantees and their entitlement to the Option Shares are as follows:

Grantee(s)	Number of option shares to which the Grantees are entitled	Approximate percentage of the total number of option shares
Mr. Billy K Yung	20,000	17.2%
Mr. Eddie Hurip	800	0.7%
Senior staff and other employees of the Group #	95,200	82.1%
Total	116,000	100%

An aggregate of 5,200 Option Shares are held on trust by Mr. Billy K Yung and Mr. Eddie Hurip.

40. SHARE OPTION SCHEMES (CONTINUED)

Subsidiaries (Continued)

(c) Terborley (Continued)

Terborley will receive an aggregate amount of HK$69,600,000 if all the Options are exercised based on the initial exercise price of HK$600 per share. A consideration of HK$1 is payable by the Grantee on acceptance of the offer of the grant of an Option.

The Grantees may exercise the Options in whole or in part by giving exercise notice to the Grantor at any time during the Option Period provided that the Grantees shall exercise the Options to acquire the Option Shares in accordance with the vesting schedule:

Vesting schedule	Maximum percentage of Option Shares comprised in an Option which may be exercised
On or after the Listing Date	20%
Six months after the Listing Date	40%
Twelve months after the Listing Date	60%
Eighteen months after the Listing Date	80%
Twenty-four months after the Listing Date	100%

Following the completion of the Transactions as defined and detailed in note 49, the Options become immediately exercisable on 10th February, 2010.

The fair value of the Options granted on the grant date, determined by an independent valuer using the Binomial Model, was RMB195 million (equivalent to approximately HK$221 million) in aggregate. With reference to the expected vesting date on 10th February, 2010, the amount of share option expense recognised in the income statement for the year ended 31st December, 2009 amounted to HK$144,911,000 (2008: HK$52,527,000). The corresponding amount has been credited to the share option reserve and non-controlling interests. No liabilities were recognised as these are equity-settled share-based payment transactions.

No new Option was granted during the year and no Option has been exercised, cancelled or lapsed during the year (2008: Nil). As at 31st December, 2008 and 2009, no Option is exercisable by the Grantees. The weighted average exercise price of the Options is HK$600 (2008: HK$600) and the weighted average remaining contractual life is 9 years after the Listing Date.

41. DISPOSAL OF A SUBSIDIARY

During the current year, the Group disposed of its 67% interest in the registered capital of a subsidiary,北京寅豐房地產開發有限責任公司("Beijing Yinfeng"), to the minority shareholder of Beijing Yinfeng, at a cash consideration of RMB46.5 million (equivalent to approximately HK$52,754,000). The transaction was completed in April 2009 and a gain on disposal of the subsidiary of approximately HK$17,286,000 is recorded in the current year. The gain on the disposal net of tax is HK$13,599,000.

During the year ended 31st December 2008, the Group disposed of its interest in a property development project through the disposal of its entire equity interest in a subsidiary,安徽博鴻房地產開發有限公司, to an independent third party at a cash consideration of RMB121 million. A gain on disposal of the subsidiary of HK$56,115,000 was recorded in the last year. The gain on the disposal net of tax was HK$27,729,000.

41. DISPOSAL OF A SUBSIDIARY (CONTINUED)

	2009	2008
	HK$'000	HK$'000
Net assets disposed of:		
Goodwill	**–**	1,793
Property, plant and equipment	**107**	8,114
Deferred tax assets	**–**	739
Inventory of properties	**–**	116,498
Other inventories	**31**	–
Trade and other receivables, prepayments and deposits	**153,953**	16,787
Restricted cash and deposits	**–**	732
Cash and cash equivalents	**96**	19,298
Trade and other payables	**(118,719)**	(57,460)
Sales deposits received	**–**	(4,422)
Bank borrowings	**–**	(11,104)
Taxation liabilities	**–**	(12,732)
	35,468	78,243
Gain on disposal of a subsidiary	**17,286**	56,115
Total consideration – satisfied by cash	**52,754**	134,358

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2009	2008
	HK$'000	HK$'000
Cash consideration received during the year	**52,754**	94,384
Cash and bank balances disposed of	**(96)**	(19,298)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**52,658**	75,086

42. CONSIDERATION PAYABLE ON ACQUISITION OF A SUBSIDIARY

During the year ended 31st December 2007, the Group acquired 90% of the registered capital of a PRC entity, 北京華世柏利房地產開發有限公司("Beijing Huashiboli") and part of the consideration amounting to RMB48 million (equivalent to approximately HK$54 million) was outstanding as at 31st December, 2009 (2008: RMB175 million equivalent to approximately HK$198 million). The outstanding consideration together with the interest accrued thereon amounting to HK$74,082,000 as at 31st December, 2009 (2008: HK$210,097,000) is classified as "consideration payable on acquisition of a subsidiary" in the consolidated statement of financial position. The directors consider that the carrying amount of the balance approximates its fair value.

43. RETIREMENT BENEFITS SCHEMES

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme is a defined contribution retirement benefits scheme and contributions to the scheme are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Prior to joining the MPF Scheme, the Group operated another defined contribution retirement benefit scheme ("Old Scheme") for its qualifying employees in Hong Kong. All the assets under the Old Scheme were transferred to the MPF Scheme and are separately identified within the MPF Scheme and members can withdraw their entitled benefits from the Old Scheme in accordance with the scheme rules once they resign from the Group. Forfeited contributions in relation to the Old Scheme, if any, will be used to reduce the contribution payable in future years.

43. RETIREMENT BENEFITS SCHEMES (CONTINUED)

The employees of the subsidiaries of the Group which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute 8% to 10% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total expenses recognised in the income statement of HK$4,829,000 (2008:HK$3,418,000) represent contributions paid/payable to these schemes by the Group in the current year.

44. PLEDGE OF ASSETS

At the end of the reporting period, the carrying amount of the assets pledged by the Group to secure general banking and other loan facilities granted to the Group are analysed as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Land and buildings in property, plant and equipment	**30,928**	35,631
Investment properties	**691,155**	271,440
Inventories of properties	**2,817,813**	3,494,391
Investments held for trading	**1,346**	8,315
	3,541,242	3,809,777

As at 31st December, 2009, the entire issued share capital of a subsidiary, Full Revenue Inc, was pledged to a bank to secure the banking facilities granted to the Group. A long-term loan was granted to the Group under the facilities during the year ended 31st December, 2009 and the net asset value of the subsidiary as at 31st December, 2009 was approximately HK$285 million (2008: HK$290 million).

45. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain of its manufacturing plants, office properties and quarters under operating leases arrangements. Leases of these properties are negotiated for periods ranging from one to twenty years for the year ended 31st December, 2009, and rentals are fixed over the contracted period. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**5,131**	5,691	**–**	1,200
In the second to fifth year, inclusive	**14,494**	15,739	**–**	4,800
Over five years	**41,879**	44,647	**–**	5,700
	61,504	66,077	**–**	11,700

As lessor

The Group leases its investment properties (note 15) under operating lease arrangements with leases negotiated for period ranging from one to eighteen years for the year ended 31st December, 2009. At the end of the reporting period, the Group and the Company had contracted with tenants for the following future minimum lease payments receivable:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**118,040**	117,629	**–**	6,184
In the second to fifth year, inclusive	**161,059**	249,745	**–**	1,148
Over five years	**46,518**	73,645	**–**	–
	325,617	441,019	**–**	7,332

46. OTHER COMMITMENTS

As at the end of the reporting period, the Group and the Company had other significant commitments as follows:

	THE GROUP		THE COMPANY	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Contracted for but not provided for in the financial statements				
Property development	**2,561,624**	3,407,341	**–**	–
Property, plant and equipment	**–**	6,400	**–**	490
	2,561,624	3,413,741	**–**	490

47. GUARANTEES

As at the end of the reporting period, the Group and the Company had issued the following significant guarantees:

	THE GROUP		THE COMPANY	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Guarantees given to:				
A supplier of an associate to secure the repayment of balance due by the associate to the supplier	**13,525**	13,525	**13,525**	13,525
Bank for credit facilities granted to				
– certain subsidiaries	**–**	–	**631,151**	143,124
– an associate	**–**	22,400	**–**	22,400
– a jointly controlled entity	**–**	44,902	**–**	–
Bank for mortgage loans granted to purchasers of certain subsidiaries' properties	**919,617**	1,202,861	**–**	–
	933,142	1,283,688	**644,676**	179,049

As at 31st December, 2009, the Company together with certain of the subsidiaries under the Group, issued guarantees to bankers as part of the security for credit facilities granted to the subsidiaries.

As at 31st December, 2008, the Company together with certain of the subsidiaries under the Group, issued cross guarantees to bankers as part of the security for credit facilities granted to the Company and the subsidiaries.

In the opinion of the directors, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in these financial statements.

48. RELATED PARTY TRANSACTIONS

Transactions between the entities within the Group have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties include its associates, investees and key management personnel are disclosed below.

Save as disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties:

	2009 HK$'000	2008 HK$'000
Commission paid to associates	**–**	25
Interest received from investees	**2,354**	1,991

48. RELATED PARTY TRANSACTIONS (CONTINUED)

Total staff costs include compensations to the key management personnel (including directors), the details of which are as follows:

	2009	2008
	HK$'000	HK$'000
Short-term employee benefits	**12,491**	13,508
Share-based payments	**60,538**	20,830
Post-employment benefits	**315**	203
	73,344	34,541

49. EVENTS AFTER THE END OF THE REPORTING PERIOD

Significant events occurred after the end of the reporting period as of 31st December, 2009 comprise the followings:

(a) Following the approval by the shareholders of the Company in an extraordinary general meeting on 31st December, 2009, the making of order confirming the Capital Reorganisation (as defined below) by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region on 1st February, 2010, and the completion of subscription agreement dated 9th September, 2009 (the "Subscription Agreement") entered into between the Company, Mr. Billy K Yung, a director of the Company, and an independent third party on 10th February, 2010, the following transactions (the "Transactions") have been completed on 10th February, 2010:

(i) To facilitate the distribution in specie as mentioned in (ii) below, the share capital of the Company has been reduced by an amount of HK$256,507,000 from 523,485,000 shares of HK$0.5 each, totaling HK$261,742,000 to 523,485,000 shares of HK$0.1 each, totaling HK$5,235,000, and the amount standing to the credit of the share premium account of the Company has been cancelled (the "Capital Reorganisation").

(ii) A wholly-owned subsidiary of the Company, Shell Electric Holdings Limited (the "Privateco"), acquired certain subsidiaries and certain assets and liabilities of the Company by issuing shares to the Company. All the shares of the Privateco then held by the Company have been distributed in specie to the shareholders of the Company (the "Group Restructuring") with all the corresponding revenue, profit and net assets pertaining to the Group's business other than property investment and development and certain property leasing activities carried out by Pan China Land and its subsidiaries in the PRC i.e. the non-China EB Business going to the Privateco.

(iii) The Company continues to be a publicly listed company with its subsidiaries concentrating on the business of property investment and development in the PRC (the "China EB Business").

(iv) The Company issued 157,045,368 new shares at HK$2.90 each to Star Amuse Limited, a direct wholly-owned subsidiary of COLI, as per the Subscription Agreement (the "Subscription"), representing approximately 23.08% of the issued share capital of the Company as enlarged by the Subscription. Pursuant to the Subscription Agreement, Mr. Billy K Yung has undertaken to procure his associates to accept the offer to be made by COLI subsequent to the completion of the Transactions to acquire shares of the Company to the extent that COLI will own no less than 50.1% of the issued share capital of the Company.

(b) As a result of the Group Restructuring as mentioned in (a) above, the directors have reached agreement with the two principal bankers of the Company on revising the facilities previously granted by the bankers to the Company which were available for use by the Company and certain of its subsidiaries. Under the revised facilities, the Privateco has become one of the group entities entitled to utilise the banking facilities and at the same time, it would become a guarantor of the facilities. The Company is no longer entitled to utilise the revised banking facilities. Upon satisfying certain conditions as set forth in the revised banking facilities, the Company has been released from providing guarantee subsequently after the year end.

(c) On 9th February, 2010, the Company entered into an acquisition agreement to acquire effectively the remaining 30% minority interests in Pan China Land which has 100% interest in the China EB Business. The consideration of the acquisition will be satisfied by way of the issue of up to a maximum of 246,785,579 new shares of the Company to the minority shareholder. The acquisition is subject to approval by the shareholders of the Company and up to the date of approval of these financial statements, the acquisition is still in progress.

49. EVENTS AFTER THE END OF THE REPORTING PERIOD (CONTINUED)

(d) On 9th February, 2010, the Company and certain management personnel of the Group (the "EB Management") entered into a compensation agreement in relation to, among other things, the compensation proposal in favour of the EB Management for the handover of the China EB Business pursuant to the completion of the Transactions. Among others, EB Management will be compensated by the followings:

(i) certain rights and/or obligations of a number of construction projects/assets of the Group in Beijing; and

(ii) RMB20 million in cash as full compensation to certain existing employees for termination of their employment.

(e) On 9th February, 2010, 10th February, 2010 and 5th March 2010, the Group has reached agreements on the settlement of the 116,000 options, granted by Terborley in relation to the acquisition of certain shares of Pan China as mentioned in note 40(c) and have become vested upon completion of the Transactions, as follows:

(i) 56,000 options be cancelled and the consideration for such cancellations will be satisfied by way of issuing 22,213,333 new shares of the Company to the respective grantees at a subscription price of approximately HK$1.51 per share.

(ii) 60,000 options be cancelled and the consideration for such cancellations will be satisfied by way of issuing 23,800,000 new shares of the Company to the respective grantees at nil cash consideration.

The cancellation of the 116,000 options is subject to approval by the shareholders and is not yet completed as at the date of this report.

(f) Upon the completion of the Subscription Agreement on 10th February, 2010, COLI made a voluntary unconditional cash offer to the shareholders of the Company to acquire all the shares other than those already held or agreed to be acquired by COLI and parties acting in concert with it (the "COLI Offer"). At the closing date of COLI Offer on 29th March, 2010, COLI has received the valid acceptance in respects of 213,412,876 shares under the COLI Offer. Immediately after the COLI Offer, COLI held 370,458,244 shares of the Company (representing approximately 54.44% of the entire issued shares of the Company). The details of the Subscription Agreement and COLI Offer were set out in the announcements of the Company dated 29th September, 2009 and 29th March, 2010 and the circular of the Company issued on 8th December, 2009.

Due to the change in control of the Company, there was a change in the composition of the Board. Mr. Hao Jian Min was appointed as the Chairman of the Board and a non-executive Director of the Company with effect from 27th February, 2010, and each of Mr. Chen Bin, Mr. Yu Shangyou, Mr. Xiang Hong and Mr. Zhu Bing Kun was appointed as an executive Director of the Company with effect from 27th February, 2010. Mr. Billy K Yung has resigned as the Group Chairman and Chief Executive of the Company with effect from 10th February, 2010 and he has been re-designated from Chairman of the Board and executive Director to Vice-Chairman of the Board and non-executive Director of the Company with effect from 27th February, 2010. In addition, each of Madam Yung Ho Wun Ching, Mr. Leung Chun Wah and Mr. Eddie Hurip has resigned as an executive Director of the Company with effect from 29th March, 2010 and Mr. Simon Yung Kwok Choi has been removed as a non-executive Director of the Company with effect from 30th March, 2010. The details of the appointment, resignation, re-designation and removal of directors were set out in the announcements of the Company dated 12th February, 2010, 26th February, 2010, 29th March, 2010 and 30th March, 2010.

50. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's financial stability and growth.

The Group monitors its capital structure on the basis of gearing ratio i.e. net debt to equity. Net debt includes borrowings less cash and cash equivalents. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

50. CAPITAL MANAGEMENT (CONTINUED)

The gearing ratios of the Group as at 31st December, 2009 and 2008 were as follows:

	2009 HK$'000	2008 HK$'000
Debt	2,244,220	2,211,363
Less: cash and cash equivalents	(853,072)	(873,326)
Net debt	1,391,148	1,338,037
Capital represented by total equity	3,331,195	3,630,567
Gearing ratio	41.8%	36.9%

The Group targets to maintain a gearing ratio of not higher than 60% to be in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the current year.

51. FINANCIAL INSTRUMENTS

51.1 Categories of financial instruments

	THE GROUP		THE COMPANY	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Financial assets				
Financial assets at fair value through profit or loss – classified as held for trading	28,499	20,643	–	–
Loans and receivables #	1,508,696	1,549,958	96,048	1,992,986
Available-for-sale financial assets	3,300	2,920	–	2,920
Financial liabilities				
Financial liabilities at amortised cost ^	4,908,657	4,879,560	4,718	740,493

including trade and other receivables, loans receivable, amounts due from subsidiaries, associates, jointly controlled entities and other related parties, and cash at bank and deposited with security brokers

^ *including trade payables, other payables and accruals, amounts due to subsidiaries, associates, jointly controlled entities and other related parties, consideration payable, bank borrowings and other liabilities.*

51.2 Financial results by financial instruments

	2009 HK$'000	2008 HK$'000
Fair value gains or (losses) on:		
Financial assets at fair value through profit or loss – classified as held for trading	21,993	(62,286)
Interest income or (expenses) on:		
Loans and receivables	17,760	14,178
Financial liabilities at amortised cost	(113,159)	(153,248)
Dividend income from:		
Financial assets at fair value through profit or loss – classified as held for trading	263	971
Reversal of impairment/(Impairment loss) on:		
Loans and receivables	(17,504)	(63,271)
Available-for-sale financial assets, net	–	6,379

51. FINANCIAL INSTRUMENTS (CONTINUED)

51.3 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk, price risk, and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors and senior management of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

51.4 Financial risk management

(a) *Market risk*

Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong and the PRC. The functional currency of the Company and its subsidiaries are mainly HK Dollars and RMB with certain of their business transactions being settled in US Dollars and RMB. The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily US Dollar and RMB, against the functional currency of the Company and the Group entities. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group continued to conduct its sales mainly in US Dollars and RMB and make payments either in US Dollars, Hong Kong Dollars or RMB. In addition, the Group's bank borrowings were mainly denominated in Hong Kong Dollars, US Dollars and RMB. The directors considered that a natural hedge mechanism existed. The Group would, however, closely monitor the volatility of the RMB exchange rate. All in all, the Group's risk exposure to foreign exchange rate fluctuations remained minimal.

The overall net exposure in respect of the carrying amount of the Group's and the Company's foreign currency denominated financial assets and liabilities in net position as at 31st December, 2009 and 2008 were as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Net financial assets/(liabilities)				
US Dollars	**32,113**	(85,210)	**5,475**	(137,999)
RMB	**2,155**	14,567	**–**	9,915

In respect of those Group entities with Hong Kong Dollars as functional currency, as HK Dollar is linked to US Dollar, the Group does not have a material exchange risk on such currency. The following sensitivity analysis, determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year, demonstrates the Group's and the Company's exposure to a reasonably possible change in RMB exchange rate against the HK Dollars on the Group's and the Company's net asset position denominated in RMB as at the end of each reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase/(Decrease) in profit after tax and retained earnings				
RMB against HK Dollars				
– strengthen by 5%	**90**	728	**–**	496
– weaken by 5%	**(90)**	(728)	**–**	(496)

51. FINANCIAL INSTRUMENTS (CONTINUED)

51.4 Financial risk management (Continued)

(a) Market risk (Continued)

Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rate). The Group is exposed to equity price risk because of its investments in equity securities held for trading and are classified as at fair value through profit or loss (see note 30).

The Group's investments in equity of other entities are publicly traded mainly in the stock exchanges of Hong Kong and the United States. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity and debt securities, the Group maintains a portfolio of diversified investments in terms of industry distribution such as energy, industrial goods and financial services. Also, the Group has appointed a special team to monitor the price risk and will consider hedging of the risk if necessary. The policies to manage price risk have been followed by the Group since prior years and are considered to be effective.

Management's best estimate of the effect on the Group's profit after tax due to a reasonably possible change in the relevant stock market index, with all other variables held constant, at the end of each reporting period are as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Increase/(Decrease) in profit after tax and retained earnings		
Hong Kong – Hang Seng Index		
+50% (2008: +50%)	**8,393**	5,675
–50% (2008: -50%)	**(8,393)**	(5,675)
U.S.A. – SPX Index		
+46% (2008: +40%)	–	2,666
–46% (2008: -40%)	–	(2,666)

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from bank borrowings. Bank borrowings arranged at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31st December, 2009, approximately 93% (2008: 92%) of the bank borrowings bore interest at floating rates. The interest rate and repayment terms of the bank borrowings outstanding at the year end are disclosed in note 35.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances. The directors consider the Group's exposure of the bank deposits and bank borrowings to fair value interest rate risk is not significant as interest bearing bank deposits and borrowings at fixed rate are within short maturity periods in general.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

51. FINANCIAL INSTRUMENTS (CONTINUED)

51.4 Financial risk management (Continued)

(a) Market risk (Continued)

Interest rate risk (Continued)

The following sensitivity demonstrates the Group's and the Company's exposure to a reasonably possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the end of each reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP		THE COMPANY	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Increase/(Decrease) in profit after tax and retained earnings				
Increase/Decrease in basis points ("bp")				
+ 50 bp	**(8,505)**	(8,208)	**–**	(2,000)
– 10 bp (2008: 100bp)	**1,701**	16,415	**–**	4,001

The changes in interest rates do not affect the Group's and the Company's other components of equity.

The above sensitivity analysis is prepared based on the assumption that the borrowing period of the loans outstanding at the end of each reporting period resembles that of the corresponding financial year.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities. The Group's and the Company's maximum exposure to credit risk in relation to each class of recognised financial assets (note 51.1) is the carrying amount of those assets as stated in the consolidated and the Company's statements of financial position. The Group is also exposed to credit risk arising from the provision of financial guarantees and the amounts of which are as disclosed in note 47.

The Group limits its exposure to credit risk by rigorously selecting the counterparties and to deal only with credit worthy counterparties. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Credit terms are granted to new customers after credit worthiness assessment. The Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually or collectively at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Credit risk on cash and cash equivalents (note 32) is mitigated as cash is deposited in banks of high credit rating. As to investment strategies, usually investments are in liquid securities quoted on recognised stock exchanges. The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

Concentration of credit risk is managed by the customer/counterparty. At 31st December, 2009, 23% (2008: 17%) of the total trade receivables was due from the Group's largest customer (determined by sale) within the business segment – electrical household appliances.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in note 27.

51. FINANCIAL INSTRUMENTS (CONTINUED)

51.4 Financial risk management (Continued)

(c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain a prudent liquidity risk management which is to maintain sufficient cash and cash equivalents as well as to make available of fund through adequate amounts of committed credit facilities and the ability to close out market positions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

The table below analyses the remaining contractual maturities of the Group's and the Company's financial liabilities which as at 31st December, 2009 are based on contractual undiscounted cash flows and the earliest date the Group and the Company may be required to pay:

	THE GROUP			
	Less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000
As at 31st December, 2009				
Interest-bearing bank borrowings	**851,565**	**1,256,974**	**250,193**	**41,698**
Trade payables *(note)*	**2,210,633**	–	–	–
Other payables and accruals	**281,109**	–	–	–
Other liabilities	**157,081**	–	**12,015**	**3,599**
	3,500,388	**1,256,974**	**262,208**	**45,297**
As at 31st December, 2008				
Interest-bearing bank borrowings	1,020,102	505,120	873,403	44,261
Trade payables *(note)*	1,462,252	–	–	–
Other payables and accruals	799,060	–	–	–
Other liabilities	397,344	–	6,155	3,386
	3,678,758	505,120	879,558	47,647

Note: Around 80% of the trade payables relates to construction costs of the China EB business, the settlement of which will, in practice, be deferred by twelve months in view of the strong bargaining power of the Group over its construction contractors.

	THE COMPANY			
	Less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000
As at 31st December, 2009				
Other liabilities	**4,718**	–	–	–
As at 31st December, 2008				
Interest-bearing bank borrowings	177,341	63,571	332,782	–
Trade payables	12,495	–	–	–
Other payables and accruals	22,140	–	–	–
Other liabilities	168,385	–	–	–
	380,361	63,571	332,782	–

51. FINANCIAL INSTRUMENTS (CONTINUED)

51.4 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The contractual financial guarantees provided by the Group and the Company are disclosed in note 47. As assessed by the directors, it was not probable that the associate of the Company would default payment to its supplier and that the subsidiaries would default the repayment of bank loans. In addition, it was not probable that the banks would claim the Group for losses in respect of the guarantee contracts due to security in place for the mortgage loans. Accordingly, no provision for the Group's and the Company's obligations under the guarantees has been made. The contractual maturity of these financial guarantees is "on demand".

51.5 Fair value estimation

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 31st December, 2009 and 2008 across the three levels of the fair value hierarchy defined in HKFRS 7 "Financial Instruments: Disclosures", with the fair value of each financial instruments categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31st December, 2009				
Investments held for trading	**28,499**	**–**	**–**	**28,499**
As at 31st December, 2008				
Investments held for trading	20,643	–	–	20,643

During the years ended 31st December, 2009 and 2008, there were no transfers between instruments in Level 1 and Level 2.

(ii) Fair values of financial instruments carried at other than fair value.

Except for those disclosed in the respective notes 24 and 28, the carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31st December, 2009 due to short maturity period.

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The particulars of the principal subsidiaries set out below are the same as at 31st December, 2009 and 2008 unless otherwise stated.

Name of subsidiaries	Place of Incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
China Ever Bright Real Estate Development Limited	PRC^	Paid up capital	Rmb133,000,000	–	70%	Investment holding and property development
Extra-Fund Investment Limited	Hong Kong	Ordinary	2 shares of HK$1 each	–	100%	Securities trading
Fast-Gain Overseas Limited	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Property investment
Full Revenue Inc.	Samoa	Ordinary	1 share of US$1	–	100%	Investment holding
Galactic Computing Corporation	British Virgin Islands	Ordinary	23,861,240 shares of US$0.01 each	–	100%	Investment holding
Guangdong Macro Cables Co., Ltd.	PRC*	Paid up capital	US$20,960,000	–	98%	Manufacturing and trading of cables and electrical wires
Guangzhou SMC Car Rental Company Limited	PRC^	Paid up capital	HK$28,000,000	–	100%	Taxi operations
Jodrell Investments Limited	British Virgin Islands	Ordinary	10 shares of US$1 each	100%	–	Investment holding
Moonstar Development Limited	Hong Kong	Ordinary	1 share of HK$1	–	70%	Investment holding
Pan China Land (Holdings) Corporation	Cayman Islands	Ordinary	2,000,000 shares of HK$0.1 each	–	70%	Investment holding
Pandue Investments Limited	British Virgin Islands	Ordinary	100 shares of US$1 each	–	70%	Investment holding
Quanta Global Limited	British Virgin Islands/Hong Kong	Ordinary	1 share of US$1	–	100%	Trading of electric fans
Sharp China Limited	British Virgin Islands	Ordinary	1 share of US$1	–	70%	Investment holding
Shell Electric Holdings Limited	Bermuda	Ordinary	523,484,562 shares of US$0.00002 each	100% (2008: nil)	–	Investment holding
Shell Electric Mfg. (China) Company Limited	British Virgin Islands	Ordinary	100 shares of US$10 each	–	100%	Trading of electric fans
Shell Electric Mfg. (China) Company Sdn. Bhd.	Malaysia	Ordinary	2 shares of RM1 each	–	100%	Trading of electric fans
Shell Electric Mfg. (China) Company Limited	Samoa	Ordinary	1 share of US$1	–	100%	Trading of electric fans
Shell Electric Mfg. (H.K.) Company Limited	Hong Kong	Ordinary	1,000 shares of HK$10 each	–	100%	Trading of electric fans
Shunde Hua Feng Stainless Steel Welded Tubes Limited	PRC*	Paid up capital	US$6,792,000	–	90.1%	Manufacturing and trading of welded tubes

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of Incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
SLP (China) Pte. Ltd.	Singapore	Ordinary	1,700,000 shares of S$1 each	–	56%	Investment holding
SMC Investments Limited	Hong Kong	Ordinary	2 shares of HK$1 each	–	100%	Property investment
SMC Marketing Corp. *(Note (a))*	USA	Ordinary	10,000 shares of US$1,021 each	–	100%	Marketing of the Group's products
SMC Microtronic Company Limited	Hong Kong	Ordinary	10,000 shares of HK$1 each	–	100%	Provision of management services
SMC Multi-Media Products Company Limited	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Contract manufacturing for optics and imaging
SMC Multi-Media (H.K.) Limited	Hong Kong	Ordinary	2 shares of HK$1 each	–	100%	Contract manufacturing for optics and imaging
SMC Property Investment Limited	Hong Kong	Ordinary	2 shares of HK$1 each	–	100%	Investment holding
Speed Power Limited	Hong Kong	Ordinary	2 shares of HK$1 each	–	100%	Trading of electric fans
Sybond Venture Limited	Cayman Islands	Ordinary	1 share of US$1	–	100%	Investment holding
Vineyard Management Company *(Note (a))*	USA	Ordinary	1,000 shares of US$10 each	–	100%	Property investment
Terborley Limited	British Virgin Islands	Ordinary	100 shares of US$1	–	70%	Investment holding
佛山市順德區蜆華多媒體製品有限公司	PRC^	Paid up capital	US$20,870,000	–	100%	Manufacturing and trading of electrical appliances
業盈置業(深圳)有限公司	PRC^	Paid up capital	HK$10,000,000	–	100%	Property investment
蜆売星盈科技(深圳)有限公司	PRC^	Paid up capital	HK$27,200,000	–	100%	Computer software and hardware development
蜆売星盈軟件(深圳)有限公司	PRC^	Paid up capital	HK$8,000,000	–	100%	Computer software and hardware development
深圳市建地投資有限公司	PRC#	Paid up capital	Rmb10,000,000	–	70%	Investment holding
深圳市建禹投資有限公司	PRC#	Paid up capital	Rmb10,000,000	–	70%	Investment holding
惠州市光大置業有限公司	PRC#	Paid up capital	Rmb10,000,000	–	63% (2008: nil)	Property development
北京光大房地產開發有限公司	PRC#	Paid up capital	Rmb28,000,000	–	70%	Investment holding and property development
光大物業管理有限公司	PRC#	Paid up capital	Rmb5,000,000	–	70%	Property management
北京快樂城堡購物中心有限公司	PRC#	Paid up capital	Rmb10,000,000	–	70%	Property investment
北京中京藝苑房地產開發有限責任公司	PRC#	Paid up capital	Rmb30,000,000	–	70%	Property development
北京華世柏利房地產開發有限公司	PRC#	Paid up capital	Rmb50,000,000	–	63%	Property development

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of Incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
北京光大置業有限責任公司	PRC#	Paid up capital	Rmb50,000,000	–	70%	Investment holding
北京中順超科房地產開發有限公司	PRC#	Paid up capital	Rmb10,000,000	–	70%	Property development
呼和浩特光大環城建設開發有限公司	PRC#	Paid up capital	Rmb120,000,000	–	56%	Property development
呼和浩特市景耀房地產開發有限責任公司	PRC#	Paid up capital	Rmb20,000,000	–	70%	Investment holding and property development
呼和浩特市榮城房地產開發有限公司	PRC#	Paid up capital	Rmb10,000,000	–	70%	Property development
呼和浩特市榮凱房地產開發有限公司	PRC#	Paid up capital	Rmb10,000,000	–	70%	Property development
呼和浩特市榮恒房地產開發有限公司	PRC#	Paid up capital	Rmb10,000,000	–	70%	Property development
呼和浩特市榮輝房地產開發有限公司	PRC#	Paid up capital	Rmb10,000,000	–	70%	Property development
呼和浩特市光大錦綉城物業服務有限公司	PRC#	Paid up capital	Rmb800,000	–	70% (2008: nil)	Property management
上海光大置業發展有限公司	PRC#	Paid up capital	Rmb15,000,000	–	70%	Investment holding
合肥光大置業有限公司	PRC#	Paid up capital	Rmb20,000,000	–	70%	Investment holding
廣西光大旅遊投資有限公司	PRC#	Paid up capital	Rmb30,000,000	–	65.8%	Investment holding
廣西桂林光大生態家園開發建設有限公司	PRC#	Paid up capital	Rmb10,000,000	–	46.06% *(note (b))*	Property development
廣州光大置業有限公司	PRC#	Paid up capital	Rmb10,000,000	–	70%	Property development
廣州市光大花園房地產開發有限公司	PRC*	Paid up capital	Rmb240,867,970	–	70%	Property development
廣州市光大花園物業管理有限公司	PRC#	Paid up capital	Rmb3,000,000	–	70%	Property management
森聯南太湖(湖州)建設發展有限公司	PRC^	Paid up capital	US$4,499,955	–	56%	Property development

Notes:

(a) *Not audited by Grant Thornton Hong Kong or other Grant Thornton International member firms*

(b) *The entity is a subsidiary of a non-wholly-owned subsidiary of the Company and accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.*

^ *The companies are incorporated in the PRC as wholly-foreign-owned enterprises.*
* *The companies are incorporated in the PRC as sino-foreign equity joint ventures.*
\# *The companies are incorporated in the PRC as limited liability companies.*

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. A complete list of all the subsidiaries of the Group will be annexed to the next annual return of the Company.

None of the subsidiaries had any debt securities outstanding during the year.

53. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associates	Place of Incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
MDCL-Frontline (China) Limited *(Note)*	British Virgin Islands	Ordinary	65,269,561 shares of HK$1 each	–	26.66%	Trading of computer hardware, provision of information technology services and investment holding
PFC Device Corporation *(Note)*	British Virgin Islands	Preferred	2,122,820 shares of US$1 each	–	44.89%	Design and trading of semiconductors and electric components
China Dynasty Development Ltd *(Note)*	British Virgin Islands	Ordinary	1,000 shares of US$1 each	–	40%	Property investment
Hong Kong Construction SMC Development Limited *(Note)*	Hong Kong	Ordinary	10,000,000 shares of HK$1 each	–	20%	Investment holding
Kumagai SMC Development (Guangzhou) Ltd. *(Note)*	PRC^	Paid up capital	US$59,000,000	–	20%	Property development

Note: *Not audited by Grant Thornton Hong Kong or other Grant Thornton International member firms*

^ *The company is incorporated in the PRC as a wholly foreign owned enterprise.*

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group.

54. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

Name of jointly controlled entities	Place of Incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
上海金鶴數碼科技發展有限公司	PRC*	Paid up capital	US$2,400,000	–	45.5%	Property development
桂林光大國富房地產開發有限責任公司	PRC#	Paid up capital	Rmb8,000,000	–	28%	Investment holding
北京通惠房地產開發有限責任公司	PRC#	Paid up capital	Rmb100,000,000	–	31.15%	Property development
Appeon Corporation (HK) Limited *(Note)*	Hong Kong	Class A voting	25,000 shares of HK$0.01 each	–	50%	Investment holding and sale of software licence
		Class B non-voting	27,181 shares of HK$0.01 each	–	52.18%	
艾普陽軟件(深圳)有限公司*(Note)*	PRC^	Paid up capital	US$500,000	–	52.18%	Computer software and hardware development

Note: *Not audited by Grant Thornton Hong Kong or other Grant Thornton International member firms*

* *The company is incorporated in the PRC as sino-foreign equity joint venture.*
# *The companies are incorporated in the PRC as limited liability companies.*
^ *The company is incorporated in the PRC as a wholly-foreign-owned enterprise.*

	For the year ended 31st December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Revenue	1,352,672	1,553,063	3,552,030	2,502,632	**2,707,924**
Profit before income tax	165,496	181,811	741,332	530,924	**39,071**
Income tax expense	(7,561)	(95,416)	(198,787)	(456,518)	**(421,221)**
Profit/(Loss) for the year from continuing operations	157,935	86,395	542,545	74,406	**(382,150)**
Profit for the year from discontinued operations	13,006	–	–	–	**–**
Profit/(Loss) for the year	170,941	86,395	542,545	74,406	**(382,150)**
Profit/(Loss) for the year attributable to:					
Owners of the Company	157,171	138,833	434,359	23,563	**(279,713)**
Non-controlling interests	13,770	(52,438)	108,186	50,843	**(102,437)**
	170,941	86,395	542,545	74,406	**(382,150)**
	HK$	HK$	HK$	HK$	**HK$**
Earnings/(Loss) per share					
– Basic	33 cents	28 cents	83 cents	4 cents	**(53 cents)**
– Diluted	N/A	N/A	83 cents	4 cents	**N/A**

ASSETS AND LIABILITIES

	At 31st December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Total assets	4,666,658	5,661,420	10,708,389	10,443,673	**10,993,512**
Total liabilities	(1,985,331)	(2,947,127)	(7,239,500)	(6,813,106)	**(7,662,317)**
	2,681,327	2,714,293	3,468,889	3,630,567	**3,331,195**
Equity attributable to owners of the Company	2,270,942	2,443,531	3,008,655	3,104,013	**2,871,643**
Non-controlling interests	410,385	270,762	460,234	526,554	**459,552**
	2,681,327	2,714,293	3,468,889	3,630,567	**3,331,195**

PARTICULARS OF MAJOR PROPERTIES

(A) PROPERTIES HELD AS PROPERTY, PLANT AND EQUIPMENT

Name/location	Type	Gross floor area	Effective% held	Stage of completion	Lease terms
Shell Industrial Building, 12 Lee Chung Street, Chaiwan, Hong Kong *(Note)*	Industrial premises	125,315.99 sq.ft.	100%	100%	Long
No. 18 San Le East Road, Beijiao Residents' Committee Industrial Park, Bejiao Town, Shunde District, Foshan, Guangdong Province, the PRC	Industrial premises	62,805 sq.m.	100%	100%	Medium
4th Floor, Kantone Centre, 1 Ning Foo Street, Chaiwan, Hong Kong	Industrial premises	4,860 sq.ft.	100%	100%	Long
1925-1933 North Great Southwest Parkway Grand Prairie, Texas 75050, U.S.A.	Commercial premises and warehouses	97,134 sq.ft. (Site area of Land)	100%	100%	Freehold
No. 162 and 168 Flying Goose Hillock, Da Men Residents' Committee, Da Liang Street Office, Shunde District, Foshan, Guangdong Province, the PRC *(Note)*	Industrial premises	26,188.10 sq.m.	90.10%	100%	Medium
Rooms 701 and 702, Block C, Ever Bright Convention and Exhibition Centre, No. 70 Caobao Road, Xuhui District, Shanghai City, the PRC	Commercial premises	269.72 sq.m.	70%	100%	Medium
23th Floor, Tower 1, Ever Bright World Centre, No. 28 Ping'anli West Avenue, Xicheng District, Beijing City, the PRC	Commercial premises	2,309.23 sq.m.	70%	100%	Medium
Level 4 and Unit 202 on Level 2 of B5 block clubhouse, Phase B, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Clubhouse	1,687 sq.m.	70%	100%	Medium

Note: Partly classified as property, plant and equipment and partly as investment properties.

(B) PROPERTIES HELD FOR INVESTMENT

Name/location	Type	Gross floor area	Effective% held	Stage of completion	Lease terms
Workshop on Lower Ground Floor, Tak King Industrial Building, 27 Lee Chung Street, Chaiwan, Hong Kong	Industrial premises	9,384 sq.ft.	100%	100%	Long
The Vineyard Business Park, Livermore, Alameda County, California 94550, U.S.A. (Phases I & II)	Commercial complex	234,901 sq.ft. (Site area – 19.59 acres)	100%	100%	Freehold
Office unit 7104, CITIC Plaza, No. 233 Tian He North Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	Commercial premises	309.55 sq.m.	100%	100%	Medium
Lot No. B105-19-3 at Hong Mian Road, Futian Free Trade Zone, Shenzhen, Guangdong Province, the PRC	Hi-tech Industrial factory premises	31,348 sq.m. (Site area of Land)	100%	100%	Medium
Rooms 801 and 802, Block C, Ever Bright Convention and Exhibition Centre, No. 70 Caobao Road, Xuhui District, Shanghai City, the PRC	Commercial premises	269.72 sq.m.	70%	100%	Medium
Room 602 of Block 6, Room 1003 and Room 1103 of Block 11, Ever Bright Hongqiao Garden, Lane 269 Cheng Jia Qiao Road, Minxing District, Shanghai City, the PRC	Residential	540.55 sq.m.	70%	100%	Long
Level 1, B5 block clubhouse, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Clubhouse	986.69 sq.m.	70%	100%	Medium

(C) PROPERTIES HELD AS INVENTORIES

(a) Properties under development

Name/location	Type	Site area	Effective% held	Stage of completion	Lease terms
Various residential units, retail shops and car parking spaces, Phase J and K North Section, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Residential and commercial premises	101,695 sq.m.	70%	99%	Medium
Various residential units, retail shops and car parking spaces, Jinxiu City, Saihan District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	Residential and commercial premises	87,062 sq.m.	70%	70%	Medium
Various residential units, retail shops and car parking spaces, Ever Bright Duhui Project, Gongye Road North, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Residential and commercial premises	43,288 sq.m.	70%	70%	Medium

(b) Properties held for future development

Name/location	Type	Site area	Effective% held	Stage of completion	Lease terms
The parcel of land for Guangzhou Xindu Project, Binjiang Road, Guangzhou City, Guangdong Province, the PRC	Land under development	7,263 sq.m.	63%	0%	Medium
The parcel of land for Construction project, Shanghu, Shahe Town, Changping District, Beijing City, the PRC	Land under development	285,338 sq.m.	63%	0%	Medium

(C) PROPERTIES HELD AS INVENTORIES (CONTINUED)

(b) Properties held for future development (Continued)

Name/location	Type	Site area	Effective% held	Stage of completion	Lease terms
The parcel of land for Guilin Environment Garden, Guiyang Road, Yanshan District, Guilin City, Guangxi Zhuang Autonomous Region, the PRC	Land under development	724,396 sq.m.	46.06%	0%	Medium
The parcel of land, Jinxiu City, Saihan District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	Land under development	84,880 sq.m.	70%	0%	Long
The parcel of land, Kuany City, Huizhou City, Guangdong Province, the PRC	Land under development	196,880 sq.m.	63%	0%	Medium

(c) Properties held of Sale

Name/location	Type	Gross floor area	Effective% held	Stage of completion	Lease terms
Tower 1, Ever Bright World Centre, No. 28 Ping' anli West avenue Xicheng District, Beijing City, the PRC	Commercial premises	21,673.49 sq.m.	70%	100%	Medium
Various residential units, retail shops and car parking spaces, Phase A to Phase K South Section, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Residential and commercial premises	22,162 sq.m.	70%	100%	Medium
Various residential units, retail shops, office units and car parking spaces, Academic Sect, Xue Yuan South Road, Haidian District, Beijing City, the PRC	Residential and commercial premises	64,317 sq.m.	70%	100%	Medium

(D) PROPERTIES HELD BY ASSOCIATES

Name/location	Type	Gross floor area	Effective% held	Stage of completion	Lease terms
CITIC Plaza, No. 233 Tian He North Road, Tianhe District, Guangzhou, Guangdong Province, the PRC (excluding partly of office units)	Commercial	34,690 sq.m.	20%	100%	Medium
CITIC Plaza, No. 233 Tian He North Road, Tianhe District, Guangzhou, Guangdong Province, the PRC (partly of office units)	Commercial complex	38,368.95 sq.m.	40%	100%	Medium

(E) PROPERTIES HELD BY JOINTLY CONTROLLED ENTITIES

(a) Properties held for future development

Name/location	Type	Site area	Effective% held	Stage of completion	Lease terms
The parcel of land for Beijing Tonghui River Project, Chaoyang District, Beijing City, the PRC	Land under development	10,096 sq.m.	31.15%	0%	Medium

(b) Properties held for investment

Name/location	Type	Gross floor area	Effective% held	Stage of completion	Lease terms
Shanghai Jinhe Digital Tower, Zhangheng Road, Shanghai Zhangjiang Hi-tech Park, Pudong District, Shanghai City, the PRC	Commercial premises	16,876 sq.m.	45.5%	100%	Medium