Annual Report

2009

中國基建投資有限公司

China Infrastructure Investment Limited

(Stock Code : 600)

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

LAW Kar Po	*(Chairman)*
YANG Tian Ju	*(Vice Chairman)*
SHI Feng Ling	*(Chief Executive Officer)*
MAN Wai Ping	
CHIANG Kin Tong	
LAW Wing Yee, Wendy	
LEE Siu Yuk, Eliza	

Independent Non-executive Directors:

LAU Wai Ming#
KWOK Hong Yee, Jesse#
LI Kam Fai, Dominic#
ZHANG Yong#

(# Members of Audit Committee)

COMPANY SECRETARY

LAW Chun Choi

SOLICITORS

On Hong Kong Law
Richards Butler

On Cayman Islands Law
W.S. Walker & Company

AUDITORS

HLB Hodgson Impey Cheng

HEAD OFFICE

Room 2007, 20th Floor,
West Tower, Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

REGISTERED OFFICE

The Harbour Trust Co. Ltd.
P.O. Box 897,
One Capital Place, George Town,
Grand Cayman KY1-1103, Cayman Islands

SHARE REGISTRARS & TRANSFER OFFICE

Principal Registrars
The Harbour Trust Co. Ltd.
P.O. Box 897,
One Capital Place, George Town,
Grand Cayman KY1-1103, Cayman Islands

Registrars in Hong Kong
Tricor Standard Limited
26th Floor, Tesbury Centre,
28 Queen's Road East, Wanchai,
Hong Kong

BANKERS

The Hongkong and Shanghai Banking Corporation Limited
The Shanghai Commercial Bank Limited
Wing Hang Bank, Limited
China CITIC Bank Corporation Limited, Shenyang Branch

On behalf of the board of directors of China Infrastructure Investment Limited (the "Company"), I am pleased to present the financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009.

The turnover of the Group for the year ended 31 December 2009 was approximately HK$21 million, which represented a growth of over tenfold as compared with approximately HK$2 million in 2008. The property pre-sale proceeds for the Shenyang Project of approximately RMB393 million were not recognized as turnover because the project was pending physical inspection by the relevant government authorities upon completion and therefore the proceeds were not accounted for as turnover for 2009. The loss attributable to owners of the Company for the year ended 31 December 2009 was approximately HK$136 million, an increase of approximately HK$20 million over the corresponding period of 2008. Such loss was mainly attributable to the revaluation deficit as a result of fair value changes in investment properties of Hotel Golden Dragon (Macau) Company Limited ("Hotel Golden Dragon") and the expected loss on disposal of Hotel Golden Dragon.

In 2009, the Group's property development and investment activities were principally based in Macau and mainland China. In the past year, with the exception of mainland China, the global economy was still clouded by uncertainties brought by the financial crisis. For instance, Macau has been hard hit by the global financial crisis and suffered negative economic growth in the first half of the year, with income from the tourism, hotel and related industries slipped significantly. While signs of a V-shaped economic recovery were seen in the second half of the year, the investment outlook of Macau's real estate market, however, remained uncertain due to the mounting cost pressure in property development. In light of this, the Group has made a rational strategy shift in its Macau property development operations. In the fourth quarter of 2009, the Group disposed of the site at Lote TN6, Cheok Ka Chun, Taipa, Macau and interest in the Hotel Golden Dragon at reasonable prices. The disposal of Hotel Golden Dragon was completed in January 2010, which marked the completion of the Group's strategic withdrawal from the Macau market. For the year under review, there was a fair value loss on revaluation of the hotel of approximately HK$112 million and a provision for loss on disposal of Hotel Golden Dragon of approximately HK$50 million.

As for mainland China, the Group's investment property, the development project of Pan-China Commercial Square in Shenyang, saw encouraging progress in 2009. The development project is situated at the most vibrant location in Shenyang, the "Golden Corridor", comprising residential buildings, shopping malls, service apartments, commercial office buildings and luxury hotels. During the year under review, the residential buildings and the first phase of shopping mall have been completed and pending physical inspection on properties by the relevant government authorities, whereas the service apartments in the second phase of the development project is under construction. As at 31 December 2009, the pre-sale proceeds of residential units and ground floor stores of the Shenyang project amounted to approximately RMB393 million, which will be recorded as turnover upon completion of physical inspection on properties by the relevant government authorities in the near future.

Chairman's Statement

We are fully confident in the Group's future development. Following the strategic shift and re-positioning of corporate businesses in 2009, the Group streamlined its business focus by concentrating its resources on infrastructure project, city construction and property investment in mainland China. On the macroeconomic front, benefited from the economic stimulus programs launched by the Central Government, the economy of mainland China is expected to maintain a robust growth momentum. Meanwhile, urbanization will be the dominant theme in mainland China's development for the next 20 to 30 years. Currently, China's urbanization rate is only 45%, and is expected to reach the international average of 70% in 2030. The urbanization process, as supported by the Central Government's macroeconomic policies, will serve to promote urban infrastructure development and rapid development of public facilities, thus offering tremendous potential for investment. Against the backdrop of rapid urbanization in China, second and third tier cities are thriving rapidly. In terms of investment costs, land price and development cost of second and third tier cities are far below that of first tier cities. Moreover, second and third tier cities are attractive investment alternative as they have greater potential for development, thus are of higher commercial value. As for property development, stricter policies on real estate market adopted by the Central Government aiming at regulating the purchase of residential properties for investment purposes in the short run, should actually help to promote a more healthy and balanced market. There remains great potential of demand for welfare housing, self-occupied residential flats and commercial real estate in mainland China to be tapped, which will be fueled by the urbanization process and sustainable macroeconomic growth.

In view of the rapid urbanization and the growth in demand for infrastructure, residential and commercial real estate in mainland China, the Group will continue to put more efforts in infrastructure investment and its property development operations in mainland China, especially second and third tier cities. The Group will continue to adhere to the principle of prudent investment to duly complete the Shenyang Project, and will look for investment opportunities in cities with great potentials for development based on their economic growth, city construction and market trends. It is expected that the property development portfolio of the Group will offer satisfactory return to shareholders in the years to come.

Finally, I would like to take this opportunity to express my heartfelt thanks to our fellow directors and staff for their hard work and contribution to the Group. I would also like to express my sincere gratitude to our shareholders and business partners for their continuing support and trust. We will continue to strive to achieve sustainable growth and maximize corporate value.

Law Kar Po
Chairman

23 April 2010

BUSINESS REVIEW

The general economic environment in the PRC was also affected as a result of the global financial crisis during the third quarter of 2008. However, there were signs of improvements in the second half of 2009. During the year, the Shenyang Project, the property investment of the Group in mainland China, saw encouraging progress and its property pre-sale proceeds were approximately RMB393 million. It is expected that its shopping mall will commence business in the second quarter of 2010 and its business commencement will further stimulate the sales of the residential units, thus providing significant returns to the Group. In addition, the Group entered into contracts to dispose of three investments. The completion of one disposal took place in October 2009 while the other two disposals were completed in January 2010 and March 2010 respectively.

The loss attributable to owners of the Company for the year ended 31 December 2009 was approximately HK$136 million. Such loss was mainly attributable to the revaluation deficit and provision for loss on disposal of Hotel Golden Dragon (Macao) Company Limited.

PRC Projects

Properties development and investment

Shenyang Project

The Group has a 70% interest in the development project of Pan-China Commercial Square in Hunnan New District, Shenyang, the PRC which is opposite to the Shenyang Olympic Gymnasium Center while the remaining 30% is held by Pan-China Construction Group Corporation Limited. The development project has a site area of approximately 75,532 square metres which is planned to develop into a landmark composite development project with a total gross floor area of approximately 460,702 square metres, comprising residential buildings, shopping malls, commercial office buildings, high-class service apartments and luxury hotels.

The residential buildings consist of six blocks with 1,105 residential units and 42 ground floor stores. Pre-sale had commenced in June 2008. At 31 December 2009, 628 residential units and 40 units of ground floor stores of the residential buildings were pre-sold, with total sale proceeds of approximately RMB393 million. Under the Group's accounting policies, these sale proceeds will be recognised as turnover in the consolidated income statement only upon the completion of sales contracts with customers; completion of physical inspection on properties by local governmental bodies; and registration of sales contracts with local authority is completed, whichever is the later.

The first phase of shopping mall has been completed and is expected to commence business in the second quarter of 2010. The shopping mall houses a number of famous enterprises and brands, such as Shenyang McDonald's (Restaurants Food) Company Limited ("瀋陽麥當勞"), Wal-Mart (China) Investment Company Limited ("沃爾瑪(中國)"), Da Lian Bao Bei Du Kou Children's Playground ("大連寶貝渡口兒童樂園"), 廣州金逸影視投資集團有限公司(Guangzhou Jin Yi Cinema Investment Group Limited*), 瀋陽蘇寧電器有限公司(Shenyang Suning Appliance Company Limited*), KFC, NIKE and etc.. The business commencement of the shopping mall is expected to further boost the sale of the residential units.

The service apartment of the development project commenced construction in April 2009 and its topping-up work has been completed at the end of 2009. It is expected that the interior construction work would be completed in 2011. This service apartment is currently the landmark construction at Hunnan District, Shenyang and it targets at the market of medium-class to high-class service apartment. The total saleable area is expected to be above 40,000 square metres and it is anticipated that a good sales record would be achieved.

According to the recent policy promulgated by the PRC government, a more stringent measure is applied to both of the monitoring of real estate development and the approval process of new construction projects which may be beneficial to the Shenyang project as it can help to maintain the competitive edge of this project with the surrounding competitors. It also limits the supply of this kind of development project within the region. On the other hand, the macro economic development of Shenyang city has been progressing, as such, it is believed that this development project would show a stable growth.

Infrastructure

Yancheng Power Plant

As the conditions precedent for the completion of the acquisition of Yancheng Power Plant ("Acquisition") were not satisfied in full, in light of the lapse of the completion date (being 31 March 2009) of the Acquisition and the uncertain outlook of the economy in the foreseeable future, the purchaser and the vendor re-considered the transactions contemplated under the Acquisition. On 22 December 2009, the Board announced that the Company and the vendor entered into a termination agreement to terminate the Acquisition (the "Termination Agreement"). Pursuant to the Termination Agreement, the Vendor shall refund to the Company the entire amount of deposits paid, being HK$140 million, either by an one-off repayment or by installments, on or before 31 December 2010, unless agree otherwise.

* For identification purpose only

Hong Kong Projects

The Sun's Group Centre

In 2008, for the purpose of future expansion, the Group acquired a property located at 29th Floor, The Sun's Group Centre, No. 200 Gloucester Road, Hong Kong (the "Property") for the Group's permanent office after expiry of the Group's existing tenancy agreement of the office located at Shun Tak Centre. However, due to poor economic climate resulting from the global financial crisis, expansion of the Group had been slowed down. The Group in July 2009 renewed the existing tenancy agreement with the current tenant of the Property as the rental was better than the market rental for similar premises.

Subsequently, on 15 December 2009, the Board announced that a provisional sale and purchase agreement (the "Provisional Agreement") was entered into between the purchaser and Patient Holdings Limited (the "Vendor"), a wholly-owned subsidiary of the Company in relation to the disposal by the Vendor of the Property for a total consideration of HK$84.9 million. The consideration for the disposal was determined after arm's length negotiations between the purchaser and the Vendor with reference to the original price of the Property by the Vendor and the recent transaction prices of properties nearby. The completion of the Provisional Agreement took place on 17 March 2010.

Macau Projects

Hotel and entertainment business

Hotel Golden Dragon (Macao) Company Limited

The Group through its wholly-owned subsidiary, Pearl Oriental Macau Limited ("Pearl Oriental Macau"), has a 40% interest in Hotel Golden Dragon (Macao) Company Limited ("HGD") which owns Hotel Golden Dragon, a hotel with the same name. HGD has a 60% interest in Sunny Tourist & Entertainment Company Limited which provides tourist and related services.

The share of operating profit (before loss on disposal of fixed assets) during the year under review was approximately HK$47 million, whereas the corresponding amount for 2008 was approximately HK$52 million. The share of operating profit (before loss on disposal of fixed assets) from HGD for the year would slightly decrease due to the increase in competition in the hotel and gaming industry in Macau and the continued tightening of the PRC's "Individual Visit Scheme" which affected the number of tourists. At the statement of financial position date, there was a fair value loss on revaluation of the hotel of approximately HK$112 million and a provision for loss on disposal of HGD of approximately HK$50 million.

In the past two years, the hotel and gaming industry in Macau has been operating under a challenging and competitive environment in light of the global economic downturn, particularly the continued tightening of the PRC's "Individual Visit Scheme". Though there have been signs of improvement during the past few months, competition remained keen with the opening of several new large hotels which was reflected in the declining profitability of HGD. Given the uncertainty of the hotel and gaming industry in Macau and in view of certain renovation works to be carried out on the hotel, HGD resolved to suspend dividend payments to shareholders. Moreover, it has been the intention of the Group to progressively exit the Macau market so as to put more efforts and resources on the property development and investment projects in the PRC.

In view of the above, on 28 November 2009, a disposal agreement was entered into between the Company and U Wah Hotel Management Limited which was a connected person of the Company with regard to the disposal of (i) the sale share, being the entire interest of Pearl Oriental Macau and (ii) the shareholder's loans (being approximately HK$346.7 million) by the Company, for an aggregate consideration of HK$400 million (the "Disposal"). The completion of the Disposal took place on 29 January 2010.

Properties development and investment

Cheok Ka Chun, Taipa, Macau

The construction site is located at Lote TN6, Cheok Ka Chun, Taipa, Macau ("TN6") where the population density is low and occupied with middle class residential properties. In view of the rapid development in Taipa and Coloane, the Board originally intended to develop the construction site into a high-storey and luxurious residential apartment with commercial units.

As part of the strategy shift in respect of its Macau property development operations, the Group disposed of TN6 for an aggregate consideration of HK$230 million through the disposal of its 55% interests in Continental Ocean Investment and Development Company Limited ("CIDCOL") in which the only material assets of CIDCOL were TN6 and the related pledged deposits with bank of approximately HK$30 million. A portion of the consideration was settled by way of early redemption of the convertible bonds (which were issued by the Company in August 2007) at face value by the Company, with a principal amount of HK$95 million while the remaining balance of the consideration was fully settled in cash. The completion of the disposal, with a profit on disposal of the subsidiary of approximately HK$17 million, took place on 29 October 2009.

HUMAN RESOURCES

At 31 December 2009, the Group employed about 220 full-time staff in Hong Kong and the PRC. The Group remunerates employees based on their performance, experience and prevailing industry practices so as to retain the competent and talented employees. In addition, the Group offers benefits such as training programme to staff in order to maintain the competitiveness of the staff and to enhance their senses of loyalty.

FINANCIAL REVIEW

Results

For the year ended 31 December 2009, the Group reported a turnover of approximately HK$21 million, compared with approximately HK$2 million for the year ended 31 December 2008. The loss attributable to owners of the Company for the year ended 31 December 2009 was approximately HK$136 million as compared with HK$116 million in last year.

Capital Structure

The capital structure of the Group consisted of debt (which included borrowings and convertible notes), cash and cash equivalents and pledged deposits and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowings when appropriate. At 31 December 2009, the underlying current ratio, defined as current assets over current liabilities, was approximately 1.58 (2008: 1.39). At 31 December 2009, the underlying gearing ratio, defined as the total borrowings over total equity (including non-controlling interests), was approximately 36% (2008: 42%) while the current liabilities to the total assets ratio was approximately 42% (2008: 32%).

At 31 December 2009, the Group's equity attributable to owners of the Company was approximately HK$975 million, a decrease of approximately 13% over last year end which was approximately HK$1,120 million. The net current assets at 31 December 2009 was approximately HK$596 million (2008: HK$286 million) while cash and cash equivalents and pledged deposits at 31 December 2009 was approximately HK$251 million (2008: HK$133 million).

FINAL DIVIDEND

The Board has resolved not to propose any final dividend for the year ended 31 December 2009 (2008: nil).

CONTINGENT LIABILITIES

At 31 December 2009, Pan-China (Shenyang) Real Estate Development Limited ("Pan-China (Shenyang)"), which is a subsidiary of the Group, acted as guarantor for repayment of the mortgage bank loans granted to the purchasers of the properties of Pan-China (Shenyang) amounted to approximately HK$29 million (2008: HK$14 million).

At 31 December 2009, the Group had no other significant contingent liabilities (2008: nil).

CHARGE ON ASSETS

At 31 December 2009, assets of the Group amounting to approximately HK$1,031 million (2008: HK$622 million) were pledged for the Group's borrowings as set out in Note 35 to the financial statements.

FOREIGN CURRENCIES

During the year, most of the business transactions, assets and liabilities of the Group were denominated in Hong Kong Dollars, Renminbi and Macao Pataca. The Group had no material foreign exchange exposure risks during the year.

PROSPECT OF THE GROUP

The management will continue to look for property development projects in the second tier cities of the PRC, including Chengdu, Tianjin, Qingdao, Taiyuan and Hainan Island, with a view to expand the property development portfolio of the Group in the future. On the other hand, the management will continue to look for other investment opportunities in relation to the city infrastructure projects in the PRC when the timing is appropriate. The management will adjust their plans to look for investment opportunities which offer satisfactory returns to the Shareholders within the acceptable risk profile of the Group and expected return.

The board of directors (the "Board") and the Management of the Company are committed to the principles of corporate governance and to maximize shareholders' value. These principles and objectives enhance the transparency, accountability and independence of the Company and its ability to attract investment and protect rights of shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted its own code on corporate governance practices which incorporates all the code provisions in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Directors confirm that, throughout the financial year, the Company complied with the code provisions of the Code with a deviation of code provision A.4.1 which stipulates that non-executive directors (including independent non-executive directors) should be appointed for a specific term and subject to re-election. The term of office for non-executive Directors and independent non-executive Directors of the Company is not specific. It is provided in the Company's articles of association that all the Directors are subject to retirement by rotation at least once every three years at the annual general meetings and are eligible for re-appointment. The Directors are of the view that such provision in the Company's articles of association has been able to safeguard corporate governance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a stringent code of conduct governing directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules throughout the financial year. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

BOARD OF DIRECTORS

During the financial year, the Board was made up of seven executive Directors and four independent non-executive Directors and they are collectively responsible for the success of the Company. Each Director has a duty to act in good faith and in the best interests of the Company for the manner in which the affairs of the Company are managed, controlled and operated. The Board, as at 31 December 2009, comprised:

(a) seven executive Directors, namely Mr. Law Kar Po (Chairman), Ms. Shi Feng Ling (Chief Executive Officer), Mr. Wang Biao, Mr. Man Wai Ping, Mr. Chiang Kin Tong, Ms. Law Wing Yee, Wendy (who is a daughter of Mr. Law Kar Po) and Ms. Lee Siu Yuk, Eliza;

(b) four independent non-executive Directors, namely Mr. Lau Wai Ming, Mr. Kwok Hong Yee, Jesse, Mr. Li Kam Fai, Dominic and Mr. Zhang Yong. Two of them have appropriate professional qualifications, accounting and related financial expertise required under Rule 3.10(2) of the Listing Rules.

The Company considers that the Board has a range of the necessary skills and experiences for discharging their duties. All Directors have been kept informed of major changes on a timely basis by the Senior Management that may affect the Company's business.

INDEPENDENT PROFESSIONAL ADVICE

The Directors may, in appropriate circumstances, take independent professional advice or external consultants including counsel and etc. at the Company's expense. Counsel was engaged to provide the Board with advice on legal matters.

BOARD MEETINGS

The Board meets regularly to set up the objectives of the Company, make decisions on strategic plans and budgets, monitor the performance of the Senior Management, determine and review the strategy of the Company, and oversee the Company's compliance with statutory and regulatory obligations ensuring there is a sound system of internal control and risk management with a goal of protecting the interests of all shareholders.

Sufficient notices accompanying with agendas for regular and non-regular board meetings were given to all of the directors so that full attendance could be attained and the best business decisions could be made with information supplied. The Board conducts meeting on a regular and ad hoc basis, as required by business needs.

The Board held totally six board meetings during the financial year and the attendance of individual director is recorded as follows:

Attendance Record of Board Meetings (1 January 2009 – 31 December 2009)

		Attendance	Attendance Rate
Number of board meetings		6	
Executive Directors			
LAW Kar Po *(Chairman)*		6/6	100%
SHI Feng Ling *(Chief Executive Officer)*	(appointed on 1 June 2009)	3/3	100%
WANG Biao	(appointed on 1 June 2009)	0/3	0%
MAN Wai Ping	(appointed on 1 June 2009)	2/3	67%
CHIANG Kin Tong		1/6	17%
LAW Wing Yee, Wendy		1/6	17%
LEE Siu Yuk, Eliza		6/6	100%
HOI Man Pak *(Vice Chairman)*	(resigned on 1 June 2009)	0/3	0%
CHOY Wang Kong *(Chief Executive Officer)*	(resigned on 1 June 2009)	2/3	67%
YONG Wing Tai, William	(resigned on 1 June 2009)	2/3	67%
GAO Feng	(resigned on 22 May 2009)	0/3	0%
Independent Non-executive Directors			
LAU Wai Ming		6/6	100%
KWOK Hong Yee, Jesse		3/6	50%
LI Kam Fai, Dominic		5/6	83%
ZHANG Yong	(appointed on 19 September 2009)	1/2	50%

The Company has arranged for appropriate liability insurance to indemnify its Directors for their liabilities arising out of performance of their duties. The insurance coverage is reviewed on an annual basis.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed four independent non-executive Directors, two of whom have financial management expertise, which contributes to the effective direction of the Company. The Board is aware of other commitments of the independent non-executive Directors and is satisfied that these do not conflict with their duties as Directors of the Company. The Board has received from each of them the annual confirmation of independence required by Rule 3.13 of the Listing Rules. Based on those confirmations, the Board considers that each of the independent non-executive Directors to be independent.

The terms and conditions of appointing the independent non-executive Directors are available for inspection at the Company's registered office.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In compliance with code provision A.2.1 of the Code and to reinforce the respective independence and accountability, the role and function of the Chairman and the Chief Executive Officer of the Company are segregated.

Mr. Law Kar Po is the Chairman of the Company while Ms. Shi Feng Ling is the Chief Executive Officer of the Company. Their respective responsibilities are clearly established and defined by the Board in writing.

THE BOARD AND SENIOR MANAGEMENT

The Board, headed by the Chairman, is responsible for formulation and approval of the Company's development and business strategies and policies, approval of annual budgets and business plans and supervision of the Senior Management for the best interest of the Company.

The task of the Senior Management is to successfully implement the strategy and direction as determined by the Board. In doing so, they must apply business principles and ethics which are consistent with those expected by the Board and shareholders. The Board delegates the Senior Management to identify investment opportunities, implement internal control and risk management, compile financial reports and discharge day-to-day management of the Company's operations. The Board establishes the strategic direction of the Company and monitors the performance of Senior Management. The Senior Management is responsible for the day-to-day operations and administration function of the Group under the leadership of the executive Directors. Powers delegated by the Board to the Senior Management include implementation of the strategy and direction determined by the Board, operation of the Group's daily businesses and compliance with applicable laws and regulations.

During the financial year, the Remuneration Committee reviewed the remuneration packages of the Directors and the Senior Management, including discretionary bonus, which were based on individual performance, skill and knowledge, involvement in the Group's affairs and performance and profitability of the Group.

BOARD COMMITTEES

The Board has established internal committees which are of no less compliance requirements than those set out in the Code on Corporate Governance Practices of the Listing Rules. They are Remuneration Committee, Nomination Committee and Audit Committee. To further reinforce independence, the Remuneration Committee, Nomination Committee and Audit Committee are structured to include a majority of independent non-executive Directors.

REMUNERATION COMMITTEE

The Remuneration Committee was chaired by Mr. Law Kar Po with committee members comprising four independent non-executive Directors, namely Mr. Lau Wai Ming, Mr. Kwok Hong Yee, Jesse, Mr. Li Kam Fai, Dominic and Mr. Zhang Yong. The Remuneration Committee makes recommendations to the Board for the remunerations and benefits of the Chairman, the Directors and the Senior Management of the Company. The responsibilities of the Remuneration Committee are described in the terms of reference adopted. Details of the remunerations of the Directors are shown on pages 78 to 79 of this Annual Report. The Remuneration Committee had met once during the financial year.

NOMINATION COMMITTEE

The members of the Nomination Committee included four independent non-executive Directors, namely Mr. Lau Wai Ming, Mr. Kwok Hong Yee, Jesse, Mr. Li Kam Fai, Dominic and Mr. Zhang Yong with Mr. Law Kar Po as the Committee Chairman. The Nomination Committee is responsible for making recommendations to the Board for its approval on the appointment of Directors, evaluation of board composition and the management of board succession with reference to certain guidelines as endorsed by the Committee. These guidelines take account of appropriate industry experience, professional ethics and knowledge, personal skills and time commitments of members. The Nomination Committee carries out the process of selecting and recommending candidates for directorship including the consideration of referrals and engagement of external recruitment professionals when necessary. The Chairman of the Committee, in consultation with the person responsible for human resources and the secretary of the Nomination Committee, should be primarily responsible for drawing up and approving the agenda for each Nomination Committee meeting. Potential candidates are then considered at the Nomination Committee meetings based on their experience, professional qualifications and their expected remuneration packages. The Nomination Committee held two meetings during the financial year.

AUDIT COMMITTEE

The Audit Committee reviews the Company's financial reports, internal controls and corporate governance issues and makes relevant recommendations to the Board. The written terms of reference which describes the authority and duties of the Audit Committee has been prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" and "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, and amended in accordance with the Code. All the committee members are independent non-executive Directors and two of them possess appropriate professional qualifications, accounting or financial management expertise. The Chairman of the Committee, Mr. Li Kam Fai, Dominic, is a qualified accountant and has the relevant financial experience. Other members are Mr. Lau Wai Ming, Mr. Kwok Hong Yee, Jesse and Mr. Zhang Yong. None of the Audit Committee members are members of the former or existing auditors of the Company.

The Audit Committee held three meetings during the financial year and the attendance of individual member is recorded as below. During the meetings, the Audit Committee reviewed the accounting principles and practices adopted by the Group, the interim and annual reports of the Group and discussed with the Senior Management on auditing, internal control and financial reporting matters.

Attendance Record of Audit Committee Meetings (1 January 2009 – 31 December 2009)

		Attendance	Attendance Rate
Number of audit committee meetings		**3**	
Independent Non-executive Directors			
LI Kam Fai, Dominic		3/3	100%
LAU Wai Ming		3/3	100%
KWOK Hong Yee, Jesse		3/3	100%
ZHANG Yong	(appointed on 19 September 2009)	N/A	N/A

AUDITORS' REMUNERATION

During the year ended 31 December 2009, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

	HK$'000
Audit services	1,094
Non-audit services	2,439
	3,533

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors aim to present the financial statements of the Company in accordance with the statutory requirements and applicable accounting standards. The Directors ensure the publication of financial statements of the Company in a timely manner that the final and interim results of the Company are announced within the four months and three months limit respectively after the end of the relevant periods prescribed under the Listing Rules.

The financial statements of the Company for the year ended 31 December 2009 have been reviewed by the Audit Committee and audited by the external auditors, HLB Hodgson Impey Cheng.

The Directors acknowledge their responsibilities for preparing the financial statements of the Company and presenting a balanced, clear and comprehensive assessment of the Company's performance and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the ability of the Company to continue as a going concern. The Statement of the Auditors about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report.

INTERNAL CONTROL

The Board is committed to manage risk and to control its business and financial activities so as to maximize profitable business opportunities, avoid or reduce risks which can cause loss or damage to reputation, ensure compliance with applicable rules and regulations, and enhance resilience to external events. The Board has delegated to the Senior Management the implementation of such systems of internal control as well as risk management. The effectiveness and adequacy of the systems of internal control and risk management are reviewed periodically by the Board and the Audit Committee. Based on the assessment made by them for the financial year, the Board is satisfied that the internal controls and accounting systems of the Company have been in place and function effectively. The internal controls and accounting systems are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Company are identified and monitored, material transactions are executed in accordance with management's authorization and the accounts are reliable for publication.

INVESTOR RELATIONS

The Company continues to pursue a proactive policy of promoting corporate transparency and communications with potential investors and investment community through its mandatory interim and final reports. The Senior Management responsible for investors relation holds meetings with press reporters and potential strategic investors to keep them abreast of the Company's development.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good communications with all shareholders so that they can exercise their rights as shareholders in an informed basis. Besides regular distribution of financial reports, the Company has a corporate website to foster effective communications with the shareholders. It is maintained to disseminate Company's announcements and presentations, shareholders' information and other relevant financial and non-financial information on a timely basis.

Another dialogue with shareholders is the Company's general meetings which provide a useful forum for shareholders to exchange their views with the Board.

EXECUTIVE DIRECTORS

Mr. LAW Kar Po, Chairman, aged 61, has over 30 years of experience in hotel investment, property investments, manufacturing and retailing businesses. Mr. Law is responsible for formulating the strategies of the Group and he joined the Group in 2004.

Mr. Law is a director of Canasta Overseas Group Limited, Central Bingo Group Limited, China Chen Holdings Limited, China Infrastructure Limited, Fast Action Developments Limited, Honesty Services Limited, Honesty Treasure Limited, Honesty Treasure Management Limited, Pan-China (Shenyang) Real Estate Development Limited, Prospect Sync Holdings Limited, Star Palace Enterprises Limited, Super Times Far East Limited, Ampleline Holdings Limited and Patient Holdings Limited, all of which are subsidiaries of the Company. Mr. Law is the father of Ms. Law Wing Yee, Wendy. Mr. Law is the managing director of Lobo Investments Limited.

Mr. YANG Tian Ju, Vice Chairman, aged 49, is responsible for formulating the strategies of the Group and he joined the Group in January 2010 Mr. Yang is the president of Pan-China Construction Group Corporation Limited ("Pan-China Group"). Mr. Yang holds a Bachelor degree of Civil Engineering from Harbin University of Civil Engineering & Architecture and a Master degree of Economics from Peking University. He is a senior engineer and a national first-class certified architect. He is also the leader of urban construction and infrastructure expert team of China Association for the Promotion of Industrial Development under National Development and Reform Commission, the vice-chairman of Business Management Committee of China Architecture Association (中國建築業協會經營管理委員會), the director of Construction Training Office of National Manpower Centre (國家人才交流中心建設培訓辦公室), the general secretary of China Engineering Design Professional Committee (中國工程設計專家委員會), the chairman of China Construction Guarantee Professional Committee (中國工程擔保專家委員會), the chair professor and PhD programme tutor of Tsinghua University. Before establishing Pan-China Group, he had worked for State Development and Planning Commission and the Ministry of Construction, responsible for examining and approving large-scale construction projects as well as researching into and managing industrial policies.

Ms. SHI Feng Ling, Chief Executive Officer, aged 45, is responsible for overall property developments and management of the Group and she joined the Group in 2009. Ms. Shi holds a Bachelor degree of Computer Science of Chongqing University in the People's Republic of China (the "PRC"). She is a senior engineer and a first-class registered construction engineer. Ms. Shi is the president of Beijing Pan-China Sports Co. Limited and the executive vice president of Pan-China Group. She has over 20 years of experience in business operation, engineering and construction projects. Prior to joining Pan-China Group, Ms. Shi had been the division chief of technique department of organizing committee of Asian Games, General Administration of Sport of China.

Ms. Shi is a director of China Infrastructure Limited, Pan-China (Shenyang) Real Estate Development Limited and Patient Holdings Limited, all of which are subsidiaries of the Company.

Mr. MAN Wai Ping, aged 39, is responsible for identifying investment projects of the Group and he joined the Group in 2009. Mr. Man holds a Diploma of Civil Engineering of Jiamusi Institute of Architecture and Engineering and he is an engineer. Mr. Man has over 10 years of experience in engineering and real estate development. He had been the designer of a subsidiary of Pan-China Group. Mr. Man is the manager of corporate development department of Asia Cassava Resources Holdings Limited.

Ms. LAW Wing Yee, Wendy, aged 31, is a qualified solicitor in Hong Kong. Ms. Law holds a LLB degree from University of London, UK and the Postgraduate Certificate in Laws from University of Hong Kong. She is responsible for overall business development. Ms. Law joined the Group in 2004.

Ms. Law is a director of Canasta Overseas Group Limited, Honesty Services Limited, Honesty Treasure Limited and Prospect Sync Holdings Limited, all of which are subsidiaries of the Company. She is a daughter of Mr. Law Kar Po.

Ms. LEE Siu Yuk, Eliza, aged 49, has over 20 years of experience in business operation, investment, marketing and project management. Ms. Lee holds a Master degree of Business Administration from Murdoch University, Australia. Ms. Lee is responsible for the implementation of corporate policy, business development plans, administration, the management of daily operation, marketing functions and general affairs of the Group. She joined the Group in 2004.

Ms. Lee is a director of Canasta Overseas Group Limited, Central Bingo Group Limited, China Chen Holdings Limited, China Infrastructure Limited, Fast Action Developments Limited, Honesty Services Limited, Honesty Treasure Limited, Honesty Treasure Management Limited, Pan-China (Shenyang) Real Estate Development Limited, Shenyang Pan-China Business Property Management Limited, Prospect Sync Holdings Limited, Star Palace Enterprises Limited, Super Times Far East Limited, Ampleline Holdings Limited and Patient Holdings Limited, all of which are subsidiaries of the Company.

Mr. CHIANG Kin Tong, aged 26, is responsible for the marketing of the property development of the Group and he joined the Group in 2007. Mr. Chiang holds a Bachelor degree of Science in Business Administration. He is a director of Kin Wo Property Company Limited (建和物業有限公司) in Macau.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Wai Ming, aged 54, has been a practising member of the Hong Kong Institute of Certified Public Accountants since 1986. He was an accountant of Staveley Far East Engineering Limited, a member company of an UK listed company. Mr. Lau is also a director of an association organizing seminars focusing on cultural exchange between east and west for business executives, professionals and civil servants in various cities. Mr. Lau joined the Group in 2005.

Mr. KWOK Hong Yee, Jesse, aged 57, is both an independent solicitor and notary in Messrs. Jesse H. Y. Kwok & Co. with substantial previous working experiences acting as solicitors of the Supreme Courts in Hong Kong, the United Kingdom and Singapore. He obtained his Bachelor of Laws (LLB) and Master of Laws (LLM) in Civil Laws from the Peking University in the PRC. Mr. Kwok was appointed as a Temporary Magistrate between December 1994 and March 1995, a Temporary Adjudicator of the Small Claims Tribunal and a Panel Arbitrator. He is also a member of the Law Society of Hong Kong, the Law Society of England, Singapore Academy of Law, the Chartered Institute of Arbitrators, the Hong Kong Securities Institute, the Hong Kong Institute of Directors and he is also a committee member of the Society of Notaries. Mr. Kwok joined the Group in 2005.

Mr. LI Kam Fai, Dominic, aged 58, has more than 20 years of experience in accounting industry. Mr. Li is the sole proprietor of Dominic K.F. Li & Co., providing accounting, statutory and special audits, tax consultancy, due diligence for mergers and acquisitions and business advisory services. Mr. Li is an associate member of Institute of Chartered Accountants in England and Wales and a fellow member of Hong Kong Institute of Certified Public Accountants. Mr. Li joined the Group in 2007.

Mr. ZHANG Yong, aged 39, is the chairman of the Global Alliance for Chinese Enterprises Limited. Prior to this, Mr. Zhang worked with Hong Kong Monetary Authority, International Finance Corporation, United Nations, the World Bank, the World Economic Forum, the Center for International Development at Harvard University and Royal (Dutch) Shell on various economic and investment projects. From 1998 to 2000, Mr. Zhang served the editor-in-chief of Harvard China Review. Mr. Zhang graduated from Harvard University. His research interests concentrate on international finance, competition strategies and macroeconomic policies in open economies. Mr. Zhang joined the Group in 2009.

SENIOR MANAGEMENT

Group Affairs

Mr. LAW Chun Choi, aged 49, is the Financial Controller of the Group and the Qualified Accountant and the Company Secretary of the Company. He is a rich-experienced accountant. Mr. Law has extensive experience in diversified business in Asia-Pacific. Mr. Law graduated from The Hong Kong Polytechnic University with a Postgraduate Diploma in Corporate Administration and Professional Diploma in Accountancy. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators. Mr. Law joined the Group in 2005.

Properties Development and Investment

Mr. ZHANG Yin Nan, aged 39, graduated from Shenyang Jian Zhu University in 1994. He is now the general manager of Pan-China (Shenyang) Real Estate Development Limited. He is a senior engineer in industrial and residential construction and a second-class registered construction engineer. Mr. Zhang has 17 years of relevant working experience and joined Pan-China Group in 2003. He had been the vice general manager of Pan-China Engineering (Shenyang) Company Limited.

Mr. QIAO Ying Lin, aged 44, graduated from Shijiazhuang Railway Institute in 1990. He is now the vice general manager of Pan-China (Shenyang) Real Estate Development Limited. He is an engineer in industrial and residential construction and a second-class registered construction engineer. Mr. Qiao has 20 years of relevant working experience and joined Pan-China Group in 2009. He had been the project manager of 黑龍江省建築第一公司第八分公司(Heilongjiang Province Construction No. 1 Company (Eighth Branch Company)*) and the vice general manager of 天洋置秦皇島四季房地產開發有限公司(Skyocean Zhi Qin Huang Dao Si Ji Real Estate Development Company Limited*).

Mr. LIU Lie Long, aged 39, obtained a bachelor degree in Finance from Zhongnan University of Economics and Law in 1993. He is now the financial controller of Pan-China (Shenyang) Real Estate Development Limited and Shenyang Pan-China Business Property Management Limited. He is an accountant certified by the Ministry of Finance in the PRC. Mr. Liu has 17 years of relevant working experience and joined Pan-China Group in 2010. He had been the assistant finance manager of 中國一汽貿易公司武漢聯合公司(China FAW Trading Company, Wuhan Branch Alliance Company*), the financial manager of 武漢市東方舟置業有限公司(Wuhan Shi Dong Fang Zhou Zhi Ye Company Limited*) and the financial manager of northeast region of Shenzhen Heungkong Holding Co., Ltd..

Mr. WANG Xue Shan, aged 33, graduated from Liaoning Vocational College of Business in 2001. He is now the sales controller of Pan-China (Shenyang) Real Estate Development Limited. He is an assistant marketing manager certified by the Marketing Professional Committee of China Business Manager Association. Mr. Wang has 10 years of relevant working experience and joined Pan-China Group in 2009. He had been the sales controller in 瀋陽廣信房地產開發有限公司(Shenyang Guang Xin Real Estate Development Company Limited*) and the general manager of 瀋陽匯龍源置業諮詢有限公司(Shenyang Hui Long Yuan Properties Consultancy Company Limited*).

Mr. WANG Qi, aged 44, graduated from Beijing Normal University in 1988. He is now the general manager of Shenyang Pan-China Business Property Management Limited. He is a professional committee member of 中國商業聯合會購物中心專業委員會(Shopping Centre Expert Committee of China General Chamber of Commerce*) and the secretary-general of 精品商家俱樂部(Commercial Boutique Club*). Mr. Wang has over 19 years of experience in commercial property development, sales and operation and he joined Pan-China Group in 2009. He had been the chief operation officer of SCITECH Group and the general manager (commercial operation) of 中弘房地產開發公司(Zhonghong Real Estate Development Limited*).

Mr. DUAN Hong Tao, aged 41, graduated from Shenyang Agricultural University in 1992. He is the vice general manager of business management division of Shenyang Pan-China Business Property Management Limited. He is the chairman of northeast region of China Commercial Real Estate Profession Committee of China Commercial Real Estate Expert Association. Mr. Duan has over 10 years of relevant working experience and joined Pan-China Group in 2007. He had been the manager of real estate department (northeast region of China) of McDonald's (China) Company Limited.

* The English translation of the Chinese name(s), where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is primarily an investment holding company and its investment portfolio includes (i) hotel and real estate investments; and (ii) property development.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	83%	
Five largest customers in aggregate	100%	
The largest supplier		73%
Five largest suppliers in aggregate		88%

Save otherwise disclosed, at no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 151 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement and statement of comprehensive income on pages 35 to 37 of this annual report.

The state of the Group's and the Company's affairs at 31 December 2009 are set out in the consolidated statement of financial position and statement of financial position on pages 38 to 40 of this annual report.

The Board of Directors does not recommend the payment of a dividend for the year ended 31 December 2009.

PROPERTY, PLANT AND EQUIPMENT

Details of significant changes in the property, plant and equipment of the Group during the year are set out in Note 15 to the financial statements.

SHARE CAPITAL

Movements in share capital of the Group and the Company during the year are set out in Note 29 to the financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 29 to the the financial statements.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2009.

PRE-EMPTIVE RIGHTS

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

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and associates are set out in Notes 17 and 18 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank borrowings at 31 December 2009 are set out in Note 25 to the financial statements.

RETIREMENT SCHEMES

Details of the retirement benefits scheme of the Group are set out in Note 28 to the financial statements.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance and has complied throughout the year with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Further information on the Company's corporate governance practices is set out on pages 11 to 18 of this annual report.

DIRECTORS

The directors who held office during the year and at the date of this report are:

Executive Directors:

Mr. Law Kar Po, Chairman	
Mr. Yang Tian Ju, Vice Chairman	(appointed on 8 January 2010)
Ms. Shi Feng Ling, Chief Executive Officer	(appointed on 1 June 2009)
Mr. Wang Biao	(appointed on 1 June 2009 and resigned on 8 January 2010)
Mr. Man Wai Ping	(appointed on 1 June 2009)
Mr. Chiang Kin Tong	
Ms. Law Wing Yee, Wendy	
Ms. Lee Siu Yuk, Eliza	
Mr. Hoi Man Pak, Vice Chairman	(resigned on 1 June 2009)
Mr. Choy Wang Kong, Chief Executive Officer	(resigned on 1 June 2009)
Mr. Yong Wing Tai, William	(resigned on 1 June 2009)
Mr. Gao Feng	(resigned on 22 May 2009)

Independent Non-executive Directors:

Mr. Lau Wai Ming	
Mr. Kwok Hong Yee, Jesse	
Mr. Li Kam Fai, Dominic	
Mr. Zhang Yong	(appointed on 19 September 2009)

In accordance with the provisions of the Company's Articles of Association, Ms. Lee Siu Yuk, Eliza, Mr. Lau Wai Ming and Mr. Li Kam Fai, Dominic shall retire from the Board at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

Mr. Yang Tian Ju, Ms. Shi Feng Ling, Mr. Man Wai Ping and Mr. Zhang Yong were appointed as Directors of the Company during the the period from 29 May 2009 (the date of the latest annual general meeting of the Company) to the date of this report. They will hold office until the forthcoming annual general meeting of the Company and will be eligible for re-election in accordance with the Articles of Association of the Company.

The term of office of each non-executive Director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

None of the Directors had any existing or propose service contract with the Company or any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

At 31 December 2009, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), to be entered in the register referred to therein; or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(A) Long Position in the Ordinary Shares of HK$0.05 each ("Shares") of the Company

	Number of Shares held			% to the issued
Name of Director	Personal Interests	Corporate Interests	Total	share capital of the Company
Mr. Law Kar Po	701,116,000	–	701,116,000	17.42
Ms. Shi Feng Ling	170,000,000	1,019,290,512 (Note)	1,189,290,512	29.56

Note: These Shares were held by Amazing Glory Investments Limited, a company which was wholly-owned by Ms. Shi Feng Ling. Hence, she was deemed to have a beneficial interest in all these Shares.

(B) Long Position in the Underlying Shares

(i) Long position in the unlisted 2.5% fixed interest convertible redeemable notes ("2011 Convertible Notes") of the Company

Name of Director	Capacity	Amount of 2011 Convertible Notes HK$	Number of underlying Shares	% to the issued share capital of the Company
Mr. Chiang Kin Tong	Beneficial owner	23,709,703	160,200,696	3.98

Holders of 2011 Convertible Notes are entitled to elect to convert 2011 Convertible Notes into Shares at the conversion price of HK$0.148 per Share (subject to adjustment) until 27 April 2011.

(ii) Long position in the unlisted 2.5% fixed interest convertible redeemable notes ("2012 Convertible Notes") of the Company

Name of Director	Capacity	Amount of 2012 Convertible Notes HK$	Number of underlying Shares	% to the issued share capital of the Company
Mr. Law Kar Po	Beneficial owner	65,000,000	216,666,666	5.38

Holders of 2012 Convertible Notes are entitled to elect to convert 2012 Convertible Notes into Shares at the conversion price of HK$0.30 per Share (subject to adjustment) until 23 August 2012.

Save as disclosed above, at 31 December 2009, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associate corporation (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 11 July 2008 (the "Share Option Scheme"). The purposes of the Share Option Scheme are to enable the Group and its Invested Entities (any entity in which any member of the Group holds an equity interest) to recruit and retain high calibre Eligible Persons and attract human resources that are valuable to the Group or Invested Entities, to recognise the contributions of the Eligible Persons to the growth of the Group or Invested Entities by rewarding them with opportunities to obtain ownership interest in the Company and to motivate and give incentives to these Eligible Persons to continue to contribute to the long term success and prosperity of the Group or Invested Entities. Pursuant to the Share Option Scheme, the Board may invite any Eligible Person including any director and employee of the Company to take up options to subscribe for shares of the Company. The Share Option Scheme shall be valid and effective for a period of ten years. No share options were outstanding nor granted during the year ended 31 December 2009.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2009, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in the Ordinary Shares

Name of shareholder	Capacity	Number of Shares	% to the issued share capital of the Company
Amazing Glory Investments Limited	Beneficial owner	1,019,290,512	25.33

Note: Amazing Glory Investments Limited is wholly-owned by Ms. Shi Feng Ling, a Director of the Company.

Save as disclosed above, at 31 December 2009, no person (other than Directors or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and Senior Management of the Group are set out on pages 19 to 23 of this annual report.

DIRECTORS' INTEREST IN CONTRACTS

Except for the transactions as disclosed in Notes 10 and 33 to the financial statements, no other contracts of significance to which the Company, its holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group are set out in Note 36 to the financial statements.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") presently comprises four independent non-executive Directors. The Audit Committee has reviewed with the management and the Company's external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting process including the review of the financial statements for the year ended 31 December 2009.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to issue of this report, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

AUDITORS

The financial statements were audited by HLB Hodgson Impey Cheng. A resolution for their re-appointment as the Company's auditors for the ensuring year is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board of Directors

Law Kar Po
Chairman

Hong Kong, 23 April 2010

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CHINA INFRASTRUCTURE INVESTMENT LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of China Infrastructure Investment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 150, which comprise the consolidated and company statement of financial position at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of 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, 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' judgment, 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 the 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 of the Company, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 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 disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 23 April 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000 (Re-presented)
Continuing operations			
Turnover	4	21,040	1,557
Direct costs		(17,458)	–
		3,582	1,557
Other revenue and net income	5	8,731	15,221
Fair value gain/(loss) on investment property		18,000	(21,268)
Gain on early redemption on convertible note		3,127	–
Selling and distribution costs		(10,146)	(10,595)
General and administrative expenses		(31,968)	(31,411)
Loss from operations		(8,674)	(46,496)
Finance costs	6(a)	(11,692)	(12,805)
Loss before taxation	6	(20,366)	(59,301)
Income tax (expense)/credit	9	(3,027)	251
Loss for the year from continuing operations		(23,393)	(59,050)
Discontinued operations			
Loss for the year from discontinued operations	10	(119,322)	(54,090)
Loss for the year		(142,715)	(113,140)

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000 (Re-presented)
Attributable to:			
– Owners of the Company		**(135,859)**	(116,091)
– Non-controlling interests		**(6,856)**	2,951
Loss for the year		**(142,715)**	(113,140)
Loss per share (HK cents per share)	12		
Basic			
For continuing and discontinued operations		**(3.39) cents**	(2.91) cents
For continuing operations		**(0.41) cents**	(1.56) cents
Diluted			
For continuing and discontinued operations		**(3.39) cents**	(2.91) cents
For continuing operations		**(0.41) cents**	(1.56) cents

The notes on pages 44 to 150 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Loss for the year	**(142,715)**	(113,140)
Other comprehensive (expense)/income for the year:		
Exchange differences on translation of financial statements of oversea subsidiaries	**(1,072)**	11,178
Total comprehensive loss for the year	**(143,787)**	(101,962)
Total comprehensive loss for the year attributable to:		
Owners of the Company	**(136,609)**	(104,913)
Non-controlling interests	**(7,178)**	2,951
	(143,787)	(101,962)

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Investment properties	14	794,995	66,821
Property, plant and equipment	15	2,871	5,131
Properties under development	16	30,079	548,952
Interests in an associate	18	–	542,626
Deposits paid for long-term investment	19	–	140,000
		827,945	1,303,530
CURRENT ASSETS			
Stock of properties	20	719,764	758,056
Trade and other receivables	21	181,523	137,116
Cash and cash equivalents and pledged deposits	22	250,612	132,635
		1,151,899	1,027,807
Assets classified as held for sale	23	478,000	–
Total current assets		1,629,899	1,027,807
CURRENT LIABILITIES			
Trade and other payables	24	(716,934)	(410,019)
Interest-bearing borrowings, secured	25	(317,397)	(331,818)
		(1,034,331)	(741,837)
Net current assets		595,568	285,970
Total assets less current liabilities		1,423,513	1,589,500
NON-CURRENT LIABILITIES			
Convertible notes	26	(94,147)	(177,977)
Interest-bearing borrowings, secured	25	(32,661)	(34,863)
Deferred tax liabilities	27	(78,711)	(75,685)
		(205,519)	(288,525)
NET ASSETS		1,217,994	1,300,975

	Note	2009 HK$'000	2008 HK$'000
CAPITAL AND RESERVES			
Share capital	29(b)	**201,186**	199,646
Reserves		**773,445**	920,590
Total equity attributable to owners of the Company		**974,631**	1,120,236
Non-controlling interests		**243,363**	180,739
TOTAL EQUITY		**1,217,994**	1,300,975

Approved and authorised for issue by the board of directors on 23 April 2010.

Law Kar Po
Director

Lee Siu Yuk, Eliza
Director

The notes on pages 44 to 150 form an integral part of these financial statements.

Statement of Financial Position

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	17	498,947	857,535
Deposits paid for long-term investment	19	–	140,000
		498,947	997,535
CURRENT ASSETS			
Trade and other receivables	21	162,489	88,758
Cash and cash equivalents and pledged deposits	22	52,742	19,460
		215,231	108,218
Assets classified as held for sale	23	346,674	–
Total current assets		561,905	108,218
CURRENT LIABILITY			
Trade and other payables	24	(55,060)	(3,760)
Net current assets		506,845	104,458
Total assets less current liability		1,005,792	1,101,993
NON-CURRENT LIABILITY			
Convertible notes	26	(94,147)	(177,977)
NET ASSETS		911,645	924,016
CAPITAL AND RESERVES	29		
Share capital		201,186	199,646
Reserves		710,459	724,370
TOTAL EQUITY		911,645	924,016

Approved and authorised for issue by the board of directors on 23 April 2010.

Law Kar Po
Director

Lee Siu Yuk, Eliza
Director

The notes on pages 44 to 150 form an integral part of these financial statements.

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve (note) HK$'000	Convertible notes equity reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2008	178,145	570,563	69	35,703	3,088	264,566	1,052,134	103,171	1,155,305
Shares issued at a premium on exercise of warrants	1	1	–	–	–	–	2	–	2
Shares issued at a premium by a placement	21,500	151,513	–	–	–	–	173,013	–	173,013
Capital injections to a subsidiary by non-controlling interests	–	–	–	–	–	–	–	74,617	74,617
Exchange differences on translation of financial statements of oversea subsidiaries	–	–	–	–	11,178	–	11,178	–	11,178
Loss for the year	–	–	–	–	–	(116,091)	(116,091)	2,951	(113,140)
At 31 December 2008 and 1 January 2009	199,646	722,077	69	35,703	14,266	148,475	1,120,236	180,739	1,300,975
Shares issued at a premium on exercise of warrants	1	3	-	-	-	-	4	-	4
Shares issued at a premium on conversion of convertible notes	1,539	3,016	-	(856)	-	-	3,699	-	3,699
Capital injections to a subsidiary by non-controlling interests	-	-	-	-	-	-	-	76,813	76,813
Disposal of a subsidiary	-	-	-	-	-	-	-	(7,011)	(7,011)
Release from early redemption on convertible note	-	-	-	(16,624)	-	3,925	(12,699)	-	(12,699)
Exchange differences on translation of financial statements of oversea subsidiaries	-	-	-	-	(750)	-	(750)	(322)	(1,072)
Loss for the year	-	-	-	-	-	(135,859)	(135,859)	(6,856)	(142,715)
At 31 December 2009	**201,186**	**725,096**	**69**	**18,223**	**13,516**	**16,541**	**974,631**	**243,363**	**1,217,994**

Note: Capital redemption reserve represents the nominal value of shares repurchased out of distributable profit.

The notes on pages 44 to 150 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000 (Re-presented)
OPERATING ACTIVITIES			
Loss before taxation from continuing operations		(20,366)	(59,301)
Loss before taxation from discontinued operations		(136,466)	(99,617)
Loss before taxation		(156,832)	(158,918)
Adjustments for:			
Depreciation	15	2,841	4,041
Loss on re-measurement to fair value less costs to sell	23(a)	50,298	–
Provision for bad and doubtful debts	6(b)	2,383	153
Gain on early redemption on convertible note		(3,127)	–
Gain on disposal of property, plant and equipment, net	5&6(b)	–	(584)
Fair value gain on financial assets at fair value through profit or loss	5	–	(32)
Interest income		(5,204)	(11,247)
Finance costs		12,780	21,429
Share of results of associates		65,144	138,108
Reversal of provision for long service payments	5	–	(67)
Fair value (gain)/loss on investment properties	14	(18,000)	21,268
Gain on disposal of subsidiaries		–	(19,068)
Gain on disposal of investment properties	5	–	(515)
Reversal of provision for slow moving inventories	5	–	(203)
Reversal of impairment loss for bad and doubtful debt	5	–	(762)
Waiver of non-controlling interests' loans	5	(2,612)	–
Operating loss before changes in working capital		(52,329)	(6,397)
Payment for the development costs of investment properties		(269,768)	(147,913)
Increase in inventories		–	(1,287)
Decrease/(increase) in trade and other receivables		92,877	(79,528)
Decrease in completed properties held for sale		–	61,889
Decrease/(increase) in properties under development for sale		40,276	(101,417)
Increase in trade and other payables		223,332	87,489
Cash generated from/(used in) operations		34,388	(187,164)
Tax paid		–	(17)
Net cash generated from/(used in) operating activities		34,388	(187,181)

	Notes	2009 HK$'000	2008 HK$'000 (Re-presented)
INVESTING ACTIVITIES			
Interest received	5	5,204	11,247
Dividends received from associates		27,185	49,709
Increase in pledged deposits	22	(48,669)	(96,435)
Net cash inflow upon disposal of subsidiaries	30	–	36,798
Net cash outflow upon disposal of subsidiaries	30	(118,943)	(46)
Payment for the purchase of property, plant and equipment	15	(596)	(3,438)
Payment for development costs of properties under development		(232)	(557)
Deposits paid for long-term investment		–	(140,000)
Capital injections to a subsidiary by non-controlling interests		76,813	74,617
Proceeds from sale of property, plant and equipment		2	648
Proceeds from sale of investment properties		–	62,615
Net cash used in investing activities		(59,236)	(4,842)
FINANCING ACTIVITIES			
Net proceeds from issue of new shares at a premium by a placement		–	173,013
Repayment of bank loans		(184,021)	(65,390)
Net proceeds from the issue of new shares on exercise of warrants		4	2
Proceeds from new bank loans		317,322	201,477
Increase/(decrease) in amount due to non-controlling interests		62,379	(230,416)
Decrease in amount due to related companies		(273)	(2,228)
(Repayment)/proceeds from other loans		(77,512)	87,003
Financial costs		(25,598)	(37,779)
Net cash generated from financing activities		92,301	125,682
Net increase/(decrease) in cash and cash equivalents		67,453	(66,341)
Effect of foreign exchange rate changes		1,855	359
Cash and cash equivalents at beginning of year	22	36,100	102,082
Cash and cash equivalents at end of year		105,408	36,100
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents at end of year	22	105,408	36,100

The notes on pages 44 to 150 form an integral part of these financial statements.

1. GENERAL INFORMATION

The Company was incorporated and registered in the Cayman Islands on 16 June 1992 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 2 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office in the Cayman Islands and head office in Hong Kong are The Harbour Trust Co., Ltd., P.O. Box 897, One Capital Place, George Town, Grand Cayman KY1-1103, Cayman Islands and Room 2007, 20th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong respectively.

The Company (with its subsidiaries is collectively referred to as the "Group") is an investment holding company. Its subsidiaries are principally engaged in property development and investment.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs. Note 3 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements

The financial statements at 31 December 2009 comprise the Company and its subsidiaries and the Group's interest in associates which is mainly classified as assets held for sale.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial instruments and certain properties are measured at fair value as explained in the accounting polices set out below.

Assets classified as held for sale is stated at lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 37.

Certain comparative figures of prior years have been re-presented to conform with the current year's presentation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the shareholders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between non-controlling interests and the owners of the Company.

Where losses applicable to the non-controlling exceed the non-controlling interests in the equity of a subsidiary, the excess, and any further losses attributable to the non-controlling interests, are charged against the Group's interest except to the extent that the non-controlling has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the non-controlling interests' share of losses previously absorbed by the Group has been recovered.

Loans from shareholders of non-controlling interests and other contractual obligations towards these shareholders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less any impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement includes the Group's share of post acquisition, post-tax results of an associate for the year, including any impairment loss on goodwill relating to the investment in an associate recognised for the year.

When the Group's share of losses exceeds its interest in an associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in an associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance forms part of the Group's net investment in an associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in an associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in consolidated income statement.

In the Company's statement of financial position, investment in an associate is stated at cost less impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investment property

(i) Completed investment property

Completed investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Completed investment properties classified as investment properties are stated in the consolidated statement of financial position at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it is held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

(ii) Investment properties under development

Investment properties under development include properties that are being constructed or developed for future use as rental purpose are stated at fair value and classified as investment properties. Where fair value of investment property under development was not reliably measurable, the property is measured at cost until the earlier of the date of construction is completed and the date at which fair value becomes reliably measurable.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item and is recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The principal annual rates of depreciation are as follows:

Buildings	2 – $33^1/_3$% or over the lease term, if shorter
Leasehold improvements	Over the lease term
Office equipment	10 – 20%
Plant and machinery	5 – 20%
Motor vehicles	10 – 20%
Furniture and fixtures	10 – 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except for land held for own use under an operating lease, the cost of which cannot be measured separately from the cost of a building situated thereon at the inception of the lease, which is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to income statement in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in consolidated income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to consolidated income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term, except where the property is classified as an investment property, as a property under development for rental purposes, as a property under development for sale.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are stated at amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes 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

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

– For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through consolidated income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of assets (Continued)

(i) Impairment of trade and other receivables (Continued)

– Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in consolidated income statement.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– properties under development; and

– investments in subsidiaries and associates (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in consolidated income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to consolidated income statement in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 Interim financial reporting in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

(i) Stock of properties

(i) Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing market conditions.

Development cost of property comprises construction costs, depreciation of machinery and equipment, amortisation of land use rights and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

(ii) Completed properties held for sale

Completed properties held for sale remaining unsold at the year end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment loss, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of loss.

(k) Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the convertible notes reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained earnings.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(o) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised when, and only when the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax

Income tax for the year 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 directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences, or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future or, in the case of deductible differences, unless it is probable that they will reverse in the future.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax (Continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously, or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity, or

  – different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. 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 events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in consolidated income statement as follows:

(i) Properties under development for sale/completed properties held for sale.

Revenue from completed properties held for sale is recognised on the execution of a binding sales agreement. Payments received from the purchasers prior to this stage are recorded as deposits received on properties under development for sale and are grouped under current liabilities.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in consolidated income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in consolidated income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Revenue recognition (Continued)

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Consolidated statement of financial position items, including goodwill arising on consolidation of foreign operations on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Borrowing costs

Borrowing costs are expensed in consolidated income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated income statement which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Assets classified as held for sale

A non-current asset or assets of disposal group classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset is available for sale in its present condition.

Immediately before classification as held for sale, the measurement of the non-current assets or assets of disposal group is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets or assets of disposal group (except for certain assets as explained below) are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses arising on initial classification as held for sale and on subsequent remeasurement while held for sale are recognised in consolidated income statement . As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(w) 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;

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Related parties (Continued)

(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.

(x) Operating segments

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision-markers. Segment assets consist primarily of fixed assets, financial assets and other assets. The Group evaluates performance on the basis of profit or loss from operations after tax expense but not including the major non-cash items. The major non-cash items are fair value changes on investment properties together with their respective deferred tax expenses. No intersegment turnover is accounted for.

(y) Government grants

Government grants that are receivable or received for the purpose of giving immediate financial support to the Group with no further related costs are recognised in consolidated income statement in the period in which they become receivable or received.

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

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

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

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

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

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

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

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

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

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

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balances is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The amendment has no impact on the disclosure on fair value measurement disclosures and liquidity risk.

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

(d) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that The application of HKFRS 8 has no impact on the reported results or financial position of the Group.

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

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

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

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

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

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

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

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

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

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

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

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

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

HK(IFRIC)-Int 15 replaces HK Interpretation 3 *Revenue – Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 Construction Contracts or an agreement for the sale of goods or services in accordance with HKAS 18 Revenue. The interpretation has had no impact on the accounting for the Group's construction activities. As the Group currently is not involved in any construction of real estate, the interpretation has had no impact on the financial position or results of operations of the Group.

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

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

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

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

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

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

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

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

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

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

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

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

- HKAS 40 *Investment Property*: It has been amended to include properties that are being constructed or developed for future use as investment properties within its scope and to require such properties to be measured at fair value (where the fair value is reliably determinable).

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

In the past, the Group classified and recognised properties that were being constructed or developed for future use as investment properties, as properties under development according to HKAS 16, such properties until construction or development were completed, at which time the properties became investment properties that fell within the scope of HKAS 40 Investment Property. The application of this accounting standard (see Notes 14 and 16) has resulted in revised accounting policy of the Group beginning on 1 January 2009 and has been applied prospectively and does not have a material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no adjustment has been recognised.

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendment	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

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

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

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2010

[3] Effective for annual periods beginning on or after 1 February 2010

[4] Effective for annual periods beginning on or after 1 July 2010

[5] Effective for annual periods beginning on or after 1 January 2011

[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKFRS 3 (Revised) and HKFRS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. TURNOVER

The Group is principally engaged in property development and property investment. In 2009, the Group has ceased all operations in Macau which represented separate major line of geographical area of operations in (i) property development and investment and (ii) investment holding. In 2008, the Group ceased the trading of leather products business.

The amount of each significant category of revenue recognised in turnover during the year is analysed as follows:

Continuing operations

	2009 HK$'000	2008 HK$'000
Gross rentals from investment properties	3,540	1,557
Sales of completed properties held for sale in Hong Kong	17,500	–
	21,040	1,557

Discontinued operations

	2009 HK$'000	2008 HK$'000
Revenue from trading of leather products (note 10 (iii))	–	27,642
Sales of completed properties held for sale in Macau (note 10 (v))	–	81,109
	–	108,751

5. OTHER REVENUE AND NET INCOME

Continuing operations

	2009 HK$'000	2008 HK$'000
Other revenue:		
Interest income	**4,718**	9,932
Waiver of non-controlling interests' loans	**2,612**	–
Government grant (note)	**1,361**	–
Others	**50**	86
	8,741	10,018
Other net income:		
Net exchange (loss)/gains	**(10)**	5,203
	8,731	15,221

Note: Government grant of HK$1,361,000 (2008: HK$nil) represents government subsidises for one of the Group's properties development and investment project in PRC, of which the entitlement was unconditional and under the discretion of the relevant authority.

5. OTHER REVENUE AND NET INCOME (Continued)

Discontinued operations

	2009 HK$'000	2008 HK$'000
Other revenue:		
Interest income	486	1,315
Waiver of payments and deposits received in respect of the disposal of properties under development held for sale	–	32,000
Rental receivables from operating leases other than those relating to investment properties	–	150
Others	–	317
	486	33,782
Other net income:		
Reversal of impairment losses in respect of trade and other receivables	–	762
Fair value gain on financial assets at fair value through profit or loss	–	32
Reversal of provision for long service payments	–	67
Gain on disposal of property, plant and equipment	–	610
Reversal of provision for slow moving inventories (note)	–	203
Gain on disposal of investment properties	–	515
Others	–	114
	–	2,303
	486	36,085

Note: A provision of approximately HK$203,000 made in prior years against the carrying value of inventories has been reversed. The reversal was due to an increase in the estimated net realizable value as a result of a change in consumer preferences.

6. LOSS BEFORE TAXATION

Loss before taxation is arrived after charging/(crediting):

(a) Finance costs

Continuing operations

	2009 HK$'000	2008 HK$'000
Interest on bank loans and other loans wholly repayable within five years	**24,698**	22,589
Interest on bank loans and other loans wholly repayable over five years	**900**	–
Effective interest expenses of convertible notes	**10,757**	11,589
Other borrowings costs	**–**	601
Total borrowing costs	**36,355**	34,779
Less: borrowing costs capitalised (note)	**(24,663)**	(21,974)
	11,692	12,805

Discontinued operations

	2009 HK$'000	2008 HK$'000
Interest on bank loans and other loans wholly repayable within five years	**1,088**	8,624

Note: The borrowing costs have been capitalised at rates ranging from 6% – 8% per annum (2008: 6% – 8% per annum).

6. LOSS BEFORE TAXATION (Continued)

(b) Other items

Continuing operations

	2009 HK$'000	2008 HK$'000
Charging:		
Staff costs (including directors' remuneration)		
– salaries, wages and other benefits	7,457	6,001
– retirement benefits scheme contributions	698	635
Total staff costs	8,155	6,636
Auditor's remuneration		
– audit services for current year	1,094	1,173
– other services	2,439	1,055
	3,533	2,228
Depreciation	2,841	3,242
Provision for bad and doubtful debt	2,383	–
Operating lease charges for premises	1,113	952
Crediting:		
Gross rental income from investment properties	(3,540)	(1,557)
Less:		
Direct operating expenses from investment properties that generated rental income during the year	122	113
Direct operating expenses from investment properties that did not generate rental income during the year	–	–
	(3,418)	(1,444)

6. LOSS BEFORE TAXATION (Continued)

(b) Other items (Continued)

Discontinued operations

	2009 HK$'000	2008 HK$'000
Charging:		
Staff costs (including directors' remuneration)		
– salaries, wages and other benefits	–	5,710
– retirement benefits scheme contributions	–	77
Total staff costs	–	5,787
Auditor's remuneration		
– audit services for current year	–	500
– under-provision in prior years	–	250
	–	750
Cost of inventories	–	84,101
Depreciation	–	799
Loss on disposal of property, plant and equipment	–	26
Provision for bad and doubtful debts	–	153
Operating lease charges for premises	–	1,158

7. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:

For the year ended 31 December 2009	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to retirement benefits scheme HK$'000	Share-based payment expenses HK$'000	Total HK$'000
Executive directors					
Chiang Kin Tong	–	–	–	–	–
Choy Wang Kong (Resigned on 1 June 2009)	–	–	–	–	–
Gao Feng (Resigned on 22 May 2009)	–	–	–	–	–
Hoi Man Pak (Resigned on 1 June 2009)	–	–	–	–	–
Law Kar Po	–	–	–	–	–
Law Wing Yee, Wendy	–	–	–	–	–
Lee Siu Yuk, Eliza	–	1,695	12	–	1,707
Man Wai Ping (Appointed on 1 June 2009)	–	–	–	–	–
Shi Feng Ling (Appointed on 1 June 2009)	–	–	–	–	–
Wang Biao (Appointed on 1 June 2009)	–	–	–	–	–
Yong Wing Tai, William (Resigned on 1 June 2009)	–	–	–	–	–
	–	1,695	12	–	1,707
Independent non-executive directors					
Kwok Hong Yee, Jesse	200	–	–	–	200
Lau Wai Ming	200	–	–	–	200
Li Kam Fai, Dominic	200	–	–	–	200
Zhang Yong (Appointed on 19 September 2009)	67	–	–	–	67
	667	–	–	–	667
	667	1,695	12	–	2,374

7. DIRECTORS' EMOLUMENTS (Continued)

For the year ended 31 December 2008	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to retirement benefits scheme HK$'000	Share-based payment expenses HK$'000	Total HK$'000
Executive directors					
Chiang Kin Tong	–	–	–	–	–
Choy Wang Kong	–	–	–	–	–
Gao Feng (Appointed on 14 February 2008)	–	–	–	–	–
Hoi Man Pak	–	–	–	–	–
Law Kar Po	–	–	–	–	–
Law Wing Yee, Wendy	–	–	–	–	–
Lee Siu Yuk, Eliza	–	1,440	12	–	1,452
Yong Wing Tai, William	–	–	–	–	–
	–	1,440	12	–	1,452
Non-executive director					
Alves Leonel Alberto (Resigned on 5 June 2008)	83	–	–	–	83
Independent non-executive directors					
Lau Wai Ming	200	–	–	–	200
Li Kam Fai, Dominic	200	–	–	–	200
Kwok Hong Yee, Jesse	200	–	–	–	200
	600	–	–	–	600
	683	1,440	12	–	2,135

During the year, no emoluments (2008: nil) were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any remuneration for the year ended.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest paid emoluments, one (2008: one) is a director whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other four (2008: four) individuals are as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other emoluments	**2,039**	4,200
Share-based payment expenses	**–**	–
Contributions to retirement benefits scheme	**43**	30
	2,082	4,230

The emoluments of the four (2008: four) individuals with the highest emoluments are within the following bands:

	Number of individuals 2009	2008
HK$3,500,001 to HK$4,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	1
Nil to HK$1,000,000	**4**	3
	4	4

During the year, no emoluments (2008: nil) were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office.

9. INCOME TAX EXPENSE/(CREDIT)

(a) Taxation in the consolidated income statement represents:

Continuing operations

	2009 HK$'000	2008 HK$'000
Current tax		
Provision for the year	–	–
Deferred tax		
Expensed/(credited) to consolidated income statement (note 27)	3,027	(251)
	3,027	(251)

Discontinued operations

	2009 HK$'000	2008 HK$'000
Current tax		
Provision for the year	–	17

Hong Kong profits tax was not provided for in the financial statements as the Group has no estimated assessable profits arising in Hong Kong during the years ended 31 December 2009 and 2008.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5%.

The PRC Enterprises Income Tax was not provided for in the financial statements as PRC subsidiaries did not have any assessable profits for the years ended 31 December 2009 and 2008.

The Group's PRC subsidiaries are subject to PRC Enterprises Income Tax at 25% (2008: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on prevailing legislation, interpretations and practice in respect thereof during the year.

9. INCOME TAX EXPENSE/(CREDIT) (Continued)

(b) Reconciliation between tax expense and accounting loss at applicable rates:

Continuing operations

	2009 HK$'000	2008 HK$'000
Loss before taxation	**(20,366)**	(59,301)
Notional tax on loss before taxation	**(3,360)**	(9,784)
Tax effect of non-deductible expenses	**3,340**	6,811
Tax effect of non-taxable income	**(1)**	(3,372)
Utilisation of tax losses previously not recognised	**(900)**	–
Tax effect of unused tax loss not recognised	**5,661**	3,801
Effect of different tax rates of the companies of the Group	**(1,713)**	(1,396)
Temporary differences unrecognised	**–**	3,689
Income tax expense/(credit)	**3,027**	(251)

Discontinued operations

	2009 HK$'000	2008 HK$'000
Loss before taxation	**(136,466)**	(99,617)
Notional tax on loss before taxation	**(22,516)**	(16,437)
Tax effect of non-deductible expenses	**–**	33,091
Tax effect of non-taxable income	**–**	(17,356)
Tax effect of unused tax loss not recognised	**22,516**	956
Effect of different tax rates of the companies of the Group	**–**	11
Temporary differences unrecognised	**–**	(293)
Others	**–**	45
Income tax expense	**–**	17

10. DISCONTINUED OPERATIONS

Loss for the year from discontinued operations

An analysis of the combined result and cash flows of the discontinued operations of each year is as follows:

	Notes	2009 HK$'000	2008 HK$'000
Turnover	4	–	108,751
Cost of inventories		–	(84,101)
Gross profit		–	24,650
Other revenue and net income	5	486	36,085
Loss on re-measurement to fair value less costs to sell	23	(50,298)	–
Expenses		(20,422)	(13,620)
(Loss)/profit from operations		(70,234)	47,115
Finance costs	6(a)	(1,088)	(8,624)
Share of result of an associate		(65,144)	(138,108)
Loss before taxation	6	(136,466)	(99,617)
Income tax expense	9	–	(17)
Loss after taxation		(136,466)	(99,634)
Gain on disposal of subsidiaries	30	17,144	45,544
Loss for the year from discontinued operations		(119,322)	(54,090)

10. DISCONTINUED OPERATIONS (Continued)

Cash flows from discontinued operations

	2009 HK$'000	2008 HK$'000
Net cash used in operating activities	**(310,941)**	(390,605)
Net cash used in financial activities	**(82,227)**	(182,090)
Net cash generated from investing activities	**543,107**	564,463
Net cash inflow/(outflow)	**149,939**	(8,232)

An analysis of the result and cash flows of each discontinued operation of each year is detailed in (i), (ii), (iii), (iv) & (v) as below.

(i) Disposal of the operation in property development in Macau

On 25 September 2009, the vendors (including Fast Action Developments Limited ("Fast Action"), a subsidiary of the Company) entered into provisional agreement, with Cheong On Real Estate and Investment Limited ("Cheong On") and Jinlong Investment & Development Company Limited ("Jinlong") as the purchasers under which the vendors have conditionally agreed to dispose of and the purchasers have conditionally agreed to acquire (i) 100% of the issued quota of Continental Ocean Investment and Development Limited ("CIDCOL"), a subsidiary of Fast Action; and (ii) shareholders' loans of approximately HK$182.4 million due from CIDCOL to its shareholders for an aggregate consideration of HK$230 million (the "Disposal"). The material assets of CIDCOL were (i) a piece of land known as Lote TN6 with a size of approximately 4,661 square metres in Taipa, Macau; and (ii) the related pledged deposits of approximately HK$30 million as at 31 August 2009.

Each of Mr. Law Kar Po and Mr. Chiang Kin Tong is an executive Director of the Company and a substantial shareholder of CIDCOL. Mr. Hoi Man Pak, who is an ex-director of the Company, holds equity interest in Cheong On and Jinlong.

Details of the Disposal are set out in the Company's circular dated 6 October 2009.

The independent shareholders' approval on the Disposal was obtained and the completion took place on 29 October 2009.

10. DISCONTINUED OPERATIONS (Continued)

(i) Disposal of the operation in property development in Macau (Continued)

An analysis of the result and cash flows of the discontinued operations of each year is as follows:

	Note	2009 HK$'000	2008 HK$'000
Turnover		–	–
Cost of inventories		–	–
Gross profit		–	–
Other revenue and net income		486	33,300
Expenses		(17,481)	(74)
(Loss)/profit from operations		(16,995)	33,226
Finance costs		(1,088)	(6,764)
(Loss)/profit before taxation		(18,083)	26,462
Income tax		–	–
(Loss)/profit after taxation		(18,083)	26,462
Gain on disposal of a subsidiary	30	17,144	–
(Loss)/profit for the year from discontinued operations		(939)	26,462

	2009 HK$'000	2008 HK$'000
Cash flows from discontinued operations		
Net cash generated from/(used in) operating activities	231,680	(216,162)
Net cash used in financial activities	(82,227)	(99,401)
Net cash generated from investing activities	486	315,576
Net cash inflow	149,939	13

10. DISCONTINUED OPERATIONS (Continued)

(ii) Disposal of the operation in investment holdings in Macau

The Company announced that on 28 November 2009, an agreement was entered into between the Company as the vendor and U Wa Hotel Management Limited ("U Wa"), as the purchaser, in which Mr. Hoi Man Pak, an ex-director of the Company, has equity interest with regard to the disposal of (i) the Sale Share, being the entire interest of Pearl Oriental Macau Limited ("Pearl Oriental Macau"); and (ii) the Shareholder's Loans (being approximately HK$346.7 million) by the Company for an aggregate consideration of HK$400 million, which shall be satisfied in cash.

The principal assets of Pearl Oriental Macau is the MOP400,000 issued quota of Hotel Golden Dragon (Macau) Company Limited ("Golden Dragon"), representing 40% of the issued quota of Golden Dragon and an associate of the Group.

Details of the transaction are set out in the Company's announcement and circular dated 1 December 2009 and 11 January 2010 respectively.

10. DISCONTINUED OPERATIONS (Continued)

(ii) Disposal of the operation in investment holdings in Macau (Continued)

An analysis of the result and cash flows of the discontinued operations of each year is as follows:

	Note	2009 HK$'000	2008 HK$'000
Turnover		–	–
Cost of inventories		–	–
Gross profit		–	–
Other revenue and net income		–	–
Loss on re-measurement to fair value less costs to sell	23	(50,298)	–
Expenses		(2,941)	(1,221)
Loss from operations		(53,239)	(1,221)
Share of result of an associate		(65,144)	(138,108)
Loss before taxation		(118,383)	(139,329)
Income tax		–	–
Loss for the year from discontinued operations		(118,383)	(139,329)

10. DISCONTINUED OPERATIONS (Continued)

(ii) Disposal of the operation in investment holdings in Macau (Continued)

	2009 HK$'000	2008 HK$'000
Cash flows from discontinued operations		
Net cash used in operating activities	**(542,621)**	(187,816)
Net cash generated from/(used in) financial activities	**–**	–
Net cash generated from investing activities	**542,621**	187,816
Net cash (outflow)/inflow	**–**	–

(iii) Disposal of the trading of leather products business

On 22 May 2008, the Company entered into an agreement with Peakway Holdings Limited, the non-controlling shareholder of Pathway International Limited ("Pathway"), for the disposal of the Group's 50% interest in Pathway and for assignment of the shareholder's loan owned by Pathway to the Company for HK$3,000,000. Pathway and its subsidiaries (collectively the "Pathway Group") were engaged in the trading of leather products.

Further details of the disposal are set out in the Company's announcement and circular dated 22 May 2008 and 6 June 2008 respectively. Upon completion of the disposal on 3 July 2008, the Group discontinued the business of trading of leather products in 2008.

10. DISCONTINUED OPERATIONS (Continued)

(iii) Disposal of the trading of leather products business (Continued)

An analysis of the result and cash flows of the discontinued operations is as follows:

	Notes	2008 HK$'000
Turnover		27,642
Cost of inventories		(20,874)
Gross profit		6,768
Other revenue and net income		2,266
Expenses		(11,955)
Loss from operations		(2,921)
Finance cost		(145)
Loss before taxation		(3,066)
Income tax expense	9	(17)
Loss after taxation		(3,083)
Gain on disposal of the subsidiaries	30(iii)	26,476
Profit for the year from discontinued operations		23,393

10. DISCONTINUED OPERATIONS (Continued)

(iii) Disposal of the trading of leather products business (Continued)

	2008 HK$'000
Cash flows from discontinued operations	
Net cash used in operating activities	(4,851)
Net cash generated from financial activities	4,655
Net cash used in investing activities	(557)
Net cash outflow	(753)

(iv) Disposal of the operation in property development in Macau

On 9 May 2008, the Company entered into a sale and purchase agreement with Mr. Ung Sio Hong, an associate of a connected person of the Company, for the disposal of its entire equity interest and shareholders' loan in Parsinno International Limited ("Parsinno"), a wholly-owned subsidiary of the Group. Parsinno held 51% interest in Son Pou Real Estate Company Limited ("Son Pou") which was engaged in a property development project with a carrying amount of HK$75,636,000. The properties under development for rental purposes were pledged to secure general banking facilities granted to Son Pou, in Macau. The disposal was completed on 18 July 2008 and the Company discontinued the Macau operation in property development in 2009.

10. DISCONTINUED OPERATIONS (Continued)

(iv) Disposal of the operation in property development in Macau (Continued)

An analysis of the result and cash flows of the discontinued operations of each year is as follows:

	Note	2009 HK$'000	2008 HK$'000
Turnover		–	–
Cost of inventories		–	–
Gross profit		–	–
Other revenue and net income		–	4
Expenses		–	(54)
Loss from operations		–	(50)
Finance costs		–	(941)
Loss before taxation		–	(991)
Income tax		–	–
Loss after taxation		–	(991)
Gain on disposal of subsidiaries	30(ii)	–	19,068
Profit for the year from discontinued operations		–	18,077

10. DISCONTINUED OPERATIONS (Continued)

(iv) Disposal of the operation in property development in Macau (Continued)

	2009 HK$'000	2008 HK$'000
Cash flows from discontinued operations		
Net cash generated from operating activities	–	20,594
Net cash used in financial activities	–	(21,180)
Net cash generated from investing activities	–	4
Net cash outflow	–	(582)

(v) Disposal of the operation in property investment in Macau

As disclosed in the announcement issued on 2 January 2008, Super Times Far East Limited, a wholly-owned subsidiary of the Company entered into an agreement with Cheer Up Investments Limited ("Cheer Up"), which is wholly owned by Mr. Law Kar Po who is the Chairman, executive Director and a shareholder of the Company, the purchaser, to dispose of 12 residential units at various floors and 12 car parking spaces of Edificio Zhu Kuan Mansion (珠光大廈) located in Macau to Cheer Up for approximately HK$39,109,000. The disposal was completed on 7 April 2008. The remaining 38 residential units and 46 car parking spaces had already been sold up in 2008.

An analysis of the result and cash flows of the discontinued operations of each year is as follows:

	2009 HK$'000	2008 HK$'000
Turnover	–	81,109
Cost of inventories	–	(63,227)
Gross profit	–	17,882
Other revenue and net income	–	515
Expenses	–	(316)
Profit from operations	–	18,081
Finance cost	–	(774)
Profit before taxation	–	17,307
Income tax	–	–
Profit for the year from discontinued operations	–	17,307

10. DISCONTINUED OPERATIONS (Continued)

(v) Disposal of the operation in property investment in Macau (Continued)

	2009 HK$'000	2008 HK$'000
Cash flows from discontinued operations		
Net cash used in operating activities	–	(2,370)
Net cash used in financial activities	–	(66,164)
Net cash generated from investing activities	–	61,624
Net cash outflow	–	(6,910)

11. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operation decision maker ("CODM") in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments.

Segment revenue represents revenue generated from external customers. There were no inter-segment sales during the year (2008: nil).

CODM monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss). The adjusted profit/(loss) is measured consistently with the Group's profit/(loss) except that finance costs, central administration costs including directors' salaries under the heading of unallocated corporate expenses and other operating income are excluded from such measurement.

11. SEGMENT INFORMATION (Continued)

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than corporate assets.

In a manner consistent with the way in which information is reported internally to CODM for the purpose of resources allocation and performance assessment, the Group is currently organized into the following operating segments.

Continuing operations

(a) the property development and investment segment engages in (i) rental from investment properties and (ii) sale of property. The property development and investment is further evaluated on a geographical basis (Hong Kong and the People's Republic of China other than Hong Kong and Macau (the "PRC")).

Discontinued operations

(a) the property development and investment segment engages in (i) rental from investment properties and (ii) sale of property on a geographical basis of Macau; and

(b) the investment holding segment engages in investment in associates on a geographical basis of Macau.

11. SEGMENT INFORMATION (Continued)

Segment information by operating segment for the year ended 31 December 2009 is as follows:

	For the year ended 31 December 2009						
	Continuing operations			Discontinued operations			
	Property development and investment Hong Kong HK$'000	Property development and investment PRC HK$'000	Total continuing operations HK$'000	Property development and investment (Macau) HK$'000	Investment holding HK$'000	Total discontinued operations HK$'000	Total group HK$'000
Segment revenue (from external customers)	20,255	785	21,040	–	–	–	21,040
Segment profit/(loss)	20,352	(20,943)	(591)	(16,995)	(53,239)	(70,234)	(70,825)
Other operating income			8,640			–	8,640
Unallocated corporate expenses			(16,723)			–	(16,723)
Loss from operations			(8,674)			(70,234)	(78,908)
Finance costs			(11,692)			(1,088)	(12,780)
Share of results of an associate	–	–	–	–	(65,144)	(65,144)	(65,144)
Loss before taxation			(20,366)			(136,466)	(156,832)
Income tax expenses	(2,971)	(56)	(3,027)	–	–	–	(3,027)
Gain on disposal of a subsidiary	–	–	–	17,144	–	17,144	17,144
Loss for the year			(23,393)			(119,322)	(142,715)
Other segment information							
Additions to non-current assets	–	270,596	270,596	–	–	–	270,596
Depreciation	213	2,628	2,841	–	–	–	2,841
Segment assets	78,000	1,775,929	1,853,929	–	–	–	1,853,929
Interests in an associate	–	–	–	–	400,000	400,000	400,000
Unallocated assets			203,915			–	203,915
			2,057,844			400,000	2,457,844

11. SEGMENT INFORMATION (Continued)

Segment information by operating segment for the year ended 31 December 2008 is as follows:

	For the year ended 31 December 2008							
	Continuing Operations			Discontinued operations				
	Property development and investment Hong Kong HK$'000	Property development and investment PRC HK$'000	Total continuing operations HK$'000	Property development and investment (Macau) HK$'000	Investment holding HK$'000	Trading of leather products HK$'000	Total discontinued operations HK$'000	Total group HK$'000
Segment revenue (from external customers)	761	796	1,557	81,109	–	27,642	108,751	110,308
Segment (loss)/profit	(23,837)	(20,674)	(44,511)	51,257	(1,221)	(2,921)	47,115	2,604
Other operating income			13,975				–	13,975
Unallocated corporate expenses			(15,960)				–	(15,960)
(Loss)/profit from operations			(46,496)				47,115	619
Finance costs			(12,805)				(8,624)	(21,429)
Share of results of an associate	–	–	–	–	(138,108)	–	(138,108)	(138,108)
Loss before taxation			(59,301)				(99,617)	(158,918)
Income tax credit/(expenses)	–	251	251	–	–	(17)	(17)	234
Gain on disposal of subsidiaries	–	–	–	19,068	–	26,476	45,544	45,544
Loss for the year			(59,050)				(54,090)	(113,140)
Other segment information								
Additions to non-current assets	81,268	97,531	178,799	93	–	3,236	3,329	182,128
Depreciation	–	2,912	2,912	14	–	785	799	3,711
Segment assets	62,374	1,161,904	1,224,278	391,455	–	–	391,455	1,615,733
Interests in an associate	–	–	–	–	542,626	–	542,626	542,626
Unallocated assets			172,978				–	172,978
			1,397,256				934,081	2,331,337

Note: Segment information for the year ended 31 December 2008 has been restated upon application of HKFRS 8.

Information about a major customer

Revenue of approximately HK$17,500,000 (2008: HK$81,109,000) was derived from sales of completed properties held for sale under property development and investment segment.

12. LOSS PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic and diluted loss per share is based on the following data:

	2009 HK$'000	2008 HK$'000
Loss		
Loss for the purposes of basic loss per share (loss for the year attributable to owners of the Company)	**(135,859)**	(116,091)
After tax effect of effective interest on liability component of convertible notes (note 1)	**–**	–
Loss for the purposes of diluted loss per share	**(135,859)**	(116,091)

Number of shares

	Number of shares 2009	2008
Weighted average number of ordinary shares for the purpose of basic loss per share	**4,011,731,539**	3,983,519,924
Effect of deemed conversion of convertible notes into the Company's new ordinary shares (note 2)	**–**	–
Weighted average number of ordinary share for the purpose of diluted loss per share	**4,011,731,539**	3,983,519,924

Notes:

1. For the years ended 31 December 2009 and 2008, no after tax effect of effective interest on liability component of convertible notes was provided because the exercise of warrants and conversion of all outstanding convertible notes would have anti-dilutive effects.

2. For the years ended 31 December 2009 and 2008, the convertible notes had an anti-dilutive effect on the basic loss per share and was ignored in the calculation of diluted loss per share.

12. LOSS PER SHARE (Continued)

(b) From continuing operations

Loss figures for basic loss per share are calculated as follows:

	2009 HK$'000	2008 HK$'000
Loss for the year attributable to owners of the Company	**(135,859)**	(116,091)
Less: loss for the year from discontinued operations	**(119,322)**	(54,090)
Loss for the purposes of basic loss per share from continuing operations	**(16,537)**	(62,001)

Loss figures for diluted loss per share are calculated as follows:

	2009 HK$'000	2008 HK$'000
Loss for the purposes of basic loss per share from continuing operations	**(16,537)**	(62,001)
After tax effect of effective interest on liability component of convertible notes (note 1)	**–**	–
Loss for the purposes of diluted loss per share from continuing operations	**(16,537)**	(62,001)

Note 1:

For the years ended 31 December 2009 and 2008, no after tax effect of effective interest on liability component of convertible notes was provided because the exercise of warrants and conversion of all outstanding convertible notes would have anti-dilutive effects.

The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of HK$3,375,000 (2008: HK$18,729,000) which has been dealt with in financial statements of the Company.

14. INVESTMENT PROPERTIES

	Completed investment properties HK$'000	Investment properties under development HK$'000	Total HK$'000
At 1 January 2008	68,520	–	68,520
Additions	81,268	–	81,268
Disposals	(62,100)	–	(62,100)
Fair value loss	(21,268)	–	(21,268)
Exchange alignment	401	–	401
At 31 December 2008 and 1 January 2009	66,821	–	66,821
Transfers from properties under development due to the adoption of Amendments to HKAS 40	–	519,090	519,090
Additions	–	269,768	269,768
Fair value gain	18,000	–	18,000
Transfers to assets classified as held for sale under HKFRS 5	(78,000)	–	(78,000)
Exchange alignment	(16)	(668)	(684)
At 31 December 2009	**6,805**	**788,190**	**794,995**

14. INVESTMENT PROPERTIES (Continued)

(a) At 31 December 2009, interests capitalised as costs of investment properties amounted to approximately HK$27,547,000.

(b) Breakdowns of investment properties:

	The Group	
	2009	2008
	HK$'000	HK$'000
Completed investment properties at fair value	6,805	66,821
Investment properties under development at cost	788,190	–
	794,995	66,821

Investment properties under development are carried at cost as the directors of the Company consider the fair value of investment properties under development cannot be reliably determined due to some construction not even started yet at 31 December 2009.

(c) At 31 December 2009, certain investment properties were pledged as securities for bank loans as detailed in note 35.

14. INVESTMENT PROPERTIES (Continued)

(d) Locations and leased terms of investment properties:

	The Group	
	2009	2008
	HK$'000	HK$'000
Completed investment properties in Hong Kong held under long-term lease	–	60,000
Completed investment properties in PRC held under medium-term lease	6,805	6,821
Investment properties under development in PRC under medium-term lease	788,190	–
	794,995	66,821

(e) The fair value of the Group's completed investment properties located in Hong Kong at 31 December 2008 were arrived at on the basis of a valuation carried out by BMI Appraisals Limited, an independent qualified professional valuers not connected with the Group having staff holding recognised and relevant professional qualification with recent experiences in the location and category of investment properties being valued. The valuations conformed to international valuation standards and were arrived at by reference to the market evidence of transaction prices for similar properties for the vacant units. The tenanted units were valued on the basis of capitalisation of net income receivable.

All completed investment properties of the Group located in PRC were revalued at 31 December 2009 and 2008 on an open market value basis calculated by reference to net rental income allowing for reversionary income potential. The valuations were carried out by an independent firm of DTZ Debenham Tie Leung Limited having staff holding recognized and relevant professional qualification with recent experiences in the location and category of property being valued.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Land and building HK$'000	Leasehold improvement HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Total HK$'000
Cost							
At 1 January 2008	18,969	3,147	3,563	9,007	4,483	1,490	40,659
Additions	–	40	175	–	3,206	17	3,438
Disposal of subsidiaries	(13,713)	(2,936)	(2,564)	(9,588)	(5,655)	(1,047)	(35,503)
Disposals	–	–	(89)	–	(1,743)	(13)	(1,845)
Exchange alignments	1,361	–	33	581	1,063	14	3,052
At 31 December 2008 and 1 January 2009	6,617	251	1,118	–	1,354	461	9,801
Additions	–	–	279	–	292	25	596
Disposal of a subsidiary	–	–	–	–	–	(15)	(15)
Exchange alignments	(16)	–	(1)	–	(2)	(1)	(20)
At 31 December 2009	**6,601**	**251**	**1,396**	**–**	**1,644**	**470**	**10,362**
Accumulated depreciation and impairment							
At 1 January 2008	10,743	2,894	2,657	7,660	2,882	1,048	27,884
Charge for the year	3,037	38	303	–	571	92	4,041
Disposal of subsidiaries	(11,664)	(2,704)	(2,280)	(8,153)	(2,139)	(907)	(27,847)
Disposals	–	–	(70)	–	(1,705)	(6)	(1,781)
Exchange alignments	852	–	8	493	1,016	4	2,373
At 31 December 2008 and 1 January 2009	2,968	228	618	–	625	231	4,670
Charge for the year	2,296	20	166	–	267	92	2,841
Disposal of a subsidiary	–	–	–	–	–	(13)	(13)
Exchange alignments	(4)	–	(1)	–	(1)	(1)	(7)
At 31 December 2009	**5,260**	**248**	**783**	**–**	**891**	**309**	**7,491**
Carrying amount							
At 31 December 2009	**1,341**	**3**	**613**	**–**	**753**	**161**	**2,871**
At 31 December 2008	3,649	23	500	–	729	230	5,131

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The analysis of carrying amount of building held by the Group is as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Outside Hong Kong held under medium-term leases	**1,341**	3,649

16. PROPERTIES UNDER DEVELOPMENT

	The Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**548,952**	523,905
Transfer to investment properties due to the adoption of Amendments to HKAS 40	**(519,090)**	–
Change in construction cost estimation in prior year	**–**	(8,355)
Eliminated on disposal of subsidiaries	**–**	(75,636)
Other incidental expenses capitalized during the year	**232**	97,531
Exchange alignments	**(15)**	11,507
At 31 December	**30,079**	548,952

(a) At 31 December 2009, land use rights included in properties under development were pledged as securities for the Group's borrowings as detailed in note 35.

(b) The carrying amount of properties under development shown above are as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Properties under development outside Hong Kong under medium-term lease	**30,079**	548,952

For the year ended 31 December 2009, interest capitalized into properties under development amounted to HK$nil (2008: HK$21,974,000).

17. INTERESTS IN SUBSIDIARIES

	The Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**150,548**	150,548
Impairment loss recognised (a)	**(2,100)**	(2,100)
	148,448	148,448
Due from subsidiaries (b)	**350,499**	709,087
	498,947	857,535

(a) Star Palace Enterprises Limited, a subsidiary of the Company, ceased to conduct the shoes and bag retail business and remained inactive after the disposal of its retail business in 2006. In 2006, the management of the Group assessed the recoverable amounts of the investments in subsidiaries based on past performance, management's expectations for the market development and certain key assumptions. Based on these assessments, the carrying amounts of the investments in subsidiaries were written down by HK$2,100,000.

In 2009, the management of the Group re-assessed the recoverable amounts of the investments in subsidiaries on similar basis and concluded that no further impairment loss was required for the year.

17. INTERESTS IN SUBSIDIARIES (Continued)

(b) An analysis of the amounts due from subsidiaries is listed below:

	The Company	
	2009	2008
	HK$'000	HK$'000
Due from subsidiaries	**433,405**	821,182
Less: Impairment	**(82,906)**	(112,095)
Balance at 31 December	**350,499**	709,087

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors of the Company, the carrying amounts of the amounts due from subsidiaries approximate to their fair values.

Subsequent to the disposal of Pathway Group as detailed in note 10(iii), an impairment of approximately HK$31,192,000 made in previous years in respect of amount due from Pathway Group was reversed in 2008.

In 2009, the management of the Group assessed the recoverable amounts of the amount due from subsidiaries after considering profitability, cash flow position, financial position, forecast business development and future prospects of the subsidiaries. Based on this assessment, the directors of the Company consider that the carrying values of the amounts due from subsidiaries net of the impairment losses recognised approximate to their recoverable amounts.

17. INTERESTS IN SUBSIDIARIES (Continued)

(c) The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of subsidiary	Place of incorporation	Particulars of issued and paid up capital/ registered capital	Proportion of effective interest held by the Group		Principal activities
			Directly	Indirectly	
Star Palace Enterprises Limited	Hong Kong	3,000,000 shares of HK$1 each	70%	–	Inactive
Pearl Oriental Macau Limited	Hong Kong	1 share of HK$1	100%	–	Investment holding
Canasta Overseas Group Limited	British Virgin Islands ("BVI")	1 share of US$1	100%	–	Inactive
Prospect Sync Holdings Limited	BVI	1 share of US$1	100%	–	Investment holding
China Chen Holdings Limited	Hong Kong	1 share of HK$1	100%	–	Property holding
Honesty Services Limited	Hong Kong	1 share of HK$1	100%	–	Holding of motor vehicles
Honesty Treasure Limited	Hong Kong	2 shares of HK$1 each	50%	50%	Provision of management services
Honesty Treasure Management Limited	Macau	Registered capital MOP25,000	4%	96%	Inactive
Fast Action Developments Limited	BVI	1 share of US$1	100%	–	Investment holding

17. INTERESTS IN SUBSIDIARIES (Continued)

(c) (Continued)

Name of subsidiary	Place of incorporation	Particulars of issued and paid up capital/ registered capital	Proportion of effective interest held by the Group		Principal activities
			Directly	Indirectly	
Super Times Far East Limited	BVI	1 share of US$1	100%	–	Inactive
Ampleline Holdings Limited	BVI	1 share of US$1	100%	–	Inactive
Patient Holdings Limited	BVI	1 share of US$1	100%	–	Property holding
Central Bingo Group Limited	BVI	1 share of US$1	100%	–	Investment holding
China Infrastructure Limited	Hong Kong	1 share of HK$1	–	100%	Investment holding
Pan-China (Shenyang) Real Estate Development Limited (note (i))	PRC	Issued and paid up capital US$61,878,920	–	70%	Property development
Shenyang Pan-China Business Property Management Limited (note (ii))	PRC	Issued and paid up capital RMB2,000,000	–	70%	Provision of property management services

Notes:

(i) Registered under the laws of the PRC as sino-foreign equity joint venture enterprise.

(ii) Registered under the laws of the PRC as domestic enterprise.

18. INTERESTS IN AN ASSOCIATE

	The Group	
	2009	2008
	HK$'000	HK$'000
Share of net assets, net of dividends received	**–**	542,626

(a) Reconciliation of the interests in an associate

	The Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**542,626**	730,443
Share of results of an associate, net of dividend	**(92,328)**	(187,817)
Assets classified as held for sale (note 23(a))	**(450,298)**	–
At 31 December	**–**	542,626

(i) Interests in an associate was classified as assets held for sale (note 23 (a)) at 31 December 2009.

18. INTERESTS IN AN ASSOCIATE (Continued)

(b) The following list contains only the particulars of associates, both of which are unlisted corporate entities, which principally affected the results and net assets of the Group:

Name of company	Form of business structure	Place of incorporation	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by subsidiary	Proportion of ownership interest: Held by associate	Principal activities
Hotel Golden Dragon (Macao) Company Limited	Incorporated	Macau	Registered capital MOP1,000,000	40%	40%	–	Operation of hotel
Sunny Tourist & Entertainment Company Limited	Incorporated	Macau	Registered capital MOP100,000	24%	–	60%	Provision for tourism, related services and casino business

(c) The summarised consolidated financial information of an associate is as follows:

	2009 HK$'000	2008 HK$'000
Non-current assets	**1,200,832**	1,533,253
Current assets	**351,655**	290,429
Non-current liabilities	**(280,771)**	(287,931)
Current liabilities	**(74,803)**	(84,355)
Equity	**1,196,913**	1,451,396
Revenues	**335,978**	393,629
Loss*	**(162,861)**	(345,269)

* Including a fair value loss on investment properties for the year ended 31 December 2009 amounting to approximately HK$281,000,000 (2008: HK$450,000,000).

19. DEPOSITS PAID FOR LONG-TERM INVESTMENT

On 13 June 2008, the Company, being the purchaser, entered into an agreement (the "Agreement") with an independent third party (Madam Ji Hong Bin), being the vendor, to purchase the entire issued share capital of Finest Gain Investments Limited ("Finest Gain"), an investment holding company incorporated in the British Virgin Islands for HK$200,000,000 (the "Acquisition"). Finest Gain does not have any other business, assets and liabilities except for an indirect investment in 100% equity interest in Yancheng Feng Ji New Energy Limited ("Yancheng Feng Ji"), a company incorporated in the PRC which, upon completion of its electricity generation plant, will be engaged in the production and supply of electricity and heat by recycling of agricultural wastes.

On 19 June 2009, the Company announced that in light of the lapse of the completion date and the uncertain outlook of the economy in the foreseeable future, the Company was currently in discussion with Madam Ji Hong Bin to negotiate the terms of the termination of the Agreement.

On 22 December 2009, the Company entered into the termination agreement with the vendor to terminate the Acquisition. Pursuant to the termination agreement, the vendor shall refund to the Company the entire amount paid, being HK$140 million (the "Deposit"), either by an one-off repayment or by installments on or before 31 December 2010, unless agree otherwise. The vendor agreed to pledge the entire interest in Finest Gain and Rise Luck International Investment Limited, parent company of Yancheng Feng Ji, as collateral to the Company.

In light of the termination agreement, a total of HK$140,000,000 was reclassified into current assets at 31 December 2009.

The directors of the Company consider the full amount of Deposit will be recovered within one year and the fair values of Deposit approximate its carrying amounts.

20. STOCK OF PROPERTIES

	The Group 2009 HK$'000	2008 HK$'000
Completed properties held for sale	–	–
Properties under development for sale expected to be completed within normal operating cycle included under current assets	719,764	758,056
	719,764	758,056

(a) During the year ended 31 December 2009, the Group has sold completed properties held for sale for HK$17,500,000 (note 4).

(b) The properties under development for sale are located in the PRC.

(c) At 31 December 2009, the directors of the Company reviewed the carrying amounts of the properties under development for sales with reference to current market situation and the estimated selling price of the properties under development for sales as well as the valuation report prepared by DTZ Debenham Tie Leung Limited. No impairment loss recognised was made during the years ended 31 December 2009 and 2008.

(d) At 31 December 2009 and 2008, certain properties under development for sale were pledged as securities for bank loans as detailed in note 35.

(e) The carrying amounts of properties under development for sale shown above are as follows:

	The Group 2009 HK$'000	2008 HK$'000
Properties in Macau held – under long-term lease	–	315,063
Properties in PRC held – under medium-term lease	719,764	442,993
	719,764	758,056

21. TRADE AND OTHER RECEIVABLES

		The Group		The Company	
		2009	2008	**2009**	2008
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade debtors		**–**	153	**–**	–
Less: Impairment loss for bad and doubtful debts		**–**	(153)	**–**	–
	(a)	**–**	–	**–**	–
Due from related companies		**–**	642	**–**	–
Loan receivables	(b)	**10,808**	79,583	**10,808**	79,583
Prepayments, deposits and other receivables	(c)	**170,715**	56,891	**151,681**	9,175
		181,523	137,116	**162,489**	88,758

(a) The Group's major businesses are property development and property investment. The major income generated during the year is sale proceeds from the disposal of completed properties held for sale and rental income. Rent and related charges derived from the leasing of properties are receivable from tenants and are normally payable in advance in accordance with the terms of the tenancy agreements.

21. TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

The movement in the allowance account for the bad and doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**153**	79,924
Impairment losses	**–**	153
Reversal of impairment losses	**–**	(762)
Amounts written off as uncollectible	**(153)**	–
Disposal of subsidiaries	**–**	(79,162)
At 31 December	**–**	153

At 31 December 2008, impairment losses for certain bad and doubtful debts of approximately HK$762,000 made in previous years were reversed due to the debts were subsequently recovered.

At 31 December 2008, the Group's trade debtors of HK$153,000 were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables was expected to be recovered. The Group did not hold any collateral over these balances. The amount has been determined to be uncollectible and has been derecognised in full at 31 December 2009.

Subsequent to the disposal of Pathway Group as detailed in note 10(iii), the impairment losses of approximately HK$79,162,000 made for bad and doubtful debts of Pathway Group in previous years were reversed in 2008.

21. TRADE AND OTHER RECEIVABLES (Continued)

(b) The loan receivables of HK$10,808,000 (2008: HK$79,583,000) bear interest at nil% (2008: 8%) per annum and receivable on demand (2008: receivable within 1 year).

The Group received continuous settlements from the borrower during the year. Therefore, the directors of the Company consider that no impairment is to be made since the amount is considered recoverable in full.

(c) Included in the prepayments, deposits and other receivables of HK$170,715,000, HK$140,000,000 had been reclassified from deposits paid for long-term investment (note 19) while approximately HK$622,000 (2008: HK$41,562,000) was due from a non-controlling interest and arising from the ordinary course of business.

The directors of the Company consider the fair values of Group and the Company's trade and other receivables approximate its carrying amounts.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances (note 1)	**250,612**	132,635	**52,742**	19,460
Less: pledged deposits (notes 2&3)	**(145,204)**	(96,535)	**–**	–
Cash and cash equivalents	**105,408**	36,100	**52,742**	19,460

Notes:

1. Included in cash and bank balances of the Group is approximately HK$130,114,000 (2008: HK$43,541,000) of bank balances denominated in Renminbi ("RMB") and is placed in banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

2. Bank balances and pledged deposits earn interests at floating and fixed rates respectively, and are placed and deposited with creditworthy banks with no recent history of default.

3. The Group's pledged deposits at 31 December 2009 and 2008 served to secure certain interest-bearing borrowings, secured. Loans related to pledged deposits are all fully repayable within 1 year (note 25).

The directors of the Company consider the fair values of Group and the Company's cash and cash equivalents and pledged deposits approximate its carrying amounts.

23. ASSETS CLASSIFIED AS HELD FOR SALE

(a) The disposal agreement was entered into between the Company and the purchaser with regard to the disposal of (i) the Sale Share, being the entire interest of Pearl Oriental Macau, in which the principal assets are the MOP400,000 issued quota of Golden Dragon, representing the interest in an associate of the Group ("Disposal Group"); and (ii) the Shareholder's Loans (being approximately HK$346.7 million), which was included in interests in subsidiaries, by the Company for an aggregate consideration of HK$400 million.

The transaction was completed on 29 January 2010.

(i) The Group

The major class of assets classified as held for sale is as follows:

	2009 HK$'000
Interests in Disposal Group	450,298
Less: loss on re-measurement to fair value less costs to sell (note)	(50,298)
	400,000

Note: HK$50,298,000 represents the difference between the aggregate net asset value of Disposal Group at 31 December 2009 and the consideration received of HK$400,000,000.

The details of the result and cash flow are set out in note 10(ii).

(ii) The Company

The major class of assets of the Disposal Group classified as held for sale

	2009 HK$'000
Shareholder's Loans	346,674

(b) The Company announced that the provisional agreement was entered into between the purchaser and Patient Holdings Limited, a wholly-owned subsidiary of the Company in relation to the disposal of the property located at 29th Floor, The Sun's Group Centre, No. 200 Gloucester Road, Hong Kong for a total consideration of HK$84,900,000. The fair value of the investment properties at 31 December 2009 was HK$78,000,000.

The transaction was completed on 17 March 2010.

The major class of assets classified as held for sale is as follows:

	2009 HK$'000
Investment property (note)	78,000

23. ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

(b) (Continued)

Note:

The fair value of investment property located in Hong Kong at 31 December 2009 were arrived at on the basis of a valuation carried out by BMI Appraisals Limited, an independent qualified professional valuers not connected with the Group having staff holding recognised and relevant professional qualification with recent experiences in the location and category of investment properties being valued. The valuations conformed to international valuation standards and were arrived at by reference to the market evidence of transaction prices for similar properties for the vacant units. The tenanted units were valued on the basis of capitalisation of net income receivable.

24. TRADE AND OTHER PAYABLES

		The Group		The Company	
		2009	2008	2009	2008
	Notes	HK$'000	HK$'000	HK$'000	HK$'000
Trade creditors	(a)	10,719	32,081	–	–
Accruals and other payables		21,825	21,230	3,459	2,194
Advanced proceeds received from customers		266,455	72,553	–	–
Deposits received		50,600	–	50,000	–
Due to non-controlling interests	(b)	356,104	195,348	–	–
Due to related companies	(c)	–	273	–	–
Other loans	(d)	11,231	88,534	1,601	1,566
		716,934	410,019	55,060	3,760

(a) Ageing analysis of trade creditors is as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Due within 30 days or on demand	2,745	–
Due within 31 to 60 days	328	–
Due within 61 to 90 days	312	–
Due over 90 days	7,334	32,081
	10,719	32,081

24. TRADE AND OTHER PAYABLES (Continued)

(b) (i) At 31 December 2009, out of the total amount of HK$356,104,000 (2008: HK$195,348,000), loan amounting to approximately HK$90,243,000, principal thereof approximately HK$68,050,000, interest thereof approximately HK$22,193,000 (2008: HK$76,157,000, principle thereof approximately HK$57,982,000, interest thereof approximately HK$18,175,000) was unsecured, bearing interest at 8% per annum, repayable on demand and due to a non-controlling interest.

(ii) At 31 December 2009, loan amounting to approximately HK$52,342,000, principal thereof approximately HK$52,172,000, interest thereof approximately HK$170,000 from a non-controlling interest according to a Shareholder's Loan Agreement ("Agreement") dated 2 November 2009 with maturity of one year. In accordance with the Agreement, there was a Credit Facility amounting to approximately HK$453,669,000 (equivalent to RMB400,000,000) or such amount of credit as granted by the lender to the non-controlling interests for the utilization by the Group's subsidiary. Such credit was secured by investment properties as detailed in note 35. The details were set out in the circular dated 9 November 2009.

(iii) Included in the amounts due to non-controlling interests were HK$213,519,000 (2008: HK$119,191,000) were unsecured, non-interest bearing and have no fixed terms of repayments. Out of this balance, a total sum of HK$nil (2008: HK$69,248,000) was due to following parties:

	The Group	
	2009	2008
	HK$'000	HK$'000
Mr. Choy Wang Kong ("Mr. Choy")	–	6,664
Mr. Pedro Chiang ("Mr. Chiang")	–	26,654
Mr. Law Kar Po ("Mr. Law")	–	17,965
Mr. Hoi Man Pak ("Mr. Hoi")	–	9,995
Mr. Wu Ka I, Miguel ("Mr. Wu")	–	3,332
Ms. Law Wing Yee, Wendy ("Ms. Law")	–	1,306
Ms. Leong Lai Heng ("Ms. Leong")	–	3,332
	–	69,248

In 2008, Mr. Choy, Mr. Law, Mr. Hoi and Ms. Law were directors of the Company while Mr. Chiang, Mr. Wu and Ms. Leong were shareholders of a subsidiary of the Company.

24. TRADE AND OTHER PAYABLES (Continued)

(c) The amounts were unsecured, non-interest bearing and repayable on demand for the year ended 31 December 2008.

(d) Other loans of the Group and the Company amounting to approximately HK$1,601,000 (2008: HK$1,566,000) were due to independent third parties and unsecured, bearing interest at 2% per annum and repayable on demand.

Out of the total amount of HK$11,231,000 (2008: HK$88,534,000), other loans of HK$9,630,000 (2008: HK$86,968,000) bear interest at nil% (2008: 8%) per annum and repayable on demand (2008: repayable within 1 year).

The directors of the Company consider the fair values of Group and the Company's trade and other payables approximate its carrying amounts.

25. INTEREST-BEARING BORROWINGS, SECURED

	The Group	
	2009	2008
	HK$'000	HK$'000
Within 1 year or on demand	**317,397**	331,818
After 1 year but within 2 years	**2,513**	2,550
After 2 years but within 5 years	**7,537**	7,651
More than 5 years	**22,611**	24,662
	350,058	366,681

The bank loans were secured as follows:

	The Group			
	2009		2008	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'000
Bank loans – secured	**1.45-6.45**	**350,058**	1.45-8.32	366,681

25. INTEREST-BEARING BORROWINGS, SECURED (Continued)

(a) At 31 December 2009, the Group had outstanding bank borrowings of approximately HK$170,126,000 (2008: HK$102,321,000), which were secured by portion of properties under development held for sale with a carrying value of approximately HK$251,794,000 (2008: HK$150,789,741 (land portion)) and a deposit in the amount of HK$12,154,000 (2008: HK$36,534,663).

(b) At 31 December 2009, the Group had outstanding bank borrowing of approximately HK$56,709,000 (2008: HK$56,845,000), which was secured by a deposit of HK$65,000,000 (2008: HK$60,000,000) placed by a wholly-owned subsidiary of the Company as well as the corporate guarantee issued by the Company.

(c) At 31 December 2009, the Group had outstanding bank borrowing of approximately HK$55,173,000 (2008: HK$57,515,000) which was secured by the investment property of the Group with a carrying value of HK$78,000,000 (2008: HK$60,000,000) as well as the corporate guarantee to the extent of HK$58,000,000 (2008: HK$58,000,000) issued by the Company, out of total amount of HK$55,173,000 (2008: HK$57,515,000), approximately HK$35,173,000 (2008: HK$37,515,000) is repayable by monthly installments until September 2023.

(d) At 31 December 2009, the Group had outstanding bank loan of approximately of HK$68,050,000 (2008: nil) was secured by the pledged deposit of approximately HK$68,050,000 (2008: nil).

(e) At 31 December 2008, other bank loans of the Group amounting to HK$150,000,000 were secured by the properties under development for sale of the Group with a carrying amount of HK$315,062,782 and the personal guarantee of non-controlling shareholders, Mr. Hoi Man Pak, Mr. Wu Ka I, Miguel, Mr. Choy Wang Kong and Mr. Law Kar Po, for the amounts of HK$45,000,000, HK$7,500,000, HK$37,500,000 and HK$60,000,000 respectively.

(f) The directors of the Company consider the fair values of Group and the Company's interest-bearing borrowings, secured approximate its carrying amounts.

26. CONVERTIBLE NOTES

The Group and the Company

On 28 April 2006, the Company issued HK$91,094,000 convertible notes (2011 convertible notes) redeemable within 5 years from the date of issue. The notes bear interest at 2.5% per annum and are unsecured. The holders of the notes have the right at any time after the issue of the notes to convert any outstanding amount of the notes into the shares of the Company at the conversion price of HK$0.148 per share (subject to adjustment) until 27 April 2011. Further details are set out in the Company's circular dated 22 March 2006.

The convertible notes contain two components, namely, a liability component and an equity component. The equity element is presented in equity under the heading "convertible notes – equity reserves". The effective interest rate of the liability component is 7.094%.

On 24 August 2007, the Company further issued HK$160,000,000 convertible notes (2012 convertible notes) redeemable within 5 years from the date of issue. The notes bear interest at 2.5% per annum and are unsecured. The holders of the notes have the right at any time after the issue of the notes to convert any outstanding amount of the notes into the shares of the Company at the conversion price of HK$0.3 per share (subject to adjustment) until 23 August 2012. Further details are set out in the Company's circular dated 11 July 2007.

On 25 September 2009, Fast Action and the Purchasers entered into a settlement agreement in respect of the procurement of settlement of a portion of the final payment to Fast Action under a disposal by way of early redemption of certain amount of the Convertible Notes at face value by the Company. Out of the total amount of HK$126.5 million, the amount of HK$95,000,000 settled by the way of early redemption of 2012 convertible notes at face value by the Company.

The convertible notes contain two components, namely, a liability component and an equity component. The equity element is presented in equity under the heading "convertible notes – equity reserves". The effective interest rate of the liability component is 6.738%.

In October 2009, the Company early redeemed the 2012 convertible note of face value of HK$95,000,000 as part of consideration of disposal of CIDCOL. The fair value of the liability component, on the date of redemption determined with reference to the discount rate of 7.98% representing the then prevailing borrowing rate of the Company, was approximately of HK$82,300,000. The excess of the carrying amount over the fair value of the liability component resulted in gains of approximately HK$3,127,000 from the redemption of the 2012 convertible note and were recognized in the consolidated income statement in 2009.

26. CONVERTIBLE NOTES (Continued)

The movement of the liability component of the convertible notes is set out below:

	The Group and the Company	
	2009	2008
	HK$'000	HK$'000
At 1 January	177,977	171,412
Interest charged	10,757	11,589
Interest paid	(5,461)	(5,024)
Early redemption of convertible note	(85,427)	–
Conversion during the year	(3,699)	–
At 31 December	94,147	177,977

27. DEFERRED TAX LIABILITIES

The net movement on the deferred tax liabilities is as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	75,685	75,910
Expense/(credited) to consolidated income statement	3,027	(251)
Exchange alignments	(1)	26
At 31 December	78,711	75,685

27. DEFERRED TAX LIABILITIES (Continued)

The movements in deferred tax liabilities during the year were as follows:

	Fair value adjustments arising from valuation of investment properties HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Temporary differences HK$'000	Total HK$'000
At 1 January 2008	–	75,901	9	75,910
Credit to consolidated income statement	–	(242)	(9)	(251)
Exchange alignments	–	26	–	26
At 31 December 2008 and 1 January 2009	–	75,685	–	75,685
Expense to consolidated income statement	2,970	–	57	3,027
Exchange alignments	–	(1)	–	(1)
At 31 December 2009	**2,970**	**75,684**	**57**	**78,711**

28. EMPLOYEE RETIREMENT BENEFITS

(a) The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

(b) Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities, whereby the Group is required to make contributions to the Schemes at a rate ranging from 5% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees which are calculated based on a certain percentage of the basic payroll.

29. CAPITAL AND RESERVES

(a) The Company

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve (note) HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2008	178,145	570,563	69	35,703	(14,750)	769,730
Shares issued at a premium on exercise of warrants	1	1	–	–	–	2
Shares issued at a premium by placement	21,500	151,513	–	–	–	173,013
Loss for the year	–	–	–	–	(18,729)	(18,729)
At 31 December 2008 and 1 January 2009	199,646	722,077	69	35,703	(33,479)	924,016
Shares issued at a premium on conversion of convertible notes	1,539	3,016	–	(856)	–	3,699
Shares issued at a premium on exercise of warrants	1	3	–	–	–	4
Early redemption of convertible notes	–	–	–	(16,624)	3,925	(12,699)
Loss for the year	–	–	–	–	(3,375)	(3,375)
At 31 December 2009	**201,186**	**725,096**	**69**	**18,223**	**(32,929)**	**911,645**

Note: Capital redemption reserve represents the nominal value of shares repurchased out of distributable profit.

29. CAPITAL AND RESERVES (Continued)

(b) Share capital

The Group and the Company

	Notes	Number of shares 2009 '000	Number of shares 2008 '000	Nominal value 2009 HK$'000	Nominal value 2008 HK$'000
Authorised:					
Ordinary shares of HK$0.05 each	(i)	**10,000,000**	10,000,000	**500,000**	500,000
Ordinary shares:					
Issued and fully paid:					
At 1 January		**3,992,921**	3,562,916	**199,646**	178,145
Issue of new shares by placement	(ii)	**–**	430,000	**–**	21,500
Issue of new shares on conversion of convertible notes	(iii)	**30,774**	–	**1,539**	–
Shares issued upon exercise of warrants	(iv)	**15**	5	**1**	1
At 31 December		**4,023,710**	3,992,921	**201,186**	199,646

(i) As announced by the Company on 14 January 2008, the authorised share capital of the Company was increased from HK$250,000,000 divided into 5,000,000,000 shares to HK$500,000,000 divided into 10,000,000,000 shares. All new shares rank pari passu with the then existing shares.

(ii) The placement of 430,000,000 new shares of HK$0.05 each in the capital of the Company with the issue price of HK$0.41 per share was completed on 9 January 2008. The new shares issued rank pari passu with the then existing shares.

(iii) During the year ended 31 December 2009, the holders of 2011 Convertible Notes converted certain notes into 30,774,000 ordinary shares at a conversion price of HK$0.148 per share.

29. CAPITAL AND RESERVES (Continued)

(b) Share capital (Continued)

(iv) During the year ended 31 December 2009, new shares were issued upon the conversion of certain 2009 Warrants into 15,392 new shares of HK$0.05 each at a price of HK$0.25 per share.

During the year ended 31 December 2008 new shares were issued upon the conversion of certain 2009 Warrants into 5,200 new shares of HK$0.05 each at a price of HK$0.25 per share.

(v) Warrants

	Date of issue	Expiry date	At 1/1/2009	Exercised during the year	Lapsed during the year	At 31/12/2009
2009 Warrants	7/6/2006	6/6/2009	253,883,435	(15,392)	(253,868,043)	–

	Date of issue	Expiry date	At 1/1/2008	Exercised during the year	Lapsed during the year	At 31/12/2008
2009 Warrants	7/6/2006	6/6/2009	253,888,635	(5,200)	–	253,883,435

The subscription rights attached to the warrants (the "2009 Warrants") expired and the last time to exercise the subscription rights were at 4:00 p.m. on Friday, 5 June 2009.

(c) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt (which includes borrowings and convertible notes), cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves, retained earnings of the Group and accumulated losses of the Company.

29. CAPITAL AND RESERVES (Continued)

(c) Capital management (Continued)

The gearing ratio at 31 December 2009 and 2008 was as follows:

		The Group		The Company	
		2009	2008	**2009**	2008
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current liabilities:					
Trade and other payables	24	**716,934**	410,019	**55,060**	3,760
Interest-bearing borrowings, secured	25	**317,397**	331,818	**–**	–
		1,034,331	741,837	**55,060**	3,760
Non-current liabilities:					
Interest-bearing borrowings, secured	25	**32,661**	34,863	**–**	–
Convertible notes	26	**94,147**	177,977	**94,147**	177,977
Total debts		**1,161,139**	954,677	**149,207**	181,737
Less: cash and cash equivalents (including disposal group)	22	**(250,612)**	(132,635)	**(52,742)**	(19,460)
Net debts		**910,527**	822,042	**96,465**	162,277
Capital	(a)	**974,631**	1,120,236	**911,645**	924,016
Gearing ratio		**93.4%**	73.4%	**10.6%**	17.6%

Note:

(a) Capital includes all share capital and reserves of the Group and the Company.

(d) The directors of the Company did not recommend any payment of dividend for the year ended 31 December 2009 (2008: nil).

30. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(i) Disposal of a subsidiary

Details of the disposal of all interests in CIDCOL held by Fast Action (note 10(i)) and the interests in net assets of CIDCOL are as follows:

	2009 HK$000
Interests in net assets of CIDCOL:	
Property under development	318,822
Other receivables	270
Cash and cash equivalents	150,443
Accruals	(706)
Loans from shareholders	(303,250)
Interest-bearing borrowings	(150,000)
	15,579
Net assets belong to the Company – 55%	8,569
Shareholders' loan belong to the Company	100,787
Net assets disposed of:	109,356
Gain on disposal of a subsidiary	17,144
Total consideration apportioned to the Company	126,500
Satisfied by:	
– HK$95 million settled by face value of HK$95 million of convertible note	95,000
– HK$31.5 million settled by cash	31,500
Total consideration apportioned to the Company	126,500
Analysis of net outflow of cash and cash equivalents on disposal of a subsidiary	
Cash consideration received	31,500
Less: Bank balances and cash of a subsidiary disposed	(150,443)
	(118,943)

30. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(ii) Disposal of subsidiaries

On 9 May 2008, the Company entered into an agreement with Mr. Ung Sio Hong, a related party, for the disposal of its entire equity interest and shareholders' loan in Parsinno International Limited ("Parsinno"), a wholly-owned subsidiary of the Group. Parsinno held 51% interest in Son Pou Real Estate Company Limited ("Son Pou") which is engaged in a property development project with a carrying amount of HK$75,636,000. The properties under development for rental purposes are pledged to secure general banking facilities granted to Son Pou, in Macau. The disposal was completed on 18 July 2008.

	2008 HK$'000
Net assets disposed of:	
Properties under development	75,636
Bank balances and cash	228
Trade and other payables	(23)
Due to non-controlling interests	(20,483)
Interest-bearing borrowings, secured	(37,400)
	17,958
Gain on disposal of subsidiaries	19,068
Total consideration	37,026
Satisfied by:	
– Cash	37,026
Analysis of net inflow of cash and cash equivalents on disposal of subsidiaries:	
Cash consideration received	37,026
Less: Bank balances and cash of the subsidiaries disposed	(228)
	36,798

30. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(iii) Disposal of subsidiaries

On 22 May 2008, the Company entered into an agreement with Peakway Holdings Limited, the non-controlling shareholder of Pathway, for the disposal of the Group's 50% interest in Pathway and for assignment of the shareholder's loan owned by Pathway to the Company for HK$3,000,000. Pathway and its subsidiaries (collectively the "Pathway Group") were engaged in the trading of leather products.

	2008 HK$'000
Net assets disposed of:	
Property, plant and equipment	7,656
Inventories	8,881
Trade and other receivables	15,140
Financial assets at fair value through profit or loss	91
Bank balances and cash	3,046
Exchange reserve	15
Trade and other payables	(20,468)
Due to non-controlling interests	(31,056)
Interest – bearing borrowings, secured	(6,781)
	(23,476)
Gain on disposal of subsidiaries	26,476
Total consideration	3,000
Satisfied by:	
– Cash	3,000
Analysis of net outflow of cash and cash equivalents on disposal of subsidiaries:	
Cash consideration received	3,000
Less: Bank balances and cash of the subsidiaries disposed	(3,046)
	(46)

31. FINANCIAL INSTRUMENTS

The Group's major financial instruments include short-term loans, trade and other receivables, trade and other payables, cash and cash equivalents and pledged deposits and convertible notes and were classified into the categories as follows:

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents and pledged deposits)	**408,494**	401,175
Financial assets designated as at fair value through profit or loss	**–**	–
Financial liabilities		
Amortised cost	**844,084**	882,124

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments are limited and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group has exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within one to two months from the date of billing. Debtors with balances that are more than two months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from its customers.

31. FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (continued)

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long-term strategic purposes.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At 31 December 2009, the Group has no concentration of credit risk as the Group has no trade receivables.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset after deducting any impairment allowance.

For properties that are pre sold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. As the mortgage loans are secured by the properties with current market price higher than the guaranteed amounts, the management considers it would recover any loss incurred arising from the guarantee provided by the Group.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. 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.

31. FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
At 31 December 2009						
Interest- bearing borrowings, secured	350,058	367,215	331,355	2,930	8,708	24,222
Other loans	11,231	11,266	11,266	–	–	–
Trade creditors	10,719	10,719	10,719	–	–	–
Accruals and other payables	21,825	21,825	21,825	–	–	–
Due to non-controlling interests	356,104	367,511	367,511	–	–	–
Convertible notes	94,147	109,046	2,536	69,161	37,349	–
	844,084	887,582	745,212	72,091	46,057	24,222

31. FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (continued)

The Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
At 31 December 2008						
Interest- bearing borrowings, secured	366,681	391,560	351,118	2,910	8,661	28,871
Other loans	88,534	93,277	93,277	–	–	–
Trade creditors	32,081	32,081	32,081	–	–	–
Accruals and other payables	21,230	21,230	21,230	–	–	–
Due to non-controlling interests	195,348	196,871	196,871	–	–	–
Convertible notes	177,977	220,067	5,025	5,025	210,017	–
Due to related companies	273	273	273	–	–	–
	882,124	955,359	699,875	7,935	218,678	28,871

31. FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Company

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
At 31 December 2009						
Accruals and other payables	3,459	3,459	3,459	–	–	–
Other loans	1,601	1,636	1,636	–	–	–
Convertible notes	94,147	109,046	2,536	69,161	37,349	–
	99,207	114,141	7,631	69,161	37,349	–

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
At 31 December 2008						
Other loans	1,566	1,605	1,605	–	–	–
Accruals and other payables	2,194	2,194	2,194	–	–	–
Convertible notes	177,977	220,067	5,025	5,025	210,017	–
	181,737	223,866	8,824	5,025	210,017	–

31. FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from the Group's cash and cash equivalents, bank deposits and bank loans and other borrowings. Borrowings at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

	The Group			
	Effective interest rate %	**2009 HK$'000**	Effective interest rate %	2008 HK$'000
Net fixed rate borrowings:				
Other loan	**2.5-8.0**	**11,231**	2.5-8.0	88,534
Bank loans	**–**	**–**	–	–
Due to non-controlling interest	**8**	**142,516**	8	76,157
Convertible notes	**6.74-7.09**	**94,147**	6.74-7.09	177,977
		247,894		342,668
Variable rate borrowings:				
Bank loans	**1.45-8.32**	**282,008**	1.45-8.32	366,681
Total net borrowings		**529,902**		709,349
Net fixed rate borrowings as a percentage of total net borrowings		**47%**		48%

31. FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (continued)

	The Company			
	Effective interest rate %	2009 HK$'000	Effective interest rate %	2008 HK$'000
Net fixed rate borrowings:				
Other loan	**2.5**	**1,601**	2.5	1,566
Bank loans	**–**	**–**	–	–
Due to non-controlling interest	**–**	**–**	–	–
Convertible notes	**6.74-7.09**	**94,147**	6.74-7.09	177,977
		95,748		179,543
Net fixed rate borrowings as a percentage of total net borrowings		**100%**		100%

(i) Sensitivity analysis

At 31 December 2009, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after tax and retained earnings by approximately HK$1,410,000 (2008: HK$1,833,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

Note:

Interest rate risk arises on interest-bearing financial instruments recognised in the statement of financial position (e.g. loans and receivables and debt instruments issued).

31. FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk

The majority of the Group's transactions are denominated in the functional currency of the entity to which they relate. Presently, the Group has no hedging policy with respect to its foreign exchange exposure.

The Group's transactional currencies are United States Dollars ("USD"), Hong Kong dollars ("HKD") and Renminbi ("RMB") as substantially all revenue and costs being denominated in USD, HKD and RMB. The Group's transactional foreign exchange exposure was insignificant.

With respect to trade debtors and creditors which are denominated in USD, the impact of foreign exchange fluctuations is insignificant as the HKD is pegged to USD at a fixed rate of HK$7.8 = USD1.

With respect to receivables, payables, cash and cash equivalents, and borrowings denominated in RMB which are exposed to foreign currency risk. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results and equity.

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

The carrying amount of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets				
RMB	**170,924**	185,032	**10,808**	88,031
United States dollars ("USD")	**5**	16	**–**	–
Macao Pataca ("MOP")	**–**	25	**–**	–
Liabilities				
RMB	**811,360**	281,424	**–**	148
USD	**–**	–	**–**	–
MOP	**–**	12	**–**	–

31. FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (continued)

Sensitivity analysis

The Group mainly exposes to the currency of RMB, USD, and MOP. The following table indicates the approximate change in the Group's loss for the year in response to reasonably possible changes in the foreign exchange rate to which the Group has significant exposure at the balance sheet date. 5% is the sensitivity rate used as it represents management's assessment of the reasonably possible change in foreign exchange rate.

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB				
– effect on loss for the year	**32,022**	4,820	**(540)**	(4,394)
USD				
– effect on loss for the year	**(1)**	(1)	**–**	–
MOP				
– effect on loss for the year	**–**	–	**–**	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2008.

31. FINANCIAL INSTRUMENTS (Continued)

(e) Fair values of financial instruments

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

- the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transaction as input. For an option based derivative, the fair value is estimated using option pricing model.

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurement by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The Group's financial assets and liabilities do not fall into level 1, 2 and 3.

31. FINANCIAL INSTRUMENTS (Continued)

(e) Fair values of financial instruments (Continued)

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values:

Carrying amount

	2009 HK$'000	2008 HK$'000
Financial liabilities		
Convertible notes	**94,147**	177,977

Fair value

	2009 HK$'000	2008 HK$'000
Financial liabilities		
Convertible notes	**92,674**	177,977

32. CONTINGENT LIABILITIES

(a) A subsidiary of the Group (the "subsidiary") has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the subsidiary's property units and has given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of guarantees, upon default in payments of mortgage installments by these buyers, the subsidiary is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the subsidiary is entitled to take over the legal title and possession of the related properties. The total outstanding guarantees to the banks amounted to approximately HK$28,910,000 (2008: HK$14,154,000).

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the subsidiary are insignificant at initial recognition, and the directors of the Company consider that the possibility of default by the parties involved is remote, and in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in the financial statements for guarantees.

32. CONTINGENT LIABILITIES (Continued)

(b) The Company has issued corporate guarantees to banks in respect of banking facilities granted to its subsidiaries to the extent of approximately HK$114,709,000 (2008: HK$114,845,000).

At the balance sheet date, in the opinion of the directors of the Company, the fair value of the corporate guarantees are insignificant at initial recognition, and do not consider it is probable that a claim will be made against the Company under these guarantees. The maximum liability of the Company at the balance sheet date under these guarantees issued is the outstanding amount of the facilities drawn down by the subsidiaries of approximately HK$111,881,000 (2008: HK$114,360,000).

The Group had no other significant contingent liabilities.

33. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statement, the Group had the following material transactions with its related parties for the year ended 31 December 2009:

(a)	Construction services		Marketing and promotion services	
	Year ended 31/12/09 HK$'000	Year ended 31/12/08 HK$'000	**Year ended 31/12/09 HK$'000**	Year ended 31/12/08 HK$'000
Provided by:				
Non-controlling interest	**410,569**	139,302	**–**	–
Associate entity of non-controlling interest	**–**	–	**2,017**	1,666

33. RELATED PARTY TRANSACTIONS (Continued)

(b) On 25 July 2008, Patient Holdings Limited, a wholly-owned subsidiary of the Company entered into an agreement with Wellyet Limited ("Wellyet"), which is wholly-owned by Mr. Law Kar Po, an executive Director and a substantial shareholder of the Company, to acquire the property located at 29th Floor at The Sun's Group Centre, No. 200 Gloucester Road, Hong Kong from Wellyet for a total consideration of HK$81,268,000. The acquisition was completed on 17 September 2008.

(c) On 29 December 2007, Super Times Far East Limited, a wholly-owned subsidiary of the Company entered into an agreement with Cheer Up Investments Limited ("Cheer up"), which is wholly-owned by Mr. Law Kar Po, an executive Director and a substantial shareholder of the Company, to dispose of 12 residential units at various floors and 12 car parking spaces of Edificio Zhu Kuan Mansion (珠光大廈) located in Macau to Cheer up for HK$39,109,000. The disposal was completed on 7 April 2008.

(d) On 9 May 2008, the Company entered into a sale and purchase agreement with Mr. Ung Sio Hong, an associate of a connected person of the Company to dispose of its entire interest in Parsinno International Limited ("Parsinno"), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary. Parsinno owns 51% equity interest of Son Pou Real Estate Company Limited ("Son Pou"). The major asset of Son Pou is the property located in Macau. According to the agreement, the consideration for the disposal of Parsinno is HK$37,026,000. The Group realised a disposal gain of HK$19,068,000 upon the completion on 18 July 2008.

(e) On 22 May 2008, the Company entered into a sale and purchase agreement with Peakway Holdings Limited, a company incorporated in British Virgin Islands and is beneficially wholly-owned by Mr. Lee Sam Yuen, John, a substantial shareholder of Pathway to dispose of its entire 50% interest in Pathway International Limited ("Pathway"), a company incorporated in the British Virgin Islands with limited liability. Pathway and its subsidiaries as collectively "Pathway Group", are principally engaged in the trading of finished leather. Pursuant to the agreement, the consideration for the disposal of Pathway and the assignment of the relevant shareholder's loan of approximately HK$31,200,000 due by Pathway to the Company is HK$3,000,000. The Group realized a disposal gain of HK$26,476,000 upon the completion on 3 July 2008.

33. RELATED PARTY TRANSACTIONS (Continued)

(f) At 31 December 2008, Mr. Law Kar Po, Mr. Hoi Man Pak and Mr. Choy Wang Kong (who are executive Directors of the Company) and Mr. Wu Ka I, Miguel (who is an ex-Director of the Company) provided a personal guarantee of HK$60,000,000, HK$45,000,000, HK$37,500,000, and HK$7,500,000 respectively to a bank to secure banking facilities of HK$150,000,000 granted to CIDCOL, a subsidiary of the Company, for which no charge is made. Upon the renewal of the banking facility on 27 March 2009, this personal guarantee, in the total amount of HK$150,000,000, became jointly and severally which was released upon the completion of the disposal of CIDCOL on 29 October 2009.

(g) During the year ended 31 December 2008, the Pathway Group sold goods amounting to HK$140,000 to a company owned by a close family member of Ms. Ng Fung Ying, a director of a subsidiary of the Company.

(h) Mr. Lee Sam Yuen, John, who is an ex-Director of the Company, and Mrs. Lee Shiao Yu Cho, who is a close family member of Mr. Lee Sam Yuen, John, provided a personal guarantee of HK$100 million to a bank to secure general banking facilities granted to a subsidiary up to and upon the completion on disposal of Pathway Group on 3 July 2008, for which no charge is made.

(i) For the year ended 31 December 2008, the Group has leased certain properties from D.H. International Limited ("D.H. International"), a related company owned by a foundation of which Mr. Lee Sam Yuen, John and Mrs. Lee Shiao Yu Cho are beneficiaries, at an aggregate monthly rental of HK$107,000. Total rental paid during the year ended and deposit paid amounted to HK$642,000 and HK$218,000 respectively upon the completion on disposal of Pathway Group on 3 July 2008.

(j) Financing arrangements

(i) The outstanding balances due from these related parties are unsecured, interest-free and have no fixed repayment terms (note 21). No impairment for bad or doubtful debts has been made in respect of these receivables. The outstanding balances due to related parties and certain guarantees provided by related parties are included in "Trade and other payables" (note 24) and "interest-bearing borrowings" (note 25).

(ii) During the year ended 31 December 2009, China Infrastructure Investment Limited issued a guarantee and China Infrastructure Limited placed a pledged deposit in the amount of approximately HK$65,000,000 to secure the bank loans of approximately HK$56,709,000 obtained by a subsidiary of the Company for no charge. The bank loans had been repaid in January 2010 while the pledged deposit was released accordingly.

33. RELATED PARTY TRANSACTIONS (Continued)

(j) Financing arrangements (Continued)

(iii) During the year ended 31 December 2009, loans amounting to approximately HK$90,154,000, principal thereof approximately HK$67,983,000, interest thereof approximately HK$22,171,000 from a non-controlling shareholder were unsecured, interest bearing at 8% per annum and repayable on demand.

(iv) During the year ended 31 December 2009, loans amounting to approximately HK$52,291,000, principal thereof approximately HK$52,121,000 (2008: nil), interest thereof approximately HK$170,000 (2008: nil) from a non-controlling shareholder according to a Shareholders' Loan Agreement ("Agreement") dated 2 November 2009 with a maturity of one year. In accordance with the Agreement, there was a Credit Facility which was secured by the investment properties, amounting to HK$453,222,000 or such amount of credit as granted by the Lender to the non-controlling shareholder.

(v) During the year ended 31 December 2008, Pan-China Construction Group Corporation Limited, a non-controlling interest, granted loans of HK$76,157,000 to Pan-China (Shenyang) Real Estate Development Limited, a subsidiary of the Group. The loans are unsecured, interest bearing at 8% per annum and repayable within three months.

(vi) During the year ended 31 December 2008, Pan-China Construction Group Corporation Limited issued a guarantee for loans of HK$86,968,000 obtained by Pan-China (Shenyang) Real Estate Development Limited, a subsidiary of the Company, for no charge.

(k) Key management personnel remuneration

Remuneration for key management personnel of the Group comprises amounts paid to the Company's directors as disclosed in note 7 and those highest paid employees as disclosed in note 8.

34. COMMITMENTS

(a) Commitments outstanding not provided for in the consolidated financial statement were as follows:

	The Group 2009 HK$'000	2008 HK$'000
Commitments:		
– contracted for the acquisition of the subsidiaries (note 19)	**–**	60,000
– contracted but not provided for the property development project	**961,796**	1,045,985
	961,796	1,105,985

(b) The total future minimum lease payments under non-cancellable operating leases in respect of properties are payable and receivables as follows:

(i) As lessee

The Group had total outstanding commitments for future minimum lease payable under non-cancellable operating leases in respect of properties, which fall due as follows:

	The Group 2009 HK$'000	2008 HK$'000
No later than 1 year	**875**	594
Later than 1 year and no later than 5 years	**546**	–
	1,421	594

The Group has no contingent rentals and sub-lease payments received during the years ended 31 December 2009 and 2008. Minimum lease payments during the years ended 31 December 2009 and 2008 are disclosed in note 6(b).

34. COMMITMENTS (Continued)

(b) (Continued)

(ii) As lessor

The Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
No later than 1 year	**3,756**	1,453
Later than 1 year and no later than 5 years	**8,015**	3,786
Later than 5 years	**14,106**	15,155
	25,877	20,394

The Group leased out certain investment properties under operating lease with average lease terms of 10 years.

35. PLEDGE OF ASSETS

The Group pledged the following assets to secure general banking facilities:

	The Group	
	2009	2008
	HK$'000	HK$'000
Assets held for sale/completed investment properties	**78,000**	60,000
Land use rights included in investment properties, properties under development for sale and properties under development	**93,348**	150,790
Investment properties under development	**503,961**	–
Bank deposits	**145,204**	96,535
Properties under development for sale	**210,811**	315,063
	1,031,324	622,388

36. SUBSEQUENT EVENTS

(a) The Company announced that on 28 November 2009, the disposal agreement was entered into between the Company and the Purchaser with regard to the disposal of (i) the Sale Share, being the entire interest of Pearl Oriental Macau; and (ii) the Shareholder's Loans (being approximately HK$346.7 million) by the Company for an aggregate consideration of HK$400 million, which shall be satisfied in cash.

The principal assets of Pearl Oriental Macau is the MOP400,000 issued quota of Golden Dragon, representing 40% of the issued quota of Golden Dragon.

Details of the transactions are set out in the Company's announcement and circular dated 1 December 2009 and 11 January 2010 respectively.

The transaction was completed on 29 January 2010.

(b) The Company announced that the provisional agreement was entered into between the purchaser and Patient Holdings Limited, a wholly-owned subsidiary of the Company in relation to the disposal of the property located at 29th Floor, The Sun's Group Centre, No. 200 Gloucester Road, Hong Kong for a total consideration of HK$84,900,000.

Details of the transactions are set out in the Company's announcement dated 18 December 2009.

The transaction was completed on 17 March 2010.

(c) On 15 and 22 January 2010, the Group paid off early loan facilities from Shenyang Branch of HSBC Bank (China) Company Limited amounting to approximately HK$22,661,000 and approximately HK$33,992,000 respectively with a total prepayment penalty amounting to approximately HK$318,000.

(d) On 20 and 25 January 2010, China Infrastructure Limited, a subsidiary of the Company and the parent company of Pan-China (Shenyang) Real Estate Development Limited ("Pan-China (Shenyang)"), injected totaling HK$80,000,000 into Pan-China (Shenyang) as paid-up capital.

37. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

Notes 14, 28 and 31 contain information about the assumptions and their risk factors relating to valuation of investment property, defined contribution employee retirement benefits and financial instruments. Other key sources of estimation uncertainty are as follows:

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have a significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

The preparation of financial statement often requires the use of judgment to select specific accounting methods and policies from several acceptable alternatives. Estimates and judgments used in preparing the financial statement 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. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The followings are the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the financial statement:

37. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical accounting judgement in applying the Group's accounting policies

Certain critical accounting judgements in applying the Group's accounting policies are described below.

(i) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on the asset's fair value less costs to sell. These assessments require the use of estimates.

The fair value less costs to sell primarily use cash flow projections based on financial budgets approved by management and estimated terminal values at the end of the period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and operating margin, effective tax rate, growth rates and selection of discount rates, to reflect the risks involved and the earnings multiple that can be realized for the estimated terminal value.

Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

37. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical accounting judgement in applying the Group's accounting policies (Continued)

(ii) Provision for impairment of trade and other receivables

The Group has no significant concentration of credit risk. The Group makes impairment loss for receivables based on an assessment of the recoverability of trade and other receivables. Allowances are made for trade and other receivables where events or changes in circumstance indicate that the balances may not be collectible based on primarily the ageing of trade and other receivables and the historical write-off experience, net of recoveries. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and allowance for doubtful debt in the period in which such estimates has been changed.

(iii) Impairment of property and plant and equipment

The Group's property, plant and equipment represent a significant portion of the Group's total assets. Changes in industry conditions may cause the estimated period of use or the value of these assets to change. Long-lived assets including property, plant and equipment are reviewed for impairment at least annually or whenever events or changes in circumstances have indicated that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount is estimated.

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

RESULTS

	For the year ended 31 December				For the 9 months ended
	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	31/12/2005 HK$'000
Turnover	**21,040**	1,557	27,876	72,873	63,949
(Loss)/profit attributable to owners of the Company	**(135,859)**	(116,091)	101,973	57,246	38,399
Dividends	**–**	–	–	–	–
Basic (loss)/earnings per share	**(3.39 cents)**	(2.91 cents)	3.23 cents	2.09 cents	1.78 cents
Diluted earnings per share	**N/A**	N/A	2.76 cents	1.93 cents	N/A

ASSETS AND LIABILITIES

	At 31 December				
	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Total assets	**2,457,844**	2,331,337	2,215,913	1,262,205	746,419
Total liabilities	**1,239,850**	1,030,362	1,060,608	522,004	138,615
NET ASSETS	**1,217,994**	1,300,975	1,155,305	740,201	607,804

MAJOR PROPERTIES UNDER DEVELOPMENT

Location	Intended use	Development progress	Expected date of completion	Site area (sq. m.)	Gross floor area (sq. m.)	Group's interest (%)
No. 8 Hunnan West Road and No. 7 Shenying Road, Hunnan New District, Shenyang, Liaoning Province, the People's Republic of China	Residential and Commercial	– Residential units and shopping mall (Superstructure completed) – Service apartment (construction-in-progress)	The project is expected to be completed in phases from 2009 onwards	75,532	460,702	70

ASSETS CLASSIFIED AS HELD FOR SALE

Location	Existing use	Term of lease
29th Floor, The Sun's Group Centre No. 200 Gloucester Road, Wanchai, Hong Kong	Commercial	Long