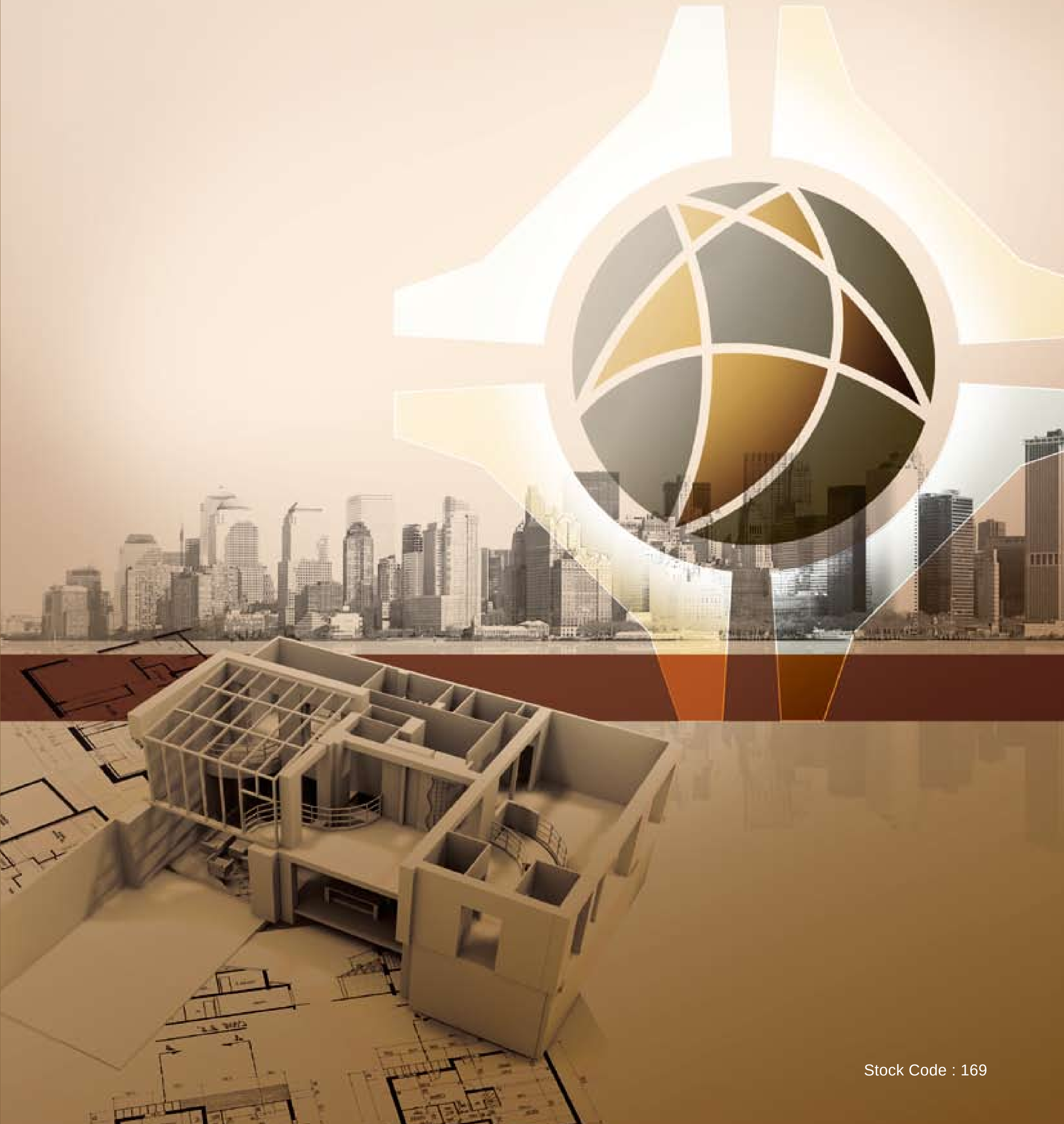
HL GROUP 恆力房地產集團

HENGLI PROPERTIES DEVELOPMENT (GROUP) LIMITED

恆力房地產發展（集團）有限公司

(Incorporated in Bermuda with limited liability)

ANNUAL REPORT 2009



Stock Code : 169

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Corporate Information

BOARD OF DIRECTORS

Mr. Chen Chang Wei *(Chairman & Managing Director)*
Ms. Chan Sheung Ni *(Executive Director)*
Ms. Chen Dongxue *(Executive Director)*
Ms. Lin Wen Feng *(Independent Non-executive Director)*
Mr. Ma Ving Lung *(Independent Non-executive Director)*
Mr. Yip King Keung, Pony
(Independent Non-executive Director)

AUDIT COMMITTEE

Mr. Ma Ving Lung *(Chairman)*
Mr. Yip King Keung, Pony
Ms. Lin Wen Feng

REMUNERATION COMMITTEE

Mr. Chen Chang Wei *(Chairman)*
Ms. Chen Dongxue
Mr. Yip King Keung, Pony
Mr. Ma Ving Lung
Ms. Lin Wen Feng

NOMINATION COMMITTEE

Mr. Chen Chang Wei *(Chairman)*
Ms. Chen Dongxue
Mr. Yip King Keung, Pony
Mr. Ma Ving Lung
Ms. Lin Wen Feng

COMPANY SECRETARY

Ms. Hui Wai Man, Shirley

PRINCIPAL BANKERS

Chiyu Banking Corporation Limited
China Construction Bank
The Bank of East Asia, Limited

AUDITORS

KPMG

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Unit 3401, 34th Floor
Tower Two, Lippo Centre
89 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM 08 Bermuda

HONG KONG PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

169

Financial Highlights

	For year ended 31 December		
	2009	2008	
	HK$'000	HK$'000	Change %
Revenue			
Rental income from investment properties	**2,248**	18,683	-88.0
Sale of land use rights	**—**	128,957	-100.0
Sales of properties	**423,838**	1,389	+30,413.9
Total revenue	**426,086**	149,029	+185.9
Profit/(loss) before taxation	**146,546**	(555,146)	+126.4
Profit/(loss) attributable to equity shareholders	**11,217**	(503,523)	+102.2
Earnings/(loss) per share — basic	**HK$0.01**	HK$0.57	+101.8
Cash and bank balances	**336,485**	88,915	+278.4
Total assets	**4,648,574**	3,997,214	+16.3
Total liabilities	**4,372,374**	3,772,422	+15.9
Equity attributable to equity shareholders of the Company	**116,908**	135,942	-14.0
Current ratio	**3.6**	4.2	
Gearing ratio	**88.8%**	90.3%	
Bank borrowings to equity ratio	**1,028.2%**	657.3%	

Chairman's Statement

On behalf of the Board of Directors (the "Board") of the Hengli Properties Development (Group) Limited (the "Company"), I am pleased to present the annual report of the Company together with its subsidiaries (the "Group") for the year ended 31 December 2009.

RESULTS

Turnover for the Group for 2009 amounted to HK$426.1 million, representing an increase of 185.9% as compared to HK$149.0 million for 2008. The improvement in the Group's turnover and profit was mainly attributable to the satisfactory results of selling properties in Ningbo. Profit attributable to equity holders of the Company amounted to approximately HK$11.2 million for the year ended 31 December 2009.

INCREASE IN LAND BANK

In February 2009, the Group successfully acquired the land use right from the Land Resource Bureau of Ningbo City, Zhejiang Province of a piece of land with area of 33,136 sq.m. for a consideration of approximately RMB60.3 million for property development purpose.

SOCIAL RESPONSIBILITIES

Alongside the Group's development, we always keep in our mind to serve and requite the community. The Group is committed to its social responsibilities of being a good corporate citizen. We made donations to the Red Cross for the relief of typhoon Morakot in Taiwan and to 福州市鼓樓區慈善總會and 寧波慈善總會 for various charity programs during 2009. The Group will seek to actively participate in other charitable activities such as those concerning relief activities, environmental protection and medical healthcare.

PROSPECTS

In 2009, the Group had two development projects, located in Ningbo City, Zhejiang Province , namely盛世嘉苑一期 and 姚江新都大廈 completed, and recorded significant increase in turnover to the Group. The development project we acquired in 2008 in Fujian Province was further developed and was launched for pre-sale during the year. With proper sales strategies, the pre-sale performance exceeded initial expectation.

Although there were signs of recovery of the economy in 2009 after the financial crisis, our view is that the full recovery of the real economy may take a much longer time. The Chinese economy today is largely sustained by government policies. In order to control residential prices and the asset inflation, the government has tightened credit for property transaction sectors since the beginning of 2010. However, the nationwide urbanization process will provide great prospects for the real estate industry. The Group will remain cautious in acquisitions of land bank. The Group is equipped with approximately HK$3.5 billion worth of property under development to be sold or leased in the next few years and to generate considerable rental income for the Group over the long run. The Group will enhance the service quality through product innovation and expansion of marketing channels. We remain confident to longer term prospects of the property market in China.

Looking forward to 2010, in term of corporate strategies, the Group will continue to refine our strategies prudently to achieve healthy growth and sustainability. With a solid foundation on property development and a proven track record on property development, the Group will strive to gradually increase the proportions of project with a strategic focus on positioning itself as a high quality boutique property developer.

ACKNOWLEDGEMENTS

On behalf of the Group, I would like to take this opportunity to thank the Directors, our staffs, partners, shareholders and all parties who have rendered their support and contribution to the Group.

Chen Chang Wei
Chairman

28 April 2010

BUSINESS REVIEW

Turnover of the Group for 2009 amounted to HK$426.1 million, representing an increase of 185.9% as compared to HK$149.0 million for 2008. Included in turnover for 2009 were sales of developed properties and rental income from property letting. Sales of developed properties amounted to approximately HK$423.8 million (2008: HK$1.4 million). The rental income from investment properties amounted to approximately HK$2.3 million (2008: HK$18.6 million). There was no income from sales of land use right for 2009 (2008: HK$129.0 million). Gross profit of the Group amounted to approximately HK$131.2 million, an increase of 79.0% as compared to HK$73.3 million for 2008. The Group's gross profit ratio for the year is 30.8%, a decrease of 18.4% as compared to 49.2% for 2008. The decrease of gross profit ratio was caused by the drop on proportion of sales of land use rights. Profit attributable to equity holders amounted HK$11.2 million as compared to the loss of HK$503.5 million for 2008. The increase is mainly attributable to i) increase in gross profit of HK$57.9 million, ii) reversal of impairment loss on properties under development of HK$125.0 million due to recovery of market condition, iii) gain on changes in fair value of investment properties of HK$44.5 million, iv) decrease in provision for impairment of receivables of subsidiaries disposed in 2008 of HK$81.6 million, v) no further impairment loss on goodwill, which was written down by HK$299 million in 2008.

During the year, the Group sold residential and commercial properties with a total gross floor area of 70,828 sq.m. (2008: 234 sq.m.), representing an increase of more than 300 times over last year. The rental income form investment properties was derived from the developed properties in Ningbo. The development of a residential property project named 盛世嘉苑一期, with total gross floor area of 70,615 sq.m., located in Zhong Xing Road, Jiangbei District, Ningbo was completed in March 2009. The development of a commercial property project named 姚江新都大廈, with total gross floor area of 35,809 sq.m., located in Hongtang Zhong Road, Jiangbei District, Ningbo, was completed in July 2009. Turnover for the year was mainly generated from saleable properties of these two projects as well as properties held for sales developed in previous years such as Fortune Garden and 盛世桃源 in Ningbo. In February of this year, the Group successfully won the bid for a land of approximately 33,136 sq.m. located in 創業投資中心 in Jiangbei district, Ningbo City, Zhejiang Province, for development of the residential project 盛世嘉苑二期.

The property named 中旅城二期, also known as 恒力城, located in the financial district of Fuzhou, Fujian Province, is still under development. The property is being developed into a residential, office and retail development with a total gross floor area of around 241,600 sq.m. Under the current plan, which has been approved by the building authorities, the property will have upon completion one block of 40-storey office building and three blocks of 46-storey residential buildings, commonly erected on top of 8-storey commercial podium accommodating clubhouse facilities and retail spaces and 3 levels of basement car parking spaces. The project was launched for pre-sales in September 2009. The development of these properties is expected to provide the growth engine for the Group in the next few years.

In addition, a piece of land located at Gulou District, Fuzhou City, with an area of around 6,035 sq.m. was acquired by the Group in March 2008. This land would be used to develop high-end commercial properties and the construction was commenced in December 2009. The project is near to the location of 恒力城 and creates a synergy effect, which would enhance the strategic advantage of the Group in the central commercial district of Fuzhou, Fujian Province.

FINANCIAL REVIEW

Net assets

As at 31 December 2009, the Group recorded total assets and total liabilities of approximately HK$4,648.6 million and HK$4,372.4 million respectively. The Group's net assets value per consolidated balance sheet as at 31 December 2009 increased by approximately HK$51.4 million to approximately HK$276.2 million as compared to approximately HK$224.8 million as at 31 December 2008.

Liquidity and financial ratios

The Group had total cash and bank balances of approximately HK$336.5 million as at 31 December 2009 as compared with HK$88.9 million as at 31 December 2008. As at 31 December 2009, the current ratio was 3.6 as compared with 4.2 as at 31 December 2008. The gearing ratio was 88.8% as at 31 December 2009 as compared with 90.3% as at 31 December 2008. The bank borrowings to equity attributable to equity shareholders of the Company ratio was 1,028.2% as at 31 December 2009 as compared to 657.4% as at 31 December 2008.

Borrowings

The Group had interest bearing borrowings of approximately HK$1,202.0 million as at 31 December 2009 (31 December 2008: HK$893.5 million), representing an increase of approximately 34.5% over the amount as at 31 December 2008. Borrowings were denominated in Renminbi ("RMB") and Hong Kong dollar ("HK$"). Approximately 17.2% of the borrowings is repayable within one year and the rest representing the bank loans repayable after one year of HK$994.7 million.

The Group had aggregate net carrying amount of convertible bonds of approximately HK$1,267.7 million (principal amount of approximately HK$2,347.7 million) and promissory note of HK$60.0 million respectively as at 31 December 2009.

Foreign currency exposure

As significant portions of the Group's borrowings, turnover and construction costs are primarily denominated in RMB, the Directors consider that the Group has no significant exposure to foreign exchange fluctuations. The Directors also consider that there will be sufficient cash resources denominated in both HK$ and RMB for the repayment of its borrowings. During the year, the Group did not use any financial instrument for hedging purposes and the Group did not have hedging instrument outstanding as at 31 December 2009.

PLEDGE OF ASSETS

As at 31 December 2009, the Group pledged certain of its investment properties, property, plant and equipment, prepaid lease payments, properties under developments and restricted bank deposits to banks in the PRC to secure the bank loans of approximately HK$1,128.1 million (2008: HK$800.5 million) granted by these banks. The aggregate carrying value of the investment properties, property, plant and equipment, prepaid lease payments, properties under development and restricted bank deposits as at 31 December 2009 amounted to approximately HK$Nil, HK$1.5 million, HK$8.2 million, HK$3,130.4 million and HK$198.5 million (31 December 2008: HK$23.8 million, HK$1.5 million, HK$8.2 million, HK$2,686.4 million and HK$Nil) respectively.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group provided guarantees of approximately HK$105.2 million (2008: HK$72.2 million) to banks in favor of its customers in respect of the mortgage loans provided by the banks to such customers for purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loan granted. At the balance date, no provision for the Group's obligation under these guarantee contracts has been made as the directors considered that it was not probable that the repayment of these loans would be in default.

The directors consider that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

MATERIAL ACQUISITON AND DISPOSAL

For the year ended 31 December 2009, the company had no material acquisition or disposal of subsidiaries and affiliated companies.

CAPITAL STRUCTURE

During the year ended 31 December 2009, 26 million ordinary shares of HK$0.10 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK$0.50 per share.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group employed approximately 89 full time staffs in the PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market price while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medical cover, subsidized educational and training programs.

OUTLOOK

During 2009, the economy in the PRC showed signs of stabilization and steady growth with the Chinese Government's timely introduction of appropriate relaxation of its austerity measures. The Central Government has committed to a moderately loose monetary policy, easy bank credit and revitalization of the pillar industries to sustain growth and facilitate development. The real estate market showed signs of recovery both in terms of sales price and transaction volume. With the launch of a series of home-ownership incentives by the Central Government and the efforts made by the local governments through introducing various subsidized home ownership schemes, home buyers began to resume their buying interest. The series of preferential policies have helped restore market confidence.

Coming through the global financial crisis, further balancing of Chinese regional economies and urbanization will inevitably be the trend of the next few years. Speeding up of urbanization throughout the country will provide great prospect for the real estate industry. Urbanization brings demands not only for residential properties, but also for the office and the retail properties. Such urbanization also requests a comprehensive mix of property products to meet the needs for housing, employment and leisure.

In order to control residential prices and asset bubble, the Chinese Government has imposed some policies such as tightened credit for property from the beginning of 2010. Government policy has great impact on market volatility. The Company will remain cautious on acquisitions. The Group has developed and acquired land for projects with a prudent attitude since its listing. The Group will stay flexible and adjust its property development strategies and strengthen its development business over time. The Group will continue to grasp desirable opportunities in the future to increase its landbank to provide satisfactory return to the shareholders. At the end of 2009, the Group is equipped with approximately HK$3.5 billion worth of property under construction in Fujian Province to be sold for the next few years and to generate considerable rental income over the long run. The Group will apply different sales and marketing strategies according to stages of development and characteristics of different projects with an aim to achieve better sales performance. In view of the change in the political atmosphere of Taiwan and the positioning of Fujian Province by the PRC government as Strait West Coast Economic Zone, the Board believes that the real estate industry in Fuzhou would be further developed in the long run.

DIRECTORS

Executive Directors

Mr. Chen Chang Wei ("Mr. Chen"), aged 47, joined the Group on 22 January 2008. Mr. Chen is currently the Chairman and Managing Director of the Company. He is responsible for the overall strategic planning and formulation of the corporate policies of the Group. Mr. Chen graduated from Department of Civil Engineering in Huaqiao University, the People's Republic of China (the "PRC"). He holds a Bachelor Degree of Civil Engineering. Mr. Chen has over 20 years of experience in investment, industrial and commercial sectors and real estate development. Mr. Chen is the husband of Ms. Chan Sheung Ni and brother of Ms. Chen Dongxue. Both Ms. Chan and Ms. Chen are executive directors of the Company.

Ms. Chan Sheung Ni ("Ms. Chan"), aged 45, joined the Group on 1 February 2008, is responsible for corporate planning. Ms. Chan has over 15 years of experience in investment, industrial and commercial sectors and real estate development. Ms. Chan is the wife of Mr. Chen Chang Wei, the Chairman and Managing Director of the Company. She is also the sister-in-law of Ms. Chen Dongxue, the executive director of the Company.

Ms. Chen Dongxue ("Ms. Chen"), aged 39, joined the Group on 15 February 2008. She is mainly responsible for the management of the Group's PRC operations. Ms. Chen graduated from Department of International Finance and Financial Economics in Xiamen University, the PRC. She holds a Bachelor Degree of Economics. Ms. Chen has over 15 years of experience in investment, industrial and commercial sectors and real estate development. Ms. Chen is the sister of Ms. Chen Chang Wei, the Chairman and Managing Director of the Company. She is also the sister-in-law of Ms. Chan Sheung Ni, the executive director of the Company.

Independent Non-executive Directors

Ms. Lin Wen Feng, aged 41, was appointed as an Independent Non-executive Director on 15 October 2007. Ms. Lin graduated from the Xiamen University with a Master Degree of Laws. She passed the National Judicial Examination in People's Republic of China in 1992 and has 14 years' practicing experience as a solicitor, which involved in corporate, finance and conveyancing sections.

Mr. Ma Ving Lung, aged 40, was appointed as an Independent Non-executive Director on 30 November 2007. Mr. Ma graduated from York University, Ontario, Canada. He holds a Bachelor Degree of Accountancy with Honors and was qualified as an accountant in USA in 2000. Mr. Ma became an associate member of Hong Kong Institute of Certified Public Accountant in 2000. He has worked for a number of listed companies and has extensive experience in initial public offerings.

Mr. Yip King Keung, Pony, aged 40, was appointed as an Independent Non-executive Director on 14 January 2008. Mr. Yip holds a Bachelor of Business Administration (Honors) from York University, Ontario, Canada. Mr. Yip has more than 10 years experience in the field of business management and property investment.

SENIOR MANAGEMENT

Ms. Hui Wai Man, Shirley, aged 42, joined the Group in December 2000. She is responsible for the company secretarial affairs of the Group. Ms. Hui has over 20 years of professional experience in public accounting and corporate finance. She is a fellow member of The Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She is also a member of Hong Kong Securities Institute.

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property letting, sales of land use rights and developed properties and investment holdings in the People's Republic of China (the "PRC").

The principal activities of the Group's subsidiaries are set out in note 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 29.

The directors do not recommend the payment of a final dividend for the year ended 31 December 2009.

SEGMENT INFORMATION

The Group's revenue and results analysed by segments are set out in note 12 to the financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 98. This summary does not form part of the audited financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in note 13 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in notes 31 to the financial statements.

There were no purchase, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out on page 34 of the annual report and on note 31 to the financial statements respectively.

DIRECTORS AND SERVICE CONTRACTS

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

Executive directors:

Mr. Chen Chang Wei *(Chairman and Managing Director)*
Ms. Chan Sheung Ni
Ms. Chen Dongxue
Mr. Wong Hing Ting, James (resigned on 1 March 2009)

Non-executive director:

Mr. So Pang Gen (retired on 30 June 2009)

Independent non-executive directors:

Ms. Lin Wen Feng
Mr. Ma Ving Lung
Mr. Yip King Keung, Pony

In accordance with clause 99 of the Bye-Laws of the Company, Mr. Ma Ving Lung and Mr. Yip King Keung, Pony will retire and, being eligible, will offer themselves for re-election at the Annual General Meeting.

Mr. Chen Chang Wei, Ms. Chan Sheung Ni and Ms. Chen Dongxue have a service contract with the Company for a fixed term of 2 years, which may be terminated, by either side, on 6 month's notice. The Company has not entered into service contract with Mr. So Pang Gen.

The term of office for each non-executive director is the period up to his/her retirement by rotation in accordance with the Company's Bye-Laws.

DIRECTORS' INTERESTS IN SECURITIES

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

Long position in ordinary shares of HK$0.10 each of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Chen Chang Wei	Beneficial owner and held by controlled corporation (1)	272,747,000	24.38%
Ms. Chan Sheung Ni	Beneficial owner (2)	300,000	0.03%
Ms. Chen Dongxue	Beneficial owner (3)	43,774,000	3.91%

(1) As at 31 December 2009, Mr. Chen Chang Wei ("Mr. Chen") was deemed to be interested in 272,747,000 shares of the Company, of which (1) 4,570,000 shares were directly held by Mr. Chen, (2) 86,000,000 shares were held in trust for him by Ever Good Luck Limited (a company incorporated in the British Virgin Islands ("BVI") of which the entire issued share capital is beneficially owned by Mr. Chen), and (3) 182,177,000 shares were beneficially owned by Ever Good Luck Limited.

(2) Ms. Chan Sheung Ni is the spouse of Mr. Chen and sister-in-law of Ms. Chen Dongxue.

(3) Ms. Chen Dongxue is the sister of Mr. Chen and sister-in-law of Ms. Chan Sheung Ni.

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2009.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

There was no share option scheme during the year ended 31 December 2009.

There were no new shares options granted during the year and outstanding as of 31 December 2009.

Other than as disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors nor chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2009, the following persons or corporations (other than a Director or Chief Executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and so far as is known to any Director or Chief Executive of the Company.

Name	Long position/ Short position	Capacity/ Nature of interest	Number of shares held	Approximate percentage of shareholding
Ever Good Luck Limited	Long	Beneficial interest (1)	182,177,000	16.29%
New Double Good Limited	Long	Beneficial interest (2)	200,000,000	17.88%
Glories Structure Limited	Long	Beneficial interest (3)	170,000,000	15.20%
Golden Mount Limited	Long	Beneficial interest (4)	137,430,000	12.29%

(1) Ever Good Luck Limited is a company incorporated in the BVI, the entire issued share capital of which is ultimately held by Mr. Chen Chang Wei.

(2) New Double Good Limited is a company incorporated in the BVI.

(3) Glories Structure Limited is a company incorporated in the BVI.

(4) Golden Mount Limited is a company incorporated in the BVI.

Save as disclosed above, as at 31 December 2009, no person, other than the director and his associated corporations stated under the paragraph headed "Directors' interests in securities" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of SFO.

CONNECTED TRANSACTIONS

Connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are disclosed in note 35 to the financial statement.

DIRECTORS' INTERESTS IN CONTRACTS

No other contract of significance, to which the Company or any of its holding companies 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 contracts for management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers were more than 10% of the Group's total sales while the sales attributable to the Group's largest customer was approximately 5% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 86% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 76% of the Group's total purchases.

None of the directors, their associates or any shareholder, which to the knowledge of the directors own more than 5% of the Company's issued share capital, had any interest in the five largest customers or suppliers of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2009 except for deviations disclosed in Corporate Governance Report on page 18.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Rules Governing the Listing of Securities of the Stock Exchange (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code/the required standard of dealing and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

AUDIT COMMITTEE

The audited consolidated financial statements for the year ended 31 December 2009 has been reviewed by the Audit Committee. Information on the work of Audit Committee and its composition are set out in Corporate Governance Report on pages 23 to 24 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

DONATIONS

During the year, the Group has made charitable donations of HK$335,812. (2008: HK$383,333).

AUDITOR

KPMG were first appointed as auditor of the Company in 2009 upon the retirement of Grant Thornton. There have been no other changes of the Company's auditor in the past three years.

A resolution will be submitted to the annual general meeting of the Company to re-appoint KPMG as auditor of the Company.

On behalf of the Board

CHEN CHANG WEI
Chairman

Hong Kong, 28 April 2010

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board of Directors of the Company (the "Board") believes that good corporate governance is essential for the effective management, a healthy corporate culture and balancing of business risk. And it is also essential to the success of the Company and the enhancement of shareholders' value.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2009, except for deviations from Code Provision A.4.1 (tenure of non-executive directors) and Code A.2.1 (Seperate of roles of chairman and chef executive officer) as explained in the relevant paragraphs in this report.

DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD OF DIRECTORS

The Board currently comprises six Directors, including three Executive Directors and three Independent Non-executive Directors. All three Non-Executive Directors are Independent Non-Executive Directors which represent half of the Board. And its composition of the Board during the year ended 31 December 2009 and up to the date of this report is set out as follows:

Executive Directors:
Mr. Chen Chang Wei *(Chairman and Managing Director)*
Ms. Chan Sheung Ni
Ms. Chen Dongxue
Mr. Wong Hing Ting, James (resigned on 1 March 2009)

Non-executive Director:
Mr. So Pang Gen (retired on 30 June 2009)

Independent Non-executive Directors ("INED"):
Ms. Lin Wen Feng
Mr. Ma Ving Lung
Mr. Yip King Keung, Pony

The brief biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" section on pages 10 to 11. Except for Ms. Chan Sheung Ni, who is the wife of Mr. Chen Chang Wei, and Ms. Chen Dongxue, who is the sister of Mr. Chen Chang Wei, there is no financial, business, or other material/relevant relationship amongst the Directors.

BOARD PRACTICE

The Board is collectively and ultimately responsible for how the Company is managed, its strategic direction and performance. The Board meets to plan, decide and review these matters, which resolutions are put to a vote. In particular, approval of the Board is required for adopting the strategy of the Group from time to time, major acquisitions and disposals of the Group, major capital investments, dividend policy and recommendation, appointment and retirement of Directors and senior management, their remuneration policy and other major operations and financial matters. Day-to-day operations of the Group and implementation of the Board's decisions and strategy are delegated to the company's management team.

The Chairman, assisted by the Company Secretary, has ensured that the Board adheres strictly to all rules and requirements for its meetings and the maintenance of full and proper records. Procedures are established for every director to have access to board papers and related information, to have the services of the Company Secretary, and to seek independent professional advice at the Company's expense upon reasonable request.

The Board acknowledges their responsibilities for the preparation of the financial statements of the Company and ensures that they are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publications of such financial statements.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. During the year, thirteen Board meetings were held and attendance of each Director at the Board meetings is set out as follows:

	Number of Board meetings Attended/held
Executive Directors:	
Mr. Chen Chang Wei *(Chairman and Managing Director)*	12/13
Ms. Chan Sheung Ni	8/13
Ms. Chen Dongxue	3/13
Mr. Wong Hing Ting, James *(resigned on 1 March 2009)*	4/4
Non-executive Director:	
Mr. So Pang Gen *(resigned on 30 June 2009)*	3/10
INEDS:	
Ms. Lin Wen Feng	3/13
Mr. Ma Ving Lung	7/13
Mr. Yip King Keung, Pony	8/13

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established in writing.

In place with the business development and growth of the Group, the Group currently maintains a small but efficient team in the daily operations of the Group. Due to the small size of the team, both the roles of the Chairman and Managing Director of the company are currently played by Mr. Chen Chang Wei. The Board considers the currently simple but efficient team serves sufficiently enough the need of the Group. The Board will, nonetheless, review into business growth of the Group and, when considered essential, will set out a clear division of responsibilities at the board level and the day-to day management team to ensure a proper balance of power and authority within the Company.

The Board currently comprises three Executive Directors (one of whom is the Chairman and Managing Director), and three Independent Non-executive Directors. Mr. Chen took over the role of Chairman and Managing Director during the year. He is primarily responsible for leadership of the Board, ensuring the effectiveness in all aspects of its role and for setting its agenda, whereas clearly established executive responsibilities for running of the business of the Group lie with difference designated senior executives. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element on the Board and a clear division of responsibility for the running of the business of the Group. The Board believes that the structure outlined above is beneficial to the Company and its business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors provide the Group with a wide range of expertise and experience. Their active participation in Board and committee meetings brings independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all shareholders.

The Company has three INEDs representing over one-third of the Board. And one of the INEDs has appropriate accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his/her independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Code Provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term, subject for re-election. None of the existing Non-executive Directors are appointed for a specific term. However, all the Non-Executive Directors shall be subject to retirement by rotation under "Appointment and Re-election of Directors" in accordance with the Company's Bye-Laws mentioned as below paragraph. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In June 2005, the Board has established and adopted a written nomination procedure (the "Nomination Procedure") specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee shall, based on those criteria as set out in the Nomination Procedure (such as appropriate experience, personal skills and time commitment etc.), identify and recommend the proposed candidate to the Board for approval of an appointment.

New Directors, on appointment, will be given an induction package containing all key legal and Listing Rules' requirements as well as guidelines on the responsibilities and obligations to be observed by a director. The package will also include the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board. The senior management will subsequently conduct such briefing as is necessary to give the new Directors more detailed information on the Group's business and activities.

The Non-executive Directors of the Company had no fixed term of office, but retired from office on a rotational basis in accordance with the relevant provisions of the Company's Bye-laws. According to Provision 99 of the Bye-Laws of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any Director holding office as Chairman or Managing Director. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election. The Company at any general meeting at which any Directors retire may fill the vacated offices. Further, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following annual general meeting and should then be eligible for re-election at the meeting.

BOARD COMMITTEES

The Board has established various committees, including a Remuneration Committee, an Audit Committee and a Nomination Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned on page 19 in the section "The Board Practice" above, have been adopted for the committee meetings so far as practicable.

BOARD COMMITTEES *(Continued)*

Remuneration Committee

The Remuneration Committee currently consists of five members, including Mr. Chen Chang Wei (Chairman), Ms. Chen Dongxue, Mr. Yip King Keung, Pony, Mr. Ma Ving Lung and Ms. Lin Wen Feng, three of whom are INEDs. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

The major roles and functions of the Remuneration Committee are:

(i) to review and recommend to the Board the remuneration policy and packages of the Directors and, where appropriate, to consult the Chairman and/or the Managing Director about the committee's proposals relating to the remuneration of other Executive Directors;

(ii) to review and recommend performance-based remuneration by reference to corporate goals and objectives approved by the Board from time to time;

(iii) to review and recommend the compensation payable to Executive Directors relating to any loss or termination of their office or appointment;

(iv) to review and recommend compensation arrangements relating to dismissal or removal of Directors for misconduct; and

(v) to ensure that no Director is involved in deciding his own remuneration.

The terms of reference of the Remuneration Committee of the Company were adopted in June 2005 to comply with the Code Provision B.1.3, but with a deviation from the code provision of the remuneration committee's responsibilities to determine the specific remuneration packages of all executive directors and senior management of a listed company. The Board considers that the Remuneration Committee of the Company should review (as opposed to determine) and make recommendations to the Board on the remuneration packages of Executive Directors only and not senior management for the following reasons:

(i) The Board believes that the Remuneration Committee is not properly in a position to evaluate the performance of senior management and that this evaluation process is more effectively carried out by the Executive Directors;

(ii) Over half of the Remuneration Committee members consist of INEDs who may not be industry skilled and come from differing professions and backgrounds and they are not involved in the daily operation of the Company. They may have little direct knowledge of industry practice and standard compensation packages. The Remuneration Committee is thus not in a position to properly determine the remuneration of the Executive Directors;

(iii) The Executive Directors must be in a position to supervise and control senior management and thus must be able to control their compensation; and

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

(iv) There is no reason for Executive Directors to pay senior management more than industry standards and thus shareholders will benefit by reducing costs in the fixing of such compensation packages.

The Remuneration Committee shall meet at least once a year. One committee meetings was held in 2009 to review and discuss the existing policy and structure for the remuneration of Directors, the remuneration packages of both the Executive and Non-executive Directors and the attendance of each member is set out as follows:

Committee member	Number of Committee meeting attended/held
Mr. Yip King Keung, Pony *(Chairman)*	1/1
Mr. Ma Ving Lung	1/1
Ms. Lin Wen Feng	1/1

Details of the Directors' remuneration are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee has been established since May 2002 and currently consists of three Independent Non-Executive Directors. To retain independence and objectivity, the Audit Committee is chaired by an INED with appropriate professional qualifications or accounting or related financial management expertise. The current members of the Audit Committee are Mr. Ma Ving Lung (Chairman), Mr. Yip King Keung, Pony and Ms. Lin Wen Feng. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

The major roles and functions of the Audit committee are:

(i) to consider and recommend to the Board on the appointment, re-appointment and removal the external auditors;

(ii) to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditors;

(iii) to discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commencement;

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

(iv) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(v) to review the interim and annual financial statements, interim and annual reports before submission to the Board;

(vi) to develop and implement policy on the engagement of the external auditor to supply non-audit services;

(vii) to review the Group's financial and accounting policies and practices;

(viii) to review the external auditors' management letters, any material queries raised by the auditor to management in respect of accounting records, financial accounts or system of control and management's response and to ensure the Board will provide a timely response to the issue raised;

(ix) to review the Groups' financial controls, internal control and risk management systems; and ensure that the management has discharged its duty to have an effective internal control system;

(x) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to monitor the effectiveness of the internal audit function; and

(xi) to consider any findings of major investigations of internal control matters as delegated by the Board and or on its own initiative and management's response.

The Audit Committee has explicit authority to investigate into any matter under the scope of its duties and the authority to obtain independent professional advice. It is given full access and assistance from management and reasonable resources to discharge its duties properly. At least once annually, the Audit Committee will meet the external auditors.

The Audit Committee will meet at least twice each year. In 2009, the Audit Committee met two times considering the annual results of the Group for the financial year ended 31st December 2008 and the interim results of the Group for the 6 month ended 30th June 2009, discussing with the auditors of the Company on internal control, auditors' independence, auditors' remuneration and the scope of work in relation to the annual audit and reviewing the connected transactions of the Group. Attendance records of the Audit Committee members in 2009 are as follows:

Committee member	Number of Committee meetings attended/held
Mr. Ma Ving Lung *(Chairman)*	2/2
Mr. Yip King Keung, Pony	2/2
Ms. Lin Wen Feng	2/2

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing, with the support from finance department, the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group. The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquires, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as going concern.

The report of the Company's external auditor, KPMG and their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on pages 27 and 28.

External Auditor's Remuneration

During the year, the remuneration paid/payable to the Company's external auditor, KPMG is set out as follows:

Services rendered for the Group	Fee paid/payable HK$'000
Audit services	715
Non-audit services	352

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal controls includes a defined management structure with limit authority, is designed to help the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provisions of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather that eliminate risks of failure in operational systems and achievement of the Group's objectives. The Board has conducted review of the system of internal control of the Group during the year ended 31 December 2009.

Nomination Committee

The Nomination Committee has been established since June 2005. It currently consists of five members, including Mr. Chen Chang Wei (Chairman), Ms. Chen Dongxue, Mr. Yip King Keung, Pony, Mr. Ma Ving Lung and Ms. Lin Wen Feng, three of whom are INEDs. The Nomination Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

INTERNAL CONTROL *(Continued)*

Nomination Committee *(Continued)*

The major roles and functions of the Nomination Committee are:

(i) to review the structure, size and composition of the Board on a regular basis;

(ii) to review and recommend the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars.

The Company's annual general meeting (the "AGM") is a valuable forum for the Board to communicate directly with the shareholders. The Chairman actively participates in the AGM and personally chairs the meeting to answer any questions from the shareholders. A separate resolution is proposed by the Chairman in respect of each issue to be considered at the AGM. An AGM circular is distributed to all shareholders at least 21 days prior to the AGM, setting out details of each propose resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. The Chairman explains the procedures for demanding and conducting a poll again at the beginning of the AGM, and (except where a poll is demanded) reveals how many proxies for and against have been received in respect of each resolution.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the Code of the Stock Exchange but about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our shareholders are also welcome to promote our transparency.

On behalf of the Board
Chen Chang Wei
Chairman

Hong Kong, 28 April 2010

Independent auditor's report to the shareholders of
Hengli Properties Development (Group) Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Hengli Properties Development (Group) Limited ("the Company") and its subsidiaries ("the Group") set out on pages 29 to 97, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 April 2010

Consolidated Income Statement

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Notes	2009 $'000	2008 $'000
Turnover	3	**426,086**	149,029
Cost of sales	5(c)	**(294,902)**	(75,750)
Gross profit		**131,184**	73,279
Other revenue and net income	4	**29,256**	21,490
Valuation gain/(loss) on investment properties		**44,497**	(22,099)
Selling expenses		**(24,278)**	(3,283)
Administrative expenses		**(29,738)**	(40,467)
Gain on disposal of subsidiaries		**—**	30,061
Impairment loss on goodwill	16	**—**	(299,000)
Reversal of write down/(write down) of properties under development		**125,000**	(125,000)
Other operating expenses		**—**	(88,005)
Profit/ (loss) from operations		**275,921**	(453,024)
Finance costs	5(a)	**(129,375)**	(102,122)
Profit/(loss) before taxation	5	**146,546**	(555,146)
Income tax (expense)/credit	6	**(63,070)**	25,009
Profit/(loss) for the year		**83,476**	(530,137)
Attributable to:			
Equity shareholders of the Company		**11,217**	(503,523)
Minority interests		**72,259**	(26,614)
Profit/(loss) for the year		**83,476**	(530,137)
Earnings/(loss) per share	11		
Basic		**$0.01**	$(0.57)
Diluted		**N/A**	N/A

The notes on pages 36 to 97 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Notes	2009 $'000	2008 $'000
Profit/(loss) for the year		**83,476**	(530,137)
Other comprehensive income for the year (after tax adjustments):			
Exchange differences on translation of financial statements of subsidiaries in the mainland of People's Republic of China (the "PRC")		**(864)**	13,893
Surplus/(deficit) on revaluation of property, plant and equipment		**1,609**	(11,352)
	10	**745**	2,541
Total comprehensive income for the year		**84,221**	(527,596)
Attributable to:			
Equity shareholders of the Company		**11,810**	(500,637)
Minority interests		**72,411**	(26,959)
Total comprehensive income for the year		**84,221**	(527,596)

The notes on pages 36 to 97 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2009
(Expressed in Hong Kong dollars)

	Notes	**2009 $'000**	2008 $'000
Non-current assets			
Investment properties	13	**88,105**	23,794
Property, plant and equipment	14	**18,255**	12,731
Prepaid lease payments	15	**28,509**	27,548
Goodwill	16	**95,782**	95,782
Available-for-sale investment	18	**2,272**	2,265
Loan to a shareholder	19	**295,129**	—
Deferred tax assets	30	**8,838**	9,358
		536,890	171,478
Current assets			
Properties under development	20	**3,571,790**	3,166,058
Properties held for sales	21	**167,440**	21,232
Trade and other receivables	22	**31,420**	210,101
Loan to a shareholder	19	**—**	327,667
Current tax recoverable	30	**4,549**	11,763
Restricted bank deposits		**198,508**	—
Cash at and cash equivalents	23	**137,977**	88,915
		4,111,684	3,825,736
Current liabilities			
Trade and other payables	24	**383,938**	340,577
Receipts in advance	25	**394,353**	216,761
Promissory notes	26	**60,000**	108,691
Bank loans	27	**207,313**	168,473
Current tax payable	30	**87,322**	84,228
		1,132,926	918,730
Net current assets		**2,978,758**	2,907,006
Total assets less current liabilities		**3,515,648**	3,078,484

At 31 December 2009
(Expressed in Hong Kong dollars)

	Notes	2009 $'000	2008 $'000
Non-current liabilities			
Bank loans	27	**994,705**	725,005
Convertible bonds	28	**1,267,706**	1,178,409
Deferred tax liabilities	30	**977,037**	950,278
		3,239,448	2,853,692
NET ASSETS		**276,200**	224,792
CAPITAL AND RESERVES			
Share capital	31	**111,851**	109,251
Reserves		**5,057**	26,691
Total equity attributable to equity shareholders of the Company		**116,908**	135,942
Minority interests		**159,292**	88,850
TOTAL EQUITY		**276,200**	224,792

Approved and authorised for issue by the board of directors on 28 April 2010

Chen Chang Wei
Chairman

Chan Sheung Ni
Executive Director

The notes on pages 36 to 97 form part of these financial statements.

Balance Sheet

At 31 December 2009
(Expressed in Hong Kong dollars)

	Notes	2009 $'000	2008 $'000
Non-current assets			
Investments in subsidiaries	17	**1,705,241**	1,705,241
Current assets			
Other receivables	22	**286,965**	109,743
Cash at and cash equivalents	23	**998**	6
		287,963	109,749
Current liabilities			
Other payables	24	**259,940**	29,031
Promissory notes	26	**60,000**	108,691
		319,940	137,722
Net current liabilities		**(31,977)**	(27,973)
Total assets less current liabilities		**1,673,264**	1,677,268
Non-current liabilities			
Convertible bonds	28	**1,267,706**	1,178,409
NET ASSETS		**405,558**	498,859
CAPITAL AND RESERVES			
Share capital	31	**111,851**	109,251
Reserves		**293,707**	389,608
TOTAL EQUITY		**405,558**	498,859

Approved and authorised for issue by the board of directors on 28 April 2010

Chen Chang Wei
Chairman

Chan Sheung Ni
Executive Director

The notes on pages 36 to 97 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company										
	Notes	Share capital $'000	Share premium $'000	Capital reserve $'000	Special reserve $'000	Exchange reserve $'000	Property revaluation reserve $'000	Convertible bonds equity reserve $'000	Retained profits/ (Accumulated losses) $'000	Total $'000	Minority interests $'000	Total equity $'000
Balance at 1 January 2008		29,633	34,708	7,324	44,144	22,858	7,862	—	147,859	294,388	62,950	357,338
Changes in equity for 2008:												
Issue of convertible bonds		—	—	—	—	—	—	157,393	—	157,393	—	157,393
Issue of shares	31(b)	11,418	44,528	—	—	—	—	—	—	55,946	—	55,946
Acquisition of subsidiaries		—	—	—	—	—	—	—	—	—	75,551	75,551
Dividends paid to minority equity holders of a subsidiary		—	—	—	—	—	—	—	—	—	(7,396)	(7,396)
Convertible bonds exercised	31(b)	68,200	112,995	—	—	—	—	(19,866)	—	161,329	—	161,329
Disposal of subsidiaries		—	—	(4,286)	—	(28,191)	—	—	—	(32,477)	(15,296)	(47,773)
Total comprehensive income for the year		—	—	—	—	9,881	(6,995)	—	(503,523)	(500,637)	(26,959)	(527,596)
Balance at 31 December 2008 and 1 January 2009		109,251	192,231	3,038	44,144	4,548	867	137,527	(355,664)	135,942	88,850	224,792
Changes in equity for 2009:												
Convertible bonds exercised	31(b)	2,600	4,734	—	—	—	—	(757)	—	6,577	—	6,577
Deemed interest income	19	—	—	—	—	—	—	—	(37,421)	(37,421)	(1,969)	(39,390)
Total comprehensive income for the year		—	—	—	—	(11)	604	—	11,217	11,810	72,411	84,221
Balance at 31 December 2009		111,851	196,965	3,038	44,144	4,537	1,471	136,770	(381,868)	116,908	159,292	276,200

The notes on pages 36 to 97 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Notes	2009 $'000	2008 $'000
Operating activities			
Cash generated from/(used in) operations	23(b)	**62,579**	(95,950)
Income tax paid		**(12,574)**	(743)
Net cash generated from/(used in) operating activities		**50,005**	(96,693)
Investing activities			
Payment for the purchase of property, plant and equipment		**(1,208)**	(265)
Proceeds from sale of property, plant and equipment		**839**	2
Dividends received from available-for-sale investment		**610**	—
Additions of investment properties		**—**	(2,632)
Acquisition of subsidiaries	36(a)	**—**	7,902
Disposal of subsidiaries	36(b)	**—**	12,804
Interest received		**833**	999
Increase in restricted bank deposits		**(198,508)**	—
Net cash (used in) / generated from investing activities		**(197,434)**	18,810
Financing activities			
Interest paid		**(58,352)**	(54,654)
Repayment to minority equity holder		**—**	(10,110)
Advances from minority equity holders of subsidiaries		**287**	2,340
Advances from related companies		**—**	865
Repayment to a director		**—**	(33,117)
Repayment of promissory notes		**(50,000)**	(85,000)
Proceeds from new bank loans		**479,734**	350,838
Repayment of bank loans		**(171,194)**	(25,381)
Dividends paid to minority equity holders of a subsidiary		**(2,728)**	(7,396)
Net cash generated from financing activities		**197,747**	138,385
Net increase in cash and cash equivalents		**50,318**	60,502
Cash and cash equivalents at 1 January		**88,915**	23,398
Effect of foreign exchange rate changes		**(1,256)**	5,015
Cash and cash equivalents at 31 December	23(a)	**137,977**	88,915

The notes on pages 36 to 97 form part of these financial statements.

1 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. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from 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.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

— investment property (see note 1(f)); and

— leasehold land and buildings (see note 1(g)).

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 periods.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 38.

(c) Subsidiaries and minority 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 its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated 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 consolidated 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.

Minority 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 holders 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. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority 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 minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(m) or (n) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(i)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Other investments in equity securities

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. Investments in equity securities that do not have quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(i)).

Investments are recognised/ derecognised on the date the Group commits to purchase/sell the investments.

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

After initial recognition, investment property is carried at fair value. Property that is being constructed or developed for future use as investment property is classified as investment property under development. If the fair value cannot be reliably determined, the investment property under development will be measured at cost until such time as fair value can be determined or construction is completed. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed periodically by independent valuers.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Investment properties *(Continued)*

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

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. Rental income from investment properties is accounted for as described in note 1(s)(iii).

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 were held under a finance lease (see note 1(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(h).

For a transfer from properties under development or completed properties held for sale to investment properties, any difference between the fair value of the property at that date and its then carrying amount is recognised in profit or loss.

(g) Property, plant and equipment

Freehold land and buildings held for own use are stated in the balance sheet at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Other items of plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(i)).

Changes arising on the revaluation of properties held for own use are generally dealt with in other comprehensive income and are accumulated separately in equity in the property revaluation reserve. The only exceptions are as follows:

— when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

— when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment *(Continued)*

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits/accumulated losses and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 to 50 years

— Leasehold improvements	5 years or over the lease term whichever is shorter
— Furniture, fixtures and equipment	5 to 10 years
— Plant and machinery	10 years
— Motor vehicles	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) 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 the 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, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(f)); and

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leased assets *(Continued)*

(i) Classification of assets leased to the Group *(Continued)*

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, 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.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(i). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments 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 assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss 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 (see note 1(f)) or is held for development for sale (see note 1(j)).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries: see note 1(i)(ii)) and other current and non-current receivables that are stated at cost or 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

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

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

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables *(Continued)*

— For trade and other current 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 profit or loss. 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.

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 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 profit or loss.

(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, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment (other than properties carried at revalued amounts);

— pre-paid interests in leasehold land classified as being held under an operating lease;

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

— investments in subsidiaries; and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market 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 generate cash inflows independently (i.e. a cash generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if 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*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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 profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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 (see notes 1(i)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(j) Inventories

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

— **Property under development for sale**

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(u)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

— **Completed property held for resale**

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(i)), 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 doubtful debts.

(l) Convertible bonds

Convertible bonds 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 bonds 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 convertible bonds equity reserve until either the bond is converted or redeemed.

If the bond is converted, the convertible bonds equity 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 share issued. If the bond is redeemed, the capital reserve is released directly to retained profits/accumulated losses.

(m) 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.

(n) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, 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.

(p) Employee benefits

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.

(q) 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 in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current 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 difference 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

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.

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 profits 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 profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the 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 Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in case of current tax assets and liabilities, the Company or the Group 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 realised the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other 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 expenditure 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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 profit or loss as follows:

(i) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under current liabilities.

(ii) Sales of land use rights

Sales of land use rights is recognised when the title has passed or when the sale contracts signed become unconditional, which is taken to be the point in time when the risks and rewards of ownership of the land use rights have been passed to the buyer.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss 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 profit or loss 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.

(iv) Dividends

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

(v) Interest income

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) 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. Balance sheet items are translated into Hong Kong dollars at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(u) Borrowing costs

Borrowing costs that are 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 are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

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.

(v) 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;

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Related parties *(Continued)*

(iii) 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;

(iv) 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

(v) 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.

(w) Segment reporting

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

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to HKFRS 7, *Financial instruments: Disclosures — improving disclosures about financial instruments*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate*
- HKAS 23 (revised 2007), *Borrowing costs*

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

- Amendments to HKFRS 2, *Share-based payment — vesting conditions and cancellations*
- HK(IFRIC) 15, *Agreements for the construction of real estate*
- HK(IFRIC) 16, *Hedges of a net investment in a foreign operation*

The amendments to HKAS 23, HKFRS 2 and HKFRS 7 and Interpretations HK(IFRIC) 15 and HK(IFRIC) 16 have had no material impact on the Group's financial statements as the amendments and interpretations are consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 12). Corresponding amounts have been provided on a basis consistent with the revised segment information.
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any of the period presented.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, as a result of amendments to HKAS 40, "Investment property", investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. This change in policy has no impact on net assets or profit or loss for any of the period presented.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods.

3 TURNOVER

The principal activities of the Group are property development and investment.

Turnover represents income from sales of properties and land use rights and rental income from investment properties. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2009	2008
	$'000	$'000
Sales of properties	**423,838**	1,389
Sales of land use rights	**—**	128,957
Rental income from investment properties	**2,248**	18,683
	426,086	149,029

4 OTHER REVENUE AND NET INCOME

	2009 $'000	2008 $'000
Interest income from loan to a shareholder (note 19)	**20,093**	9,870
Other interest income	**833**	999
Net foreign exchange gain	**702**	7,824
Dividend income	**610**	—
Others	**7,018**	2,797
	29,256	21,490

5 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging /(crediting):

	2009 $'000	2008 $'000
(a) Finance costs:		
Interest on bank loans	**57,580**	53,491
Interest on convertible bonds	**95,874**	88,323
Interest on promissory notes	**1,309**	8,205
Interest expense on other borrowing wholly repayable on demand	**772**	1,163
Total interest expense on financial liabilities not at fair value through profit or loss	**155,535**	151,182
Less: Interest expense capitalised into properties under development*	**(26,160)**	(49,060)
	129,375	102,122

* The borrowing costs have been capitalised at a rate of 5.4% — 7.56% per annum (2008: 7.02% — 7.74% per annum).

5 PROFIT/(LOSS) BEFORE TAXATION *(Continued)*

	2009 $'000	2008 $'000
(b) Staff costs:		
Contributions to defined contribution retirement plan	**681**	682
Salaries, wages and other benefits	**14,113**	16,773
	14,794	17,455
(c) Other items:		
Depreciation of property, plant and equipment	**1,191**	4,381
Amortisation of prepaid lease payments	**154**	160
Impairment losses of trade and other receivables	**—**	81,603
Auditors' remuneration	**715**	900
Operating lease charges: minimum lease payments — property, plant and equipment	**174**	393
(Gain)/loss on disposal of property, plant and equipment	**(681)**	56
Revaluation (surplus)/deficit on property, plant and equipment	**(78)**	6,346
Rentals receivable from investment properties less direct outgoings $173,000 (2008: $286,000) (note 3)	**(2,075)**	(18,683)
Cost of properties sold	**294,902**	75,750

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2009 $'000	2008 $'000
Current tax		
PRC Corporate Income Tax (note (ii))	**28,261**	16,658
PRC Land Appreciation Tax ("LAT") (note (iii))	**19,915**	20,611
Over provision of LAT in respect of prior year	**(20,248)**	—
	27,928	37,269
Deferred tax		
Origination and reversal of temporary differences (note 30(b))	**35,142**	(62,278)
	63,070	(25,009)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(a) Taxation in the consolidated income statement represents: *(Continued)*

(i) No provision for Hong Kong profits tax has been made in the financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year.

(ii) PRC Corporate Income Tax

The provision for corporate income tax has been calculated at the applicable tax rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The corporate income tax rate applicable to the Group's subsidiaries located in the PRC is 25% (2008: 25%).

(iii) PRC Land Appreciation Tax ("LAT")

All income from sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including costs of land use rights, borrowing costs and relevant development expenditure.

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

	2009 $'000	2008 $'000
Profit/(loss) before taxation	**146,546**	(555,146)
Notional tax calculated at rate applicable to profits in the countries concerned	**45,385**	(132,498)
Tax effect of non-deductible expenses	**19,694**	95,081
Tax effect of non-taxable income	**(8,862)**	(10,405)
Tax effect of unused tax losses not recognised	**7,186**	2,202
PRC LAT deductible for PRC corporate income tax purpose	**(333)**	20,611
Actual tax expense/(credit)	**63,070**	(25,009)

7 DIRECTORS' REMUNERATION

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

	2009			
	Directors' Fee $'000	Salaries allowances and benefits in kind $'000	Retirement scheme contributions $'000	2009 Total $'000
Chairman:				
Mr. Chen Chang Wei	—	720	12	732
Executive directors:				
Ms. Chan Sheung Ni	—	300	12	312
Ms. Chen Dong Xue	—	548	—	548
Mr. Wong Hing Ting, James (resigned during the year)	—	320	12	332
Non-executive directors:				
Mr. So Pang Gen (retired during the year)	—	—	—	—
Independent non-executive directors:				
Ms. Lin Wen Feng	60	—	—	60
Mr. Ma Ving Lung	60	—	—	60
Mr. Yip King Keung, Pony	60	—	—	60
	180	1,888	36	2,104

7 DIRECTORS' REMUNERATION *(Continued)*

	2008			
	Directors' Fee $'000	Salaries allowances and benefits in kind $'000	Retirement scheme contributions $'000	2008 Total $'000
Chairman:				
Mr. Chen Chang Wei	—	1,260	—	1,260
Executive directors:				
Ms. Chan Sheung Ni	—	300	—	300
Ms. Chen Dong Xue	—	458	—	458
Mr. Wong Hing Ting, James	—	1,280	—	1,280
Mr. Choi Dun Woo	—	347	2	349
Non-executive directors:				
Mr. So Pang Gen	—	286	—	286
Independent non-executive directors:				
Ms. Lin Wen Feng	97	—	—	97
Mr. Ma Ving Lung	109	—	—	109
Mr. Yip King Keung, Pony	77	—	—	77
	283	3,931	2	4,216

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2008: four) are directors whose emoluments are disclosed in note 7. The emoluments in respect of the other one (2008: one) individual are as follows:

	2009 $'000	2008 $'000
Salaries and other emoluments	**161**	463
Retirement scheme contributions	**6**	—
	167	463

The emoluments of the one (2008: one) individual with the highest emoluments are within the band of nil to $1,000,000.

9 PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit/(loss) attributable to equity shareholders of the Company includes a loss of $99,878,000(2008: $5,003,000) which has been dealt with in the financial statements of the Company.

10 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income are as follows:

	2009			2008		
	Before tax amount $'000	**Tax effect $'000**	**Net-of-tax amount $'000**	Before tax amount $'000	Tax effect $'000	Net-of-tax amount $'000
Exchange differences on translation of financial statements of subsidiaries in the PRC	**(864)**	**—**	**(864)**	13,893	—	13,893
Surplus/(deficit) on revaluation of property, plant and equipment	**2,145**	**(536)**	**1,609**	(15,238)	3,886	(11,352)
	1,281	**(536)**	**745**	(1,345)	3,886	2,541

11 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated profit/(loss) attributable to ordinary equity shareholders of the Company of $11,217,000 (2008: loss $503,523,000) and the weighted average number of ordinary shares of 1,111,047,000 (2008: 880,168,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2009 $'000	2008 $'000
Issued ordinary shares at 1 January	**1,092,507**	296,330
Effect of shares issue	**—**	107,921
Effect of exercise of convertible bonds	**18,540**	475,917
	1,111,047	880,168

11 EARNINGS/(LOSS) PER SHARE *(Continued)*

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share for the years ended 2008 and 2009 are not presented as the potential ordinary shares had anti-dilution effect on earnings/loss per share.

12 SEGMENT REPORTING

The Group manages its businesses by projects in different region within the PRC. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Projects in Fujian Province: this segment engages in the development of residential and commercial properties for sales in Fujian Province.

- Projects in Zhejiang Province: this segment engages in the development of residential and commercial properties for sales as well as leasing of properties to earn rental income in Zhejiang Province.

- Projects in Jilin Province: this segment engaged in property development in Jilin Province. This segment was disposed of in 2008.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in financial assets and other corporate assets. Segment liabilities include current liabilities, bank borrowings managed directly by the segments and deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "Profit before tax".

12 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

	Projects in Fujian Province $'000	Projects in Zhejiang Province $'000	Total $'000
For the year ended 31 December 2009			
Revenue from external customers	—	426,086	426,086
Reportable segment profit	101,551	144,863	246,414
At 31 December 2009			
Reportable segment assets	4,328,106	461,967	4,790,073
Reportable segment liabilities	2,984,493	323,960	3,308,453

	Projects in Fujian Province $'000	Projects in Zhejiang Province $'000	Projects in Jilin Province $'000	Total $'000
For the year ended 31 December 2008				
Revenue from external customers	—	3,545	145,484	149,029
Reportable segment profit/(loss)	(127,787)	(11,945)	67,185	(72,547)
At 31 December 2008				
Reportable segment assets	3,254,288	617,668	—	3,871,956
Reportable segment liabilities	1,943,845	591,188	—	2,535,033

12 SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

Revenue	2009 $'000	2008 $'000
Reportable segment and consolidated revenue	**426,086**	149,029

Profit/(loss)	2009 $'000	2008 $'000
Reportable segment profit/(loss)	**246,414**	(72,547)
Unallocated head office and corporate results	**(99,868)**	(482,599)
Consolidated profit/(loss)	**146,546**	(555,146)

Assets	2009 $'000	2008 $'000
Reportable segment assets	**4,790,073**	3,871,956
Elimination of inter-segment receivables	**(557,725)**	(143,946)
Unallocated head office and corporate assets	**416,226**	269,204
Consolidated total assets	**4,648,574**	3,997,214

Liabilities	2009 $'000	2008 $'000
Reportable segment liabilities	**3,308,453**	2,535,033
Elimination of inter-segment payables	**(557,725)**	(143,946)
Unallocated head office and corporate liabilities	**1,621,646**	1,381,335
Consolidated total liabilities	**4,372,374**	3,772,422

13 INVESTMENT PROPERTIES

	The Group	
	2009	2008
	$'000	$'000
At 1 January	**23,794**	163,745
Exchange adjustments	**139**	9,154
Additions	**19,675**	2,632
Disposal of subsidiaries	**—**	(129,638)
Fair value adjustment	**44,497**	(22,099)
At 31 December	**88,105**	23,794

The investment properties of the Group were revalued on an open market value basis at each balance sheet date by independent firms of surveyors, Savills Valuation and Professional Services Limited and RHL Appraisal Limited, both of which have recent experience in the respective location and category of property being valued. The valuations were mainly based on reference to the comparable market transactions assuming sale with the benefit of vacant possession.

The Group leases out completed investment property under operating leases. The leases run for an initial period of 1 to 12 years, with an option to renew the lease after that date at which time all terms are renegotiated. Certain leases include contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

The Group's total future minimum rental receivables under non-cancellable operating leases are as follows:

	2009	2008
	$'000	$'000
Within 1 year	**1,464**	2,005
After 1 year but within 5 years	**953**	2,371
	2,417	4,376

The Group's investment properties are held on leases of between 10 to 50 years in the PRC and Hong Kong as at 31 December 2009 and 2008.

As at 31 December 2009, no investment properties was pledged as collateral for the Group's borrowings (2008: $23,794,000) (note 27).

14 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Building held for own use carried at fair value	Leasehold improvements	Furniture, fixtures, and equipment	Plant and machinery	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation:						
At 1 January 2008	45,191	—	3,130	313	4,187	52,821
Exchange adjustments	2,081	—	198	21	285	2,585
Additions	50	17	198	—	—	265
Acquisition of subsidiaries	1,800	101	159	—	782	2,842
Disposal of subsidiaries	(12,156)	—	(2,622)	(334)	(2,561)	(17,673)
Disposals	—	—	(371)	—	(242)	(613)
Deficit on revaluation	(21,584)	—	—	—	—	(21,584)
Less: elimination of accumulated depreciation	(3,843)	—	—	—	—	(3,843)
At 31 December 2008	11,539	118	692	—	2,451	14,800
Representing:						
Cost	—	118	692	—	2,451	3,261
Valuation — 2008	11,539	—	—	—	—	11,539
	11,539	118	692	—	2,451	14,800
At 1 January 2009	11,539	118	692	—	2,451	14,800
Exchange adjustments	31	—	2	—	505	538
Additions	3,408	—	301	—	907	4,616
Disposals	(158)	—	—	—	(498)	(656)
Surplus on revaluation	2,223	—	—	—	—	2,223
Less: elimination of accumulated depreciation	(840)	—	—	—	—	(840)
At 31 December 2009	16,203	118	995	—	3,365	20,681
Representing:						
Cost	—	118	995	—	3,365	4,478
Valuation — 2009	16,203	—	—	—	—	16,203
	16,203	118	995	—	3,365	20,681

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) The Group *(Continued)*

	Building held for own use carried at fair value $'000	Leasehold improvements $'000	Furniture, fixtures, and equipment $'000	Plant and machinery $'000	Motor vehicles $'000	Total $'000
Accumulated depreciation:						
At 1 January 2008	—	—	2,266	144	3,341	5,751
Exchange adjustments	—	—	145	10	220	375
Charge for the year	3,843	35	170	13	320	4,381
Written back on disposal of subsidiaries	—	—	(1,921)	(167)	(1,952)	(4,040)
Written back on disposals	—	—	(337)	—	(218)	(555)
Elimination on revaluation	(3,843)	—	—	—	—	(3,843)
At 31 December 2008	—	35	323	—	1,711	2,069
At 1 January 2009	—	35	323	—	1,711	2,069
Exchange adjustments	—	—	1	—	503	504
Charge for the year	840	36	143	—	172	1,191
Written back on disposals	—	—	—	—	(498)	(498)
Elimination on revaluation	(840)	—	—	—	—	(840)
At 31 December 2009	—	71	467	—	1,888	2,426
Net book value:						
At 31 December 2009	16,203	47	528	—	1,477	18,255
At 31 December 2008	11,539	83	369	—	740	12,731

(b) Revaluation of properties

The buildings held for own use carried at fair value were revalued on an open market value basis at each balance sheet date by independent firms of surveyors, Savills Valuation and Professional Service Limited and RHL Appraisal Limited, both of which have recent experience in the respective location and category of property being valued. The revaluation surplus of $2,145,000 (2008: deficit $15,238,000) has been recognised in other comprehensive income and accumulated in the property revaluation reserve of the Group, net of deferred tax (note 10). The revaluation surplus of $78,000 (2008: deficit $6,346,000) has been recognised in profit or loss of the Group, net of deferred tax (note 5(c)).

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) Revaluation of properties *(Continued)*

Had these properties held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been approximately $13,312,000 (2008: $7,797,000) at 31 December 2009.

As at 31 December 2009, the property, plant and equipment with carrying value amounting to $1,483,000 (2008: $1,522,000) were pledged as collateral for the Group's borrowings (note 27).

15 PREPAID LEASE PAYMENTS

The Group's interests in land use rights represent prepaid operating lease payments and are held under long term leases (50 years or more) in the PRC and Hong Kong.

	The Group	
	2009	2008
	$'000	$'000
Cost:		
At 1 January	**28,372**	6,409
Exchange adjustments	**10**	413
Acquisition of subsidiaries	**—**	25,200
Additions	**1,155**	—
Disposal of subsidiaries	**—**	(3,650)
At 31 December	**29,537**	28,372
Accumulated depreciation:		
At 1 January	**746**	1,219
Exchange adjustments	**2**	81
Charge for the year	**154**	160
Written back on disposal of subsidiaries	**—**	(714)
At 31 December	**902**	746
Net book value:		
At 31 December	**28,635**	27,626
Current portion	**(126)**	(78)
Non-current portion	**28,509**	27,548

As at 31 December 2009, the prepaid lease payments with carrying value amounting to $8,153,000 (2008: $8,185,000) were pledged as collateral for the Group's borrowings (note 27).

16 GOODWILL

	The Group	
	2009	2008
	$'000	$'000
Cost:		
At 1 January	**394,782**	—
Acquisition of subsidiaries	**—**	394,782
At 31 December	**394,782**	394,782
Accumulated impairment losses:		
At 1 January	**299,000**	—
Impairment loss	**—**	299,000
At 31 December	**299,000**	299,000
Carrying amount:		
At 31 December	**95,782**	95,782

The goodwill arose from the acquisition of the entire issued share capital of Amazing Wise Limited ("Amazing Wise") in 2008. The balance represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of Amazing Wise as at the acquisition date.

The Group carried out impairment testing of the goodwill as at 31 December 2008 and 2009. As a result of the downturn of the PRC property market in 2008, an impairment loss of $299,000,000 in respect of the goodwill was recorded. As a result of the appreciation of property prices in 2009, no further impairment is considered necessary.

In assessing the impairment of goodwill, the recoverable amount of the cash generating unit ("CGU") is determined. The CGU of the Group includes all the subsidiaries of Amazing Wise. The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 5-year period. Cash flows are extrapolated using an estimated weighted average growth rate of 3% — 5% (2008: 3% — 5%). The cash flows are discounted using a discount rate of 13% (2008: 11.5%). In determining discount rate, the Capital Assets Pricing Model ("CAPM") was used. Under CAPM, the appropriate expected rate of return is the sum of the risk-free return and the equity risk premium required by investors to compensate for the market risk assumed. The management's key assumptions, include profit margins, which have been determined based on past performance and its expectations for market share after taking into consideration published market forecast and research. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

17 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009	2008
	$'000	$'000
Unlisted investments, at cost	1,705,241	1,705,241

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	held by the Company	held by a subsidiary	Principal activities
China Fair Land (Shenyang) Limited	Hong Kong	2 ordinary shares of $1 each	100%	—	100%	Investment holding
China Fair Land (Suzhou) Limited	Hong Kong	2 ordinary shares of $1 each	100%	—	100%	Investment holding
China Fair Land (Ningbo) Limited	Hong Kong	2 ordinary shares of $1 each and 10,000 non-voting deferred shares of $1 each	100%	—	100%	Investment holding
Amazing Wise Limited	British Virgin Islands	10 ordinary shares of $1 each	100%	100%	—	Investment holding
Dalong Industrial Group Limited	Hong Kong	10,000,000 ordinary shares of $1 each	100%	—	100%	Investment holding
Fujian Zhonglu Real Estate Development (HK) Limited	Hong Kong	1,000 ordinary shares of $1 each	100%	—	100%	Inactive

(Expressed in Hong Kong dollars)

17 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	held by the Company	held by a subsidiary	Principal activities
Flying Hope Investments Limited	British Virgin Islands	100 ordinary shares of $1 each	100%	100%	—	Investment holding
Grace Luck (Hong Kong) Limited	Hong Kong	1,000 ordinary shares of $1 each	100%	—	100%	Investment holding
Hengli Capital Management Limited	Hong Kong	1 ordinary share of $1	100%	100%	—	Inactive
Right Strong Holdings Limited	British Virgin Islands	1 ordinary share of $1	100%	100%	—	Inactive
Fujian Zhonglu Real Estate Development Co., Limited (note i)	PRC for a term of 30 years commencing from 1992	RMB129,820,000	95% (note ii)	—	95%	Property development
Fujian Hengli Real Estate Development Co., Limited (note i)	PRC for a term of 20 years commencing from 2008	RMB180,000,000	100%	—	100%	Property development
Ningbo Tuozhan Real Estate Development Co., Limited (note i)	PRC for a term of 30 years commencing from 1989	RMB20,000,000	37.5% (note iii)	—	37.5%	Property development
Ningbo Jiangbei Zhong Cheng Real Estate Development Co., Ltd (note i)	PRC for a term of 10 years commencing from 2004	RMB10,000,000	33.75% (note iv)	—	90%	Property development
Ningbo Shengshi Real Estate Co., Ltd. (note i)	PRC for a term of 20 years commencing from 2005	RMB6,000,000	26.25% (note v)	—	70%	Property development

17 INVESTMENTS IN SUBSIDIARIES *(Continued)*

i. These entities are equity joint ventures established in the PRC.

ii. Pursuant to a share transfer agreement (the "Agreement") dated 22 May 2005 between Dalong Industrial Limited ("Dalong"), a subsidiary of the Group, and Fujian Zhonglu Group Co., Limited (the "Zhonglu Group"), Zhonglu Group agreed to transfer 95% of equity of Fujian Zhonglu Real Estate Development Co., Limited ("Fujian Zhonglu") to Dalong, after which Fujian Zhonglu became a subsidiary of Dalong. Zhonglu Group has since then been the minority equityholder of Fujian Zhonglu. According to the Agreement, certain assets and liabilities related to an old project commenced before the transfer were retained by Zhonglu Group. The relevant risks and benefits of the aforesaid projects were also retained by Zhonglu Group. Fujian Zhonglu maintains a separate books and records for this old project. As at 31 December 2009, the relevant assets and liabilities amounted to $40,439,000 (2008: $41,033,000) and $40,000 (2008: $1,064,000) respectively have not been legally transferred. However, as the risk and benefits of these assets and liabilities were retained by Zhonglu Group, these assets and liabilities were excluded from the consolidated financial statements. The Group is therefore entitled to 95% of the equity interest of Fujian Zhonglu excluding the above mentioned assets and liabilities.

iii. On 15 September 1995, China Fair Land (Ningbo) Limited ("China Fair Land Ningbo"), a wholly-owned subsidiary of the Company, entered into an irrevocable agreement (the "1995 Agreement") with China Real Estate Development Company Ningbo Company 中國房地產開發公司寧波公司 ("Ningbo CREDC"), a 25% owner of Ningbo Tuozhan Real Estate Development Co., Limited ("Ningbo Tuozhan"). Pursuant to the 1995 Agreement, Ningbo CREDC agreed to exercise its shareholder's rights and to procure the directors appointed by it to exercise their powers, including but not limited to the exercise of voting rights, in respect of the operation, management and strategic affairs of Ningbo Tuozhan, in concert with China Fair Land Ningbo and/or the directors appointed by China Fair Land Ningbo.

On 11 May 2001, China Fair Land Ningbo and Ningbo CREDC entered into a confirmation and agreement (the "2001 Confirmation") confirming that Ningbo CREDC and its nominated directors of Ningbo Tuozhan had, since the execution of the 1995 Agreement, exercised all their respective shareholder's and directors' rights (including voting rights) in accordance with the requests of China Fair Land Ningbo and/or its nominated directors of Ningbo Tuozhan in respect of the operation, management and strategic affairs of Ningbo Tuozhan. Ningbo CREDC has also irrevocably undertaken to exercise, and to procure its nominated directors of Ningbo Tuozhan to exercise, their respective shareholder's and directors' rights (including voting rights) in accordance with the requests of China Fair Land Ningbo and/or its nominated directors of Ningbo Tuozhan in respect of the operation, management and strategic affairs of Ningbo Tuozhan.

In 2003, Ningbo CREDC transferred its entire 25% equity interest in Ningbo Tuozhan to four of its employees (the "New 25% Owners"). On 30 September 2003, China Fair Land Ningbo entered into an agreement (the "concert voting agreement") with the New 25% Owners that the New 25% Owners agreed to continue to cooperate with China Fair Land Ningbo in accordance with the 1995 Agreement and the 2001 Confirmation.

Based on the above-mentioned documents, the Company's directors consider that the Group holds 4 out of 7 of the voting rights in the board of directors of Ningbo Tuozhan and effectively controls the financial and operating policies of Ningbo Tuozhan. Accordingly, Ningbo Tuozhan is regarded as a subsidiary of the Group.

iv. Ningbo Tuozhan holds 90% equity interests in Ningbo Jiangbei Zhong Cheng Real Estate Development Co., Ltd. ("Ningbo Jiangbei Zhong Cheng") and the Company's directors consider that the Group holds 4 out of 7 of the voting rights in the board of directors of this company. Accordingly, Ningbo Jiangbei Zhong Cheng is regarded as a subsidiary of the Group.

v. Ningbo Tuozhan holds 70% equity interests in Ningbo Shengshi Real Estate Co., Ltd. ("Ningbo Shengshi") and the Company's directors consider that the Group holds 4 our of 7 of the voting rights in the board of directors of this company. Accordingly, Ningbo Shengshi is regarded as a subsidiary of the Group.

18 AVAILABLE-FOR-SALE INVESTMENT

	The Group	
	2009	2008
	$'000	$'000
Unlisted equity, at cost		
At 1 January	**2,265**	2,128
Exchange adjustments	**7**	137
At 31 December	**2,272**	2,265

The investment represents the Group's unlisted investment in China Real Estate Development Group Investment Co., Limited (the "Investee"), a company established in the PRC. The investment represented 2% of the total equity interest in the Investee. The available-for-sale investment is stated at cost less impairment since the Investee is not a listed company and its equity interest has no open market quoted price. The directors of the Company are of the opinion that fair value cannot be reliably measured without incurring significant cost. The Group has no plan to dispose of the interest in the Investee in the foreseeable future.

19 LOAN TO A SHAREHOLDER

On 19 June 2009, Fujian Zhonglu Real Estate Development Co., Ltd. ("Fujian Zhonglu") and Mr. Chen Chang Wei ("Mr. Chen"), a shareholder and director of the Group, entered into an agreement pursuant to which Fujian Zhonglu agreed to extend the repayment date of a loan to Mr. Chen to 31 December 2011 from 20 June 2009. The extension constitutes a major and connected transaction for the Company under the Listing Rules and was approved by the independent shareholders at the Company's special general meeting in July 2009. As the loan is non-interest bearing and repayable at 31 December 2011, the fair value of the loan at 19 June 2009 was estimated and the difference of the fair value and the face value of the loan was accounted for as a deemed distribution. The loan was initially recognised based on a discount rate of 5.4% per annum. The maximum balance outstanding during the year is $328,708,000 (2008: $327,667,000).

	The Group
	$'000
At 1 January 2008	—
Addition through acquisition of subsidiary	317,797
Imputed interest income	9,870
At 31 December 2008 and 1 January 2009	327,667
Exchange adjustment	(111)
Deemed distribution	(52,520)
Imputed interest income	20,093
At 31 December 2009	295,129

The loan to a shareholder as at 31 December 2008 was classified under current assets as the original loan repayment date was 20 June 2009 (i.e. within one year). In July 2009, the loan repayment date was extended to 31 December 2011. Therefore, the balance was disclosed as non-current assets at 31 December 2009.

20 PROPERTIES UNDER DEVELOPMENT

(a) Properties under development in the balance sheet comprise:

	The Group	
	2009	2008
	$'000	$'000
Land use rights	**3,020,391**	2,771,349
Construction costs	**469,466**	451,718
Interest expense capitalised	**81,933**	67,991
	3,571,790	3,291,058
Less: Amount written down	**—**	(125,000)
	3,571,790	3,166,058

The properties under development are all located in the PRC.

As at 31 December 2009, the properties under development amounting to $3,130,420,000 (2008: $2,686,427,000) were pledged as collateral for the Group's borrowings (note 27).

The amount of properties under development expected to be recovered after more than one year is $3,571,790,000 (2008: $2,775,447,000).

Included in the property under development is the shopping spaces of Hengli City in Fuzhou, with carrying value amounted to $737,190,000 at 31 December 2009. In 2008, the directors intended to sell the shopping spaces after completion of construction and hence they were initially classified as property under development under current assets. In 2009, the Group has changed their plan and has been negotiating with potential tenants for leasing of the shopping spaces. If an operating lease had been commenced in respect of these spaces, the Group would have to account for these properties as investment properties under HKAS 40, *Investment Property*. The Group has not entered into any lease agreement for these shopping spaces as at 31 December 2009 and hence these properties remain to be classified under property under development.

(b) The analysis of land use rights by lease terms is as follows:

	The Group	
	2009	2008
	$'000	$'000
Outside Hong Kong, held on leases of:		
— long leases (over 50 years)	**1,622,656**	1,644,132
— medium-term leases (10 to 50 years)	**1,397,735**	1,127,217
	3,020,391	2,771,349

20 PROPERTIES UNDER DEVELOPMENT *(Continued)*

(c) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2009	2008
	$'000	$'000
Carrying amount of inventories sold	**294,902**	75,750
Write down of inventories	**—**	125,000
Reversal of write-down of inventories	**(125,000)**	—
	169,902	200,750

The write down of inventories of $125,000,000 in 2008 solely related to the projects in Fujian Province and was caused by the downturn of the PRC property market. As a result of the appreciation of property prices in 2009, the write-down of inventories was reversed in 2009.

21 PROPERTIES HELD FOR SALES

Properties held for sale by the Group included leasehold interests in land located in the PRC with lease terms expiring of 70 years.

22 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Trade receivables	**1,579**	1,611	**1,566**	1,566
Prepayments, other receivables and deposits	**29,715**	172,210	**3,059**	3,059
Prepaid lease payments (current portion)	**126**	78	**—**	—
Amounts due from subsidiaries	**—**	—	**282,340**	69,435
Amounts due from an equity holder	**—**	36,202	**—**	35,683
	31,420	210,101	**286,965**	109,743

The amounts due from subsidiaries and an equity holder are unsecured, interest free and repayable on demand.

The amount of the Group's and the Company's deposits and prepayments expected to be recovered or recognised as expense after more than one year is $14,109,000 (2008: $24,096,000) and $21,000 (2008: $4,624,000) respectively.

Details of the Group's credit policy are set out in note 32(a).

22 TRADE AND OTHER RECEIVABLES *(Continued)*

Included in prepayments, other receivables and deposits of the Company and of the Group as at 31 December 2009, is the estimated amount indemnified by certain beneficial owners of the Company in relation to the LAT attributable to sales of properties before the listing of the Company in the Hong Kong Stock Exchange amounted to $3,038,000 (2008: $3,038,000) (note 31(c)(ii)). The balance as at 31 December 2008 also included a prepayment for a land use right of $126,382,000 used for a property development project in Fujian Province which has been transferred to property under development after the Group acquired the land use right certificate in 2009.

(a) Ageing analysis

The ageing analysis of trade receivables is as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Current	**1,579**	1,577	**1,566**	1,566
More than 12 months past due	**—**	34	**—**	—
	1,579	1,611	**1,566**	1,566

At 31 December 2009, no impairment allowance is necessary in respect of the Group's trade receivables as the management considers that the balances are fully recoverable. The Group does not hold any collateral over these balances.

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 1(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
At 1 January	**—**	6,756	**—**	—
Impairment loss recognised	**—**	81,603	**—**	—
Release upon disposal of subsidiaries	**—**	(88,359)	**—**	—
At 31 December	**—**	—	**—**	—

At 31 December 2009, no impairment allowance is necessary in respect of the Group's trade receivables as the management considers that the balances are still fully recoverable. No specific allowances for doubtful debts (2008: $81,603,000) was recognised during the year. The Group does not hold any collateral over these balances.

23 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**137,977**	88,915	**998**	6

(b) Reconciliation of profit/(loss) before taxation to cash generated from/(used in) operations:

	Note	**2009**	2008
		$'000	$'000
Profit/(loss) before taxation		**146,546**	(555,146)
Adjustments for:			
Net valuation (gain)/ loss on investment property		**(44,497)**	22,099
Dividend income	4	**(610)**	—
Revaluation (surplus) / deficit on property, plant and equipment	5(c)	**(78)**	6,346
Depreciation	5(c)	**1,191**	4,381
(Gain)/loss on disposal of property, plant and equipment	5(c)	**(681)**	56
Amortisation of prepaid lease payments	5(c)	**154**	160
Impairment losses of trade and other receivables	5(c)	**—**	81,603
Finance costs	5(a)	**129,375**	102,122
Imputed Interest income from the loan to a shareholder	4	**(20,093)**	(9,870)
Other interest income	4	**(833)**	(999)
Gain on disposal of subsidiaries		**—**	(30,061)
Impairment on goodwill		**—**	299,000
(Reversal of write down)/ write down of properties under development		**(125,000)**	125,000
Increase in properties under development		**(254,572)**	(321,713)
Increase in properties held for sale		**(170,445)**	(538)
Increase/(decrease) in trade and other receivables		**178,730**	(324,405)
Increase in receipts in advance		**177,592**	215,686
Increase in trade and other payables		**45,800**	290,329
Cash generated from/(used in) operations		**62,579**	(95,950)

23 CASH AND CASH EQUIVALENTS *(Continued)*

(c) Non-cash transactions

In 2009, in accordance with the respective confirmation, an amount receivable from an equity holder of $35,684,000 was settled through offsetting with the current account with the equity holder's affiliated company of $2,307,000 and that with Mr. Chen of $33,337,000.

24 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Trade payables	**191,814**	187,796	**—**	—
Other creditors and accrued charges	**150,750**	111,642	**402**	972
Amounts due to shareholders	**24,963**	18,889	**16,674**	17,358
Amounts due to subsidiaries	**—**	—	**242,864**	10,701
Amounts due to minority shareholders	**16,411**	18,852	**—**	—
Amount due to a related company	**—**	3,398	**—**	—
	383,938	340,577	**259,940**	29,031

Except for the amount due to a related company which is interest bearing at 1.2 times of the 6 months borrowing rate of the People's Bank of China and repayable within 3 months, the amounts due to other related parties are interest free and repayable on demand or within one year.

The following is the aging analysis of trade payables as of the balance sheet date:

	The Group	
	2009	2008
	$'000	$'000
Due within 3 months or on demand	**89,460**	84,927
Due after 3 months but within 12 months	**—**	68
Due over 12 months	**102,354**	102,801
	191,814	187,796

The balance due over 12 months mainly represents retention money for the construction projects. All of other creditors and accrued charges are expected to be settled within one year or are repayable on demand.

25 RECEIPTS IN ADVANCE

The amount represents instalments of sales proceeds received from buyers in connection with the Group's pre-sale of properties. The amount is expected to be recognised as revenue of the Group within one normal operating cycle for properties under development and held for sales.

26 PROMISSORY NOTES

On 21 January 2008, the Company issued promissory notes with an aggregate principal amount of $250,000,000 to Mr. Chen Chang Wei ("Mr Chen") as part of consideration for the acquisition of Amazing Wise Limited and its subsidiaries from Mr. Chen. The promissory notes were originally repayable in 2008 but its maturity was extended to 30 June 2009. In 2009, the Company repaid principal value of promissory notes of $50,000,000 (2008: $140,000,000). The outstanding balance of the promissory notes at 31 December 2009 is unsecured, interest-free and repayable on demand. The directors expect that the amount would be repaid within one year.

27 BANK LOANS

At 31 December 2009, bank loans were repayable and secured as follows:

	The Group	
	2009	2008
	$'000	$'000
Within 1 year	**207,313**	168,473
After 1 year but within 2 years	**957,768**	27,014
After 2 year but within 5 years	**29,087**	687,983
After 5 years	**7,850**	10,008
	1,202,018	893,478

At 31 December 2009, bank loans were secured as follows:

	The Group	
	2009	2008
	$'000	$'000
Secured by the assets of the Group (note a)	**1,128,087**	800,454
Secured by personal guarantees and other assets (note b)	**73,931**	93,024
	1,202,018	893,478

27 BANK LOANS *(Continued)*

(a) At 31 December 2009, the assets of the Group pledged to secure the bank loans comprise following assets:

	The Group	
	2009	2008
	$'000	$'000
Investment properties	**—**	23,794
Property, plant and equipment	**1,483**	1,522
Prepaid lease payments	**8,153**	8,185
Properties under development	**3,130,420**	2,686,427
Restricted bank deposits	**198,508**	—
	3,338,564	2,719,928

(b) These bank loans are guaranteed by Mr. Chen and Ms. Chan Sheung Ni and are secured by certain of their personal properties. Both of them are shareholders and directors of the Company.

28 CONVERTIBLE BONDS

On 21 January 2008, the Company issued $2,701,711,500 zero coupon convertible bonds at 100% of principal amount to Mr. Chen as part of the consideration for the acquisition of Amazing Wise Limited and its subsidiaries. The convertible bonds are secured by the shares of Amazing Wise Limited held by the Company.

The rights of the convertible bond holders to convert the convertible bonds into ordinary shares are as follows;

- Conversion rights are exercisable at any time up to maturity at the option of convertible bond holders.
- If a holder exercises its conversion rights, the Company is required to deliver ordinary shares at a rate of $0.50 per share.

In respect of the convertible bonds' conversion rights that have not been exercised up to the maturity date, i.e. on 20 January 2018, the Company will redeem at face value on 20 January 2018.

The convertible bonds recognised in the balance sheet are analysed as follows:

	Liability component	Equity component
	$'000	$'000
Net carrying amount at 31 December 2008	1,178,409	137,527
Imputed interest expense	95,874	—
Exercise of conversion rights	(6,577)	(757)
Net carrying amount at 31 December 2009	**1,267,706**	**136,770**

28 CONVERTIBLE BONDS *(Continued)*

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 8% to the liability component.

At 31 December 2009, the outstanding principal amount of the convertible bonds is $2,347,712,000 (2008: $2,360,712,000).

29 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

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 $20,000. Contributions to the plan vest immediately.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 18% to 20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

30 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group	
	2009	2008
	$'000	$'000
Current tax recoverable:		
PRC Corporate Income Tax	**1,883**	10,643
PRC Land Appreciation Tax	**2,666**	1,120
	4,549	11,763
Current tax payable:		
PRC Corporate Income Tax	**53,836**	48,014
PRC Land Appreciation Tax	**33,486**	36,214
	87,322	84,228

30 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from:	Revaluation of properties $'000	Land Appreciation Tax $'000	Deemed distribution $'000	Total $'000
At 1 January 2008	(14,682)	26,297	—	11,615
Exchange adjustments	(527)	1,797	—	1,270
Credited to profit or loss	57,125	5,153	—	62,278
Credited to reserves	2,413	—	—	2,413
Acquisition of subsidiaries	(999,281)	—	—	(999,281)
Disposal of subsidiaries	3,201	(23,889)	—	(20,688)
Credited to minority interests	1,473	—	—	1,473
At 31 December 2008	(950,278)	9,358	—	(940,920)
At 1 January 2009	**(950,278)**	**9,358**	**—**	**(940,920)**
Exchange adjustments	(23)	28	11	16
Credited to profit or loss	(34,594)	(548)	—	(35,142)
Credited to reserves	(201)	—	7,964	7,763
Credited to minority interests	(335)	—	419	84
At 31 December 2009	**(985,431)**	**8,838**	**8,394**	**(968,199)**

	2009 $'000	2008 $'000
Net deferred tax asset recognised on the consolidated balance sheet	**8,838**	9,358
Net deferred tax liability recognised on the consolidated balance sheet	**(977,037)**	(950,278)
	(968,199)	(940,920)

30 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $69,190,000 (2008: $43,639,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses arose in the PRC can be carried forward for five years and the tax losses of the Group arose elsewhere other than in the PRC do not expire under current tax legislation.

31 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Special reserve $'000	Convertible bonds equity reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 January 2008		29,633	34,708	7,324	127,961	—	(66,146)	133,480
Changes in equity for 2008								
Issue of convertible bonds		—	—	—	—	157,393	—	157,393
Issue of shares	31(b)	11,418	44,528	—	—	—	—	55,946
Convertible bonds exercised	31(b)	68,200	112,995	—	—	(19,866)	—	161,329
Disposal of subsidiaries		—	—	(4,286)	—	—	—	(4,286)
Total comprehensive income for the year		—	—	—	—	—	(5,003)	(5,003)
Balance at 31 December 2008 and 1 January 2009		109,251	192,231	3,038	127,961	137,527	(71,149)	498,859
Changes in equity for 2009								
Convertible bonds exercised	31(b)	2,600	4,734	—	—	(757)	—	6,577
Total comprehensive income for the year		—	—	—	—	—	(99,878)	(99,878)
Balance at 31 December 2009		**111,851**	**196,965**	**3,038**	**127,961**	**136,770**	**(171,027)**	**405,558**

No dividend was declared, proposed or paid during the year (2008: Nil).

31 CAPITAL AND RESERVES *(Continued)*

(b) Share capital

	2009 No. of shares '000	2009 Amount $'000	2008 No. of shares '000	2008 Amount $'000
Authorised:				
Ordinary shares of $0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of $0.1 each				
At 1 January	**1,092,507**	**109,251**	296,330	29,633
Shares issued upon acquisition of subsidiaries (note i)	**—**	**—**	114,177	11,418
Exercise of convertible bonds (note ii)	**26,000**	**2,600**	682,000	68,200
At 31 December	**1,118,507**	**111,851**	1,092,507	109,251

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the years ended 31 December 2009 and 2008, the movements in share capital were as follows:

(i) On 21 January 2008, the Company issued 114,177,000 ordinary shares of $0.10 each to Mr. Chen as part of the purchase consideration of acquiring Amazing Wise Limited. The fair value of the shares issued at the date of acquisition amounted to $55,946,000.

(ii) During the year ended 31 December 2009, 26,000,000 ordinary shares (2008: 682,000,000 ordinary) of $0.10 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of $0.50 per share (see note 28 for details of the convertible bonds).

31 CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium is governed by Companies Act 1981 of Bermuda.

(ii) Capital reserve

In 2002, upon the reorganisation and the listing of the Company, Mr. So Pang Gen, International Offshore Development Limited ("International Offshore"), Chance Fair International Development Limited and Future Opportunity Limited (hereinafter collectively referred to as the "Covenanters", the beneficial owners of the Company, entered into a deed of tax indemnity with the Company whereby the Covenanters have on joint and several basis, under certain terms and conditions, undertaken to indemnify the Company in respect of the LAT which might be payable by any member of the Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the date of listing of the Company's shares on the Stock Exchange of Hong Kong Limited (the "Listing Date") or by reference to any act, transaction or event occurring or deemed to occur on or before the Listing Date. The capital reserve of the Company and of the Group represents the estimated indemnity of LAT from the Covenanters.

(iii) Special reserve

The special reserve of the Group represents the difference between the aggregate nominal value of the share capital of the Company's subsidiaries acquired and the nominal value of the shares issued by the Company in connection with a group reorganisation.

The special reserve of the Company represents the difference between the aggregate of the net asset value of the Company's subsidiaries acquired and the nominal value of the shares issued by the Company in connection with a group reorganisation.

(iv) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong.

The reserve is dealt with in accordance with the accounting policies set out in note 1(t).

(v) Convertible bonds equity reserve

Convertible bonds equity reserve represents the excess of the issue proceeds over the present value of the future interest and principal payments of the convertible bonds, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option at its inception.

(vi) Distributable reserve

As at 31 December 2009, the Company did not have any reserves distributable to shareholders (2008: nil). The Company's share premium account and special reserve of $196,965,000 and $127,961,000 respectively, as at 31 December 2009 may be distributable to shareholders, after netting off with the accumulated losses in certain circumstances prescribed by Section 54 of the Companies Act 1981 of Bermuda.

31 CAPITAL AND RESERVES *(Continued)*

(d) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise return to shareholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares. No changes were made in the objectives, policies or processes during the current year.

The Group monitors capital using a gearing ratio, which is defined as net debt divided by aggregate of net debts and total equity. Net debts are calculated as bank loans, including current and non-current portion, promissory notes and convertible bonds net of cash and bank balances as shown in the consolidated balance sheet. Total equity is as shown in the consolidated balance sheet. The Group aims to maintain the gearing ratio at a reasonable level.

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

	The Group		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Bank loans	**1,202,018**	893,478	**—**	—
Promissory notes	**60,000**	108,691	**60,000**	108,691
Convertible bonds	**1,267,706**	1,178,409	**1,267,706**	1,178,409
Total debt	**2,529,724**	2,180,578	**1,327,706**	1,287,100
Less: Cash at bank and in hand & restricted bank deposits	**(336,485)**	(88,915)	**(998)**	(6)
Adjusted net debt	**2,193,239**	2,091,663	**1,326,708**	1,287,094
Total equity	**276,200**	224,792	**405,558**	498,859
Gearing ratio	**88.82%**	90.30%	**76.59%**	72.07%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk

The Group has no concentrations on credit risk. Bank deposits are placed with high-credit-quality financial institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash at bank, restricted bank deposits, loan to a shareholder and trade and other receivables.

For banks and financial institutions, deposits are only placed with reputable banks. The loan to a shareholder is of the nature of cash advance to a shareholder of the Company, who at the same time is the holder of the Company's convertible bonds and promissory notes. Hence, the possibility of bad debt is low.

For the trade receivables arising from sales of properties, the Group manages the credit risk by fully receiving cash before delivery of property. The Group has set out policies to ensure follow-up action is taken to recover overdue debts. The Group also reviews regularly the recoverable amount of each individual trade receivable balance to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is set out in note 34.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. Except for the financial guarantee given by the Group as set out in note 34, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 34.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk

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 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 adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table show 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 of the Group and the Company can be required to pay.

The Group:

	2009 Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Balance sheet carrying amount $'000
Trade and other payables	**383,938**	—	—	—	**383,938**	**383,938**
Promissory notes	**60,000**	—	—	—	**60,000**	**60,000**
Bank loans	**263,970**	**1,009,308**	**35,082**	**9,668**	**1,318,028**	**1,202,018**
Convertible bonds	—	—	—	**2,347,712**	**2,347,712**	**1,267,706**
	707,908	**1,009,308**	**35,082**	**2,357,380**	**4,109,678**	**2,913,662**

	2008 Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Balance sheet carrying amount $'000
Trade and other payables	340,626	—	—	—	340,626	340,577
Promissory notes	110,000	—	—	—	110,000	108,691
Bank loans	182,196	80,883	795,936	12,558	1,071,573	893,478
Convertible bonds	—	—	—	2,360,712	2,360,712	1,178,409
	632,822	80,883	795,936	2,373,270	3,882,911	2,521,155

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

The Company:

	2009 Contractual undiscounted cash outflow			
	Within 1 year or on demand $'000	More than 5 years $'000	Total $'000	Balance sheet carrying amount $'000
Other payables	**259,940**	**—**	**259,940**	**259,940**
Promissory notes	**60,000**	**—**	**60,000**	**60,000**
Convertible bonds	**—**	**2,347,712**	**2,347,712**	**1,267,706**
	319,940	**2,347,712**	**2,667,652**	**1,587,646**

	2008 Contractual undiscounted cash outflow			
	Within 1 year or on demand $'000	More than 5 years $'000	Total $'000	Balance sheet carrying amount $'000
Other payables	29,031	—	29,031	29,031
Promissory notes	110,000	—	110,000	108,691
Convertible bonds	—	2,360,712	2,360,712	1,178,409
	139,031	2,360,712	2,499,743	1,316,131

As shown in the above analysis, bank loans of the Group amounting to $263,970,000 (2008: $182,196,000) were due to be repaid during 2010.

The directors are of the opinion that, after taking account of the effect of the financial support from a shareholder, it is appropriate to prepare the financial statements on a going concern basis. The directors have concluded that the Company would have sufficient working capital to finance its operations in the next 12 months and remain as a going concern.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued 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's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the balance sheet date:

The Group:

	2009 Effective interest rate %	**2009** $'000	2008 Effective interest rate %	2008 $'000
Fixed rate borrowings:				
— Promissory notes	**—**	**60,000**	8.0	108,691
— Convertible bonds	**8.0**	**1,267,706**	8.0	1,178,409
— Bank loans	**2.8**	**117,000**	—	—
		1,444,706		1,287,100
Variable rate borrowings:				
— Bank loans	**1.4~6.0**	**1,085,018**	2.8~7.7	893,478
Total borrowings		**2,529,724**		2,180,578

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile *(Continued)*

The Company:

	2009 Effective interest rate %	**2009** $'000	2008 Effective interest rate %	2008 $'000
Fixed rate borrowings:				
— Promissory notes	**—**	**60,000**	8.0	108,691
— Convertible bonds	**8.0**	**1,267,706**	8.0	1,178,409
Total borrowings		**1,327,706**		1,287,100

(ii) Sensitivity analysis

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax by approximately $3,991,000 (2008: increase/decrease loss after tax by approximately $1,006,000). Other components of consolidated equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit/loss after tax (and retained profits/accumulated losses) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate instruments held by the Group at the balance sheet date, the impact on the Group's profit/loss after tax (and retained profits/accumulated losses) and other components of consolidated equity is estimated as an annualised impact on interest expense of such change in interest rates. The analysis is performed on the same basis for 2008.

(d) Currency risk

The Group's business is principally conducted in RMB except that the convertible bonds and promissory notes are denominated in Hong Kong dollar (HK$). The functional currency of the Group's subsidiaries in the PRC is RMB and they did not have significant monetary assets or liabilities denominated in currencies other than RMB. The functional currency of the Group's subsidiaries outside the PRC is HK$ and they did not have significant monetary assets or liabilities denominated in currencies other than HK$. As a result, the exchange rate risk is not significant for the Group.

The Group has not entered into any forward exchange contract.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(e) Fair values

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 2008 except as follows:

	2009		2008	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
Convertible bonds	**1,267,706**	**1,372,229**	1,178,409	1,278,402

The fair value of liability portion of convertible bonds is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

33 COMMITMENTS

(a) Capital commitments contracted but not provided for in the financial statements were as follows:

	The Group		**The Company**	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Contracted for land and development costs in respect of property development activities	**559,203**	896,826	**—**	—

(b) At 31 December 2009, the total future minimum lease payments regarding properties under non-cancellable operating leases are payable as follows:

	The Group		**The Company**	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Within 1 year	**135**	170	**—**	—
After 1 year but within 5 years	**—**	111	**—**	—
	135	281	**—**	—

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 5 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

34 CONTINGENT LIABILITIES

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of financial guarantee is not significant.

The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the balance sheet date is as follows:

	2009 **$'000**	2008 $'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**105,241**	72,190

The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans in the event of default payments by the purchasers to the banks.

35 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 is as follows:

	2009 $'000	2008 $'000
Short-term employee benefits	**2,104**	4,216

Total remuneration is included in "staff costs" (see note 5(b)).

(b) Other related party transactions

On 2 December 2008, the Group disposed of the CFL Properties Group to International Offshore, a shareholder of the Company at a consideration of $134 million and recorded a gain of $30,061,000.

In respect of a loan advanced to a shareholder, please refer to note 19 for details.

In respect of promissory notes and convertible bonds payable to a shareholder, please refer to notes 26 and 28 respectively for details.

Other amounts due from/to related parties are set out in note 22 and 24.

36 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

On 21 January 2008, the Group acquired the entire issued share capital of Amazing Wise Limited ("Amazing Wise") from Mr. Chen. The agreed aggregate consideration of $3,008,800,000 is satisfied by the Company issuing (i) the promissory notes in the principal amount of $250,000,000 (note 26); (ii) the convertibles bonds in the principal amount of $2,701,711,500 (note 28); and (iii) 114,177,000 ordinary shares of the Company of $0.10 each for $0.50 each.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Pre-acqusition carrying amounts $'000	Fair value adjustments $'000	Recognised values on acqusition $'000
Property, plant and equipment	5,731	(2,889)	2,842
Prepaid lease payments	8,250	16,950	25,200
Properties under development	332,254	2,409,284	2,741,538
Trade and other receivables	1,567	—	1,567
Loan to a shareholder	310,497	—	310,497
Cash at bank and in hand	7,902	—	7,902
Trade and other payables	(203,315)	—	(203,315)
Bank loans	(499,823)	—	(499,823)
Current tax payables	(1,118)	—	(1,118)
Deferred tax liabilities	—	(999,281)	(999,281)
	(38,055)	1,424,064	1,386,009
Minority interests			(75,551)
Net identifiable assets and liabilities acquired			1,310,458
Goodwill was recognised as a result of the acquisition as follows:			
Consideration:			
Promissory notes issued, at fair value			240,486
Convertible bonds issued, at fair value			1,408,808
Shares issued, at fair value (note 31(a))			55,946
Less net identifiable assets and liabilities acquired			(1,310,458)
Goodwill			394,782
Cash paid for the acquisition of subsidiaries			—
Cash at bank and in hand in subsidiaries acquired			7,902
Net cash inflow			7,902

36 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of subsidiaries

In 2008, the Company sold China Fair Land Properties Limited, a wholly-owned subsidiary of the Company and its subsidiaries (together the "CFL Properties Group") at a consideration of $134,310,000.

	2008 $'000
Net assets/(liabilities) disposed of:	
Investment properties	129,638
Property, plant and equipment	13,633
Prepaid lease payments	2,936
Deferred tax assets	23,889
Properties held for sale	88,664
Trade and other receivables	107,302
Cash at bank and in hand	1,285
Trade and other payables	(57,241)
Current tax payable	(159,169)
Deferred tax liabilities	(3,201)
	147,736
Minority interests	(15,296)
Net identifiable assets and liabilities disposed	132,440

Gain on disposal was recognised as a result of the disposal as follows:

Consideration:	
Cash received	14,089
Offsetting against balance with holding company of an equity holder	44,587
Offsetting against amount due to a director	39,950
Outstanding balances included in amounts due from an equity holder	35,684
Less net identifiable assets and liabilities disposed	(132,440)
Release of translation reserve upon disposal	28,191
Gain on disposal	30,061

36 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of subsidiaries (continued):

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

	2008 $'000
Cash received	14,089
Cash at bank and in hand	(1,285)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	12,804

37 COMPARATIVE FIGURES

As a result of adopting HKAS 1 (revised 2007), *Presentation of financial statements* and HKFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to the current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

38 ACCOUNTING JUDGEMENT AND ESTIMATES

Judgements and estimates used in preparing the financial statements are evaluated and based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Investment property

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

— current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

— recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

38 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(a) Investment property *(Continued)*

— discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

(b) Income tax

(i) PRC Corporate Income Tax

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

(ii) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among tax jurisdictions in cities of the PRC, and the Group has not finalised its PRC land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these PRC land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax in the years in which such taxes have been finalised with local tax authorities.

(iii) Deferred tax assets and liabilities

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management consider to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. Deferred tax liabilities relating to certain temporary differences are recognised when the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax charge in the year in which such determination is made.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued certain amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Financial Summary

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Year ended 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	107,099	56,682	136,321	149,029	**426,086**
Profit/(loss) before taxation	26,907	1,460	83,953	(555,146)	**146,546**
Income tax (expense)/credit	(2,163)	(40,570)	(57,982)	25,009	**(63,070)**
Profit/(loss) for the year	24,744	(39,110)	25,971	(530,137)	**83,476**
Profit/(loss) attributable to equity shareholders of the Company	20,459	(22,469)	18,406	(503,523)	**11,217**
Minority interests	4,285	(16,641)	7,565	(26,614)	**72,259**
Profit/(loss) for the year	24,744	(39,110)	25,971	(530,137)	**83,476**

	At 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	647,354	642,708	766,003	3,997,214	**4,648,574**
Total liabilities	(311,178)	(332,402)	(408,665)	(3,772,422)	**(4,372,374)**
Net assets	336,176	310,306	357,338	224,792	**276,200**
Equity attributable to equity shareholders of the Company	266,694	256,919	294,388	135,942	**116,908**
Minority interests	69,482	53,387	62,950	88,850	**159,292**
Total equity	336,176	310,306	357,338	224,792	**276,200**

1 MAJOR PROPERTIES UNDER DEVELOPMENT

Location	Intended use	stage of completion	Expected date of completion	Gross Site area (Sq m)	floor area (Sq m)	Group's interest (%)
Chang Xing Road Hongtang Zhong Venture Center Jiangbei District, Lot No.6 Ningbo	Residential and Commercial	Under development	Nov 2012	33,136	58,983	37.50%
A piece of land in Longshan Zhen Cixi, Ningbo	Commercial	Under development	Jul 2011	17,514	28,656	26.25%
No. 128 Wusi Road Gulou District Fuzhou City, Fujian	Residential and Commercial	Under development	Dec 2011	24,982	219,957	95%
Hudong Road North Gulou District Fuzhou City, Fujian	Commercial	Under development	Jan 2012	6,035	48,570	100%

2 MAJOR PROPERTIES HELD FOR RESALE

Location	Intended use	floor area (Sq m)	Group's interest (%)
Hongtang Zhong Road Jiangbei District, Ningbo	Commercial	29,269	33.75%
Fanjing Garden (Phase III) 288 Yuchai Road, Yonghong Village Wantou County, Ningbo	Commercial Residential	61 147	37.50% 37.50%
Jinxiu Garden Fortune Garden (Phase I & II) Zhongxing Road East, Ningbo	Residential	489	37.50%
Wenjing Garden Fortune Garden (Phase IV) Zhongxing Road East, Ningbo	Residential Carpark	212 153	37.50%
盛世桃源 Xinan Xikou Town Fenghua, Ningbo	Residential	2,086	37.50%
盛世嘉苑 (Phase I) Chang Xing Road Hongtang Zhong Venture Centre Jiangbei District, Lot No.6, Ningbo	Residential Commercial Carpark	1,509 5,291 2,205	37.50%

3 MAJOR PROPERTIES HELD FOR INVESTMENT

Location	Existing use	Term of lease
Shop No. 1-15 to 1-18, 354-360 Hongtang Zhong Road Jiangbei District, Ningbo	Commercial	Medium
Portion of levels 1 and 2, No. 416, 416-1 and 416-2 Cuibo Road Jiangbei District, Ningbo	Commercial	Medium
Yaojiang New Centre Intersection of Hongtang Zhong Road And Changyang Road	Commercial	Medium
165 Changyang East Road, Jiangbei District, Ningbo	Commercial	Medium

4 MAJOR PROPERTIES HELD FOR OWN USE

Location	Existing use	Gross Floor area (sq m)	Group's interest (%)
House No. 51, Tongfangyuan, Baita East Road, Pingjiang District, Suzhou, Jiangsu Province, the PRC	Currently unoccupied	130	37.50%
Fanjing Garden, 282-286 Yuchai Road, Yonghong Village, Wantou County, Ningbo	Clubhouse Commercial	960 422	37.50% 37.50%

4 MAJOR PROPERTIES HELD FOR OWN USE *(Continued)*

Location	Existing use	Gross Floor area (sq m)	Group's interest (%)
Fanjing Garden, 288 Yuchai Road, Yonghong Village, Wantou County, Jiangbei District, Ningbo, Zhejiang Province, the PRC	Kindergarden	2,520	37.50%
Portion of Levels 1 to 3, Nos. 271-1, 273, 275 and 275-1 Fangjiangan Road, Jiangbei District, Ningbo, Zhejiang Province, the PRC	Office	1,726	37.50%
Unit 3401, 34/F Tower Two Lippo Centre 89 Queens Way Hong Kong	Office	1,686	100%
No. 327, 331-1, 339, 341, 341-1, 361, Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, the PRC	Commercial	830	37.50%
No. 1, 111-121 Zhangshu Street, Ningbo, Zhejiang Province, the PRC	Commercial	1,193	37.50%