天譽置業（控股）有限公司
(已委任臨時清盤人)

SKYFAME REALTY (HOLDINGS) LIMITED

(Provisional Liquidators Appointed)

(Incorporated in Bermuda with limited liability)

(Stock Code: 00059)

Annual Report 2009

Contents

Corporate Information

DIRECTORS

Executive Directors:
Yu Pan *(Chairman)*
Lau Yat Tung, Derrick *(Deputy Chairman)*
Wong Lok

Independent Non-executive Directors:
Choy Shu Kwan
Cheng Wing Keung, Raymond
Chung Lai Fong
Jerry Wu *(re-designated on 15 May 2009)*

PROVISIONAL LIQUIDATORS

Stephen Liu Yiu Keung *(Appointed by High Court on 6 November 2009)*
David Yen Ching Wai *(Appointed by High Court on 6 November 2009)*
62/F One Island East
18 Westlands Road
Island East
Hong Kong

COMPANY SECRETARY

Cheung Lin Shun

AUDIT COMMITTEE

Choy Shu Kwan *(Chairman)*
Cheng Wing Keung, Raymond
Chung Lai Fong
Jerry Wu *(appointed on 15 May 2009)*

REMUNERATION COMMITTEE

Chung Lai Fong *(Chairman)*
Choy Shu Kwan
Cheng Wing Keung, Raymond
Yu Pan
Jerry Wu *(appointed on 15 May 2009)*

NOMINATION COMMITTEE

Yu Pan *(Chairman)*
Choy Shu Kwan
Lau Yat Tung, Derrick
Wong Lok

SHARE LISTING

Main Board of The Stock Exchange of Hong Kong Limited, Stock Code: 00059

COMPANY'S WEBSITE

http://www.sfr59.com

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

32nd to 33rd Floors of HNA Tower
8 Linhe Zhong Road, Tianhe District
Guangzhou, Guangdong Province, the PRC
Telephone: (86-20) 2208 2888
Facsimile: (86-20) 2208 2889

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2502B, Tower 1, Admiralty Centre
18 Harcourt Road, Hong Kong
Telephone: (852) 2111 2259
Facsimile: (852) 2890 4459

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton, HM 11, Bermuda

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street
Hamilton, HM 11, Bermuda

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Agricultural Bank of China
Industrial and Commercial Bank of China

AUDITOR

BDO Limited
Certified Public Accountants

LEGAL ADVISERS

Hong Kong Laws:
Wilkinson & Grist
Leung & Associates
Angela Ho & Associates

Bermuda Laws:
Conyers Dill & Pearman

PRC Laws:
廣東正大方略律師事務所
(Guang Dong Fair Strategy Law Firm)

Chairman's Statement

The financial year 2009 was an extremely difficult year for the Group. During the year, the Group has faced serious financial problems and is currently under provisional liquidation. The Company and certain subsidiaries of the Company defaulted in the US$200 million convertible notes issued to some investors (the "Notes") and the non-repayment of a term loan of HK$220 million which was due in January, 2009 (the "Term Loan").

A subsidiary's failure to obtain the land use right certificate in relation to a site in Zhoutouzui in Guangzhou triggered the appointments of receivers by the trustee of the Notes in some intermediate holding companies of the project companies on 2 November 2009 and a call for immediate repayment of the entire outstanding principal amount of US$192 million of the Notes plus accrued interests. The receivership has also resulted in the appointment of provisional liquidators by the High Court of Hong Kong on 6 November 2009 pursuant to an application by another creditor due to a breach of a corporate guarantee given by the Company. Later in the same month, the Term Loan lenders have also taken enforcement action to appoint a receiver.

The acceleration notice given by the trustee of the Notes has put the Group in severe financial difficulty amid the financial crisis experienced in 2009 where no sufficient liquid resources could be sought to meet with the demand for immediate repayment of the Notes and Term Loan. Nonetheless, the Group has successfully entered into and completed the transaction in December 2009 to dispose of its core assets, the Westin Hotel and Skyfame Tower, and made cash available from the sale to repay the noteholders. At the same time, the directors have been in close negotiations with the noteholders and Term Loan lenders, trying to settle the creditors' claims by working out a feasible restructuring plan that can serve to settle the debts in terms affordable to the Company.

After months of negotiations with the creditors, the Company is anticipating to enter into settlement agreements with the noteholders and the lenders of the Term Loan very imminently. On 14 April 2010 a second term sheet was entered into between the Company and the noteholders which set out the key terms that involve haircuts on the principal amounts of the Notes and interests accrued and the timeline of the settlement. Similar settlement terms are also being reached with the lenders of the Term Loan. The Company is required to seek new financing to fund for the remaining balances for the repayment of the Notes and the Term Loan after preserving funds for the general working capital uses of the Group.

The directors had analyzed cash flow projections of the Group with the belief that its existing business can be conducted on a going concern upon the settlement of the above mentioned claims and substantial reduction in gearing position after the successful implementation of the debt restructuring, in light of the positive prospects that will be brought from the development of its projects in Tianhe and Zhoutouzui in Guangzhou City of Guangzhou Province and Guiyang in Guizhou Province.

There are a few challenges in the Group's development business though. To tackle the challenges, the management had put in place strategies such as introducing a cooperative party to participate in the Tianhe Project in order to obtain concession from the government in extending the land use right period of the Tianhe land. Simultaneously, the management is working hard in the transfer of the land use right certificate to the project company for Zhoutouzui Project and expects that such milestone will be reached very soon. Upon the necessary permits for developments having been obtained, the directors are confident that additional financing can be sought at both the corporate and project levels.

Chairman's Statement

The global financial turmoil has been in low tide and major economies in the world have experienced gradual recovery. Thanks to the unprecedented loose monetary policies and certain stimulus measures imposed by the central government of mainland China, the mainland economy has recovered quickly from the financial crisis, which is especially seen by the property market. Despite being cooled down by the recent austerity measures taken by the government, the property market will still be in a rising trend in a long run as the strong basic fundamental demand for domestic housing remains a key driver which adds fuel to the demand force.

We have been a prominent player in the market with a decade-long focus of high-end properties in Guangzhou. We have no doubt that the debt restructuring program, when implemented, will pave a solid way for the Group to achieve this mission. In the midst of the difficult times during the year, the Group has received supports from its customers, suppliers, bankers and employees. Our key message to all our supporters is clear: we strive to move beyond the financial issues in the coming months and restore Skyfame to a healthy position.

Yu Pan
Chairman
Hong Kong, 30 April 2010

BUSINESS REVIEW AND OUTLOOK

Business Review

During the year ended 31 December 2009, the Group recorded a total turnover of approximately HK$305 million (2008: HK$565 million), a 46% decrease from the previous year. The decrease in turnover is mainly due to the adoption of different accounting treatment in respect of the sales of Skyfame Tower during the year which is recorded as gain on disposal of a subsidiary, whilst this was presented as revenue from property development in the preceding year. Further, the hotel operation reflected a moderate adverse impact affected by the economic crisis spread in the last quarter of 2008. Hotel revenue, as the income earner, contributes to revenue of approximately HK$244 million (2008: HK$255 million), a downward adjustment of 5%. Rental income from the leasing of investment properties, however, brought an improved revenue of approximately HK$61 million (2008: HK$52 million) to the Group as a result of the increased occupancy in Skyfame Tower.

Due to the slow down in turnover coupled with substantial legal and professional expenses of HK$8 million resulted from the noteholders and creditors taking receivership actions, the operating results present a decreased EBITDA of approximately HK$69 million (2008: HK$129 million) before depreciation and amortisation of prepaid lease payment of approximately HK$73 million (2008: HK$99 million) charged mainly for the hotel operation.

Finance costs, consisting of effective interests amortised on convertible notes (the "Notes"), interests paid to banks and financial institutions on borrowings, so far are not capitalised as development costs, amounted to approximately HK$1,883 million (2008: HK$190 million) for the year ended 31 December 2009. The substantial increase is explained by the acceleration of liabilities payable to the convertible noteholders to its entire outstanding principal value and interest as referred in the following sentences, and the compounded effective interest expense of approximately HK$194 million (2008: HK$91 million) accrued to the convertible notes. On 2 November 2009, the Company received an acceleration notice from the trustee of the Notes demanding the repayment in full of the entire outstanding amount of US$192 million (approximately HK$1,500 million) of the Notes and interest accrued in full due to breach of the term of the Notes. Accordingly, the outstanding principal value of US$192 million plus accrued interest in an aggregate of approximately HK$2,057 million is reflected on the reporting date on the financial position of the Group as a current liability whilst the financial derivative component embedded in the Notes extinguishes. The acceleration has taken effect in profit or loss account for the year as finance cost of approximately HK$1,542 million.

To cope with the financial pressure, the Group disposed of its entire interest in the Westin Project to a third party at a gross consideration of RMB2,200 million (equivalent to approximately HK$2,499 million). The transaction was completed on 28 December 2009 and as a result, net proceeds of approximately HK$1,063 million, after netting off liabilities assumed by the purchaser from the gross consideration, was/will be received in full in 2009 and 2010 and be applied to redeem the Notes. The disposal transaction records an exceptional gain on disposal of approximately HK$302 million, net of recognised exchange reserve and transaction expenses.

The economic recovery in the mainland China has led to rebound in prices and volumes of the property market, the value of the asset portfolio of the Group is on a rising trend. Consequently, there is no adverse adjustment in the valuation of investment properties or other assets held by the Group but an impairment loss of approximately HK$71 million was booked to write down the carrying value of Guiyang Project due to the substantial interests capitalised as development costs of the project.

BUSINESS REVIEW AND OUTLOOK *(Continued)*

Business Review *(Continued)*

After taking into account of the aforesaid exceptional items, the current year results present a loss for the year attributable to shareholders of approximately HK$1,538 million (2009: profit of HK$685 million).

Hotel Operation

Due to the lower passage of business travelers to Guangzhou since the break out of the global financial crisis, the performance of the Westin hotel was affected in both revenue and bottom line. The revenue derived by the operation of approximately HK$244 million was down by 5%, and EBITDA was approximately HK$82 million, down by 8% as compared with last year. As mentioned earlier, the transaction to dispose of The Westin Guangzhou and the Skyfame Tower was completed in December 2009 pursuant to which most of the net sale proceeds, amounting to approximately HK$1,070 million has been received and the balance will be collected in late 2010.

Investment Properties and Properties for Sale

The improved occupancy rate of the Skyfame Tower, consisting of 32,000 m^2 for grade-A offices and 9,000 m^2. for commercial podium, has brought stable revenue and earning to the Group prior to being disposed of in late December 2009.

The Group also receives stable rental income from the leasing of about 20,000 m^2 commercial podium at Tianyu Garden Phase 2 located next to Skyfame Tower. The property is now 63% occupied, tenanted with renowned corporations and the US consulate.

To avoid the Tianhe Project from being treated as idle land and repossessed by the Government of the Guangzhou Municipal Government, in February 2010, Guangzhou Huan Cheng Real Estate Development Company Limited ("Huan Cheng"), a PRC-incorporated subsidiary engaged in the development of the Tianhe Project, entered into an agreement with Guangxi Guang Li Trading Limited ("Guang Li"), a state-owned enterprise and an independent third party, pursuant to which Guang Li would negotiate with and seek concession for an extension of the construction timeline from the relevant government authorities and participate in the investment for the development of the project, and in exchange, Guang Li would share 50% of the future after-tax profit or loss with Huan Cheng during the development of the Tianhe Project.

Properties Development

Guiyang Project

The development, which the Group holds a 55% stake, consists of high-end residential apartments with a total gross floor area ("GFA") of approximately 480,000 m^2 and community facilities. The first phase of the development with GFA of about 91,000 m^2 was launched for pre-sale in the second quarter of 2009 and are expected to be delivered for occupation in late 2010. At the date of this report, approximately 82,000 m^2 GFA were pre-sold with satisfactory results. It is expected that the second phrase, consisting of GFA of about 155,000 m^2, will be launched for pre-sale in the coming months in 2010.

Zhoutouzui Project

The management is going through the procedures in connection with the approval of the design plan and transfer of the land use right certificate to the project company from the original user. All the licensing procedures are expected to be completed in 2010.

BUSINESS REVIEW AND OUTLOOK *(Continued)*

Properties Development *(Continued)*

Tianhe Project

The building of the new fire station is undergoing and relocation of the fire station will be followed afterwards. Achievements have been made in the negotiations with the governmental authorities for the concession in extending the construction period by Guang Li, the Directors believe that Huan Cheng will continue to own the land use right and hence its carrying investment value of the land could be crystalised. The relocation of the fire station is expected to be completed and construction of Tianhe Project will commence later this year.

Going Concern

Due to the Group's non-compliance with the Trust Deed in relation to the 4% secured convertible notes due 2013 with principal amount of US$200 million on the grounds that a subsidiary of the Company cannot obtain the land use right certificate and other permits in respect of the Zhoutouzui Project by the extended deadline of 31 May 2009, it constitutes a breach of the term of the Notes as a subsidiary's failure to repay a term loan in principal value of HK$220 million (the "Term Loan") which was due on 29 January 2009, the trustee of the Notes and the lenders of the Term Loan appointed receivers to replace the existing directors in the boards of certain subsidiaries of the Group which shares are pledged in favour of the Noteholders and the lenders. Since the receiverships, the Company have been discussing with the creditors about a feasible debt restructuring proposal.

In light of the forthcoming settlement with the noteholders and the Term Loan lenders as detailed in the "Outlook" section below and a debt restructuring plan moving forward, the financial statements are prepared on a going concern basis. The Directors considered that the business of the Group is a going concern after having considered the assumptions and qualifications that may have material effects on the foreseeable period covering the next twelve months since the end of the reporting period. Key assumptions and qualifications are: (i) the fulfillment of the obligations of the Company and other obligors; (ii) the successful implementation of the terms as laid down in the settlement agreement and the restructuring agreement to be entered into with the noteholders and Term Loan lenders respectively; (iii) the general economic performance in the PRC and the specific industrial parameters affecting the real estate sectors continue to be stable; and (iv) additional and new banking facilities will be available to the Group from financial institutions to finance the construction work in progress of the Tianhe, Zhoutouzui and Guiyang Projects in accordance with respective construction timetables.

Outlook

On 14 April 2010, the Company and the Noteholders signed a second term sheet (the "Second Term Sheet") to restructure the Notes stipulating a full settlement of the entire outstanding principal amount of US$192 million of the Notes together with accrued interests on conditions of the Company's repaying US$100 million by 16 June 2010, with two months extension due on 17 August 2010, and the remaining US$53.6 million due on 17 August 2010 but with a three-month extension up to 30 November 2010 subject to some penalty charges if payment of the two payments are paid in the extended months. The Directors intend to use the proceeds from the disposal of the Westin Project to repay the Noteholders and it is seeking additional financial resources from potential financiers or investors to meet with the remaining balance. To comply with the terms in the settlement agreement, the Company will compromise with the petitioner in relation to the winding up petition for the dismissal of the winding up proceeding and discharge of the Provisional Liquidators pending court approval in the next court hearing. Upon the dismissal of the Provisional Liquidators, the receivers appointed by the trustee will be discharged. A formal binding settlement agreement with similar terms as on the Second Term Sheet is expected to be executed amongst the parties soon after the report date.

BUSINESS REVIEW AND OUTLOOK *(Continued)*

Outlook *(Continued)*

The Company is negotiating with the lenders of the Term Loan about the terms of settlement of the outstanding principal amount of HK$220 million and accrued interest owed to the lenders. Discussions are at a very mature stage however, the Directors expect an agreement to facilitate a full settlement of the claims will be entered into imminently. Upon the execution of this restructuring agreement and the fulfillment of certain terms and conditions, the receiver appointed by the lenders will be discharged.

The Directors envisage the aforesaid settlement agreement and restructuring agreement as important steps to restore the control of the Group and business standing and will serve the best interest of its stakeholders.

The global economy has been at its early stage of recovery, given that the super-loose monetary policy and the unprecedented stimulus measures have boosted investments in the mainland's real estate industry to a record high in 2009. Though the Directors predict the stimulus will slow down this year and the tightening lending and other austerity measures may stabilise prices, given the implementation of debt restructuring of the Notes and Term Loan that enable a substantial reduction in debt obligations, the Group will revive from the financial struggle with its creditors and has staged itself for a more financially stable and better business prospect.

LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure and Liquidity

The Notes have an outstanding face value of US$192 million as at the date of this annual report (equivalent to approximately HK$1,500 million) and interest accrued for yield calculated at 15% per annum less coupon interest paid amounting to approximately HK$557 million at the reporting date. Upon receipt of an acceleration notice from the trustee calling for immediate repayment of the entire outstanding principal and interests accrued up to the end of the reporting period, the Notes are treated as a current liability of approximately HK$2,057 million whilst the financial derivative component embedded to the Notes as presented in the corresponding previous period at approximately HK$93 million extinguishes.

Excluding the Notes and Term Loan, the Group is indebted to commercial banks for mortgage loans, advance from a minority shareholder of a subsidiary, deferred tax liabilities, advanced payments received from pre-sale and trade payable, totaling approximately HK$1,227 million (2008: HK$2,094 million). The decrease was caused by the drop in bank borrowing as a result of the bank loan associated with the Westin Project being acquired by the purchaser upon the disposal.

The gearing ratios, based on the net debt (represented by bank and other borrowings, the Term Loan, the convertible notes, loan from minority shareholder and other payable net of cash and bank balances) to the equity attributable to equity holders plus net debt at the end of the reporting periods of the two years in 2009 and 2008 are 76% and 44% respectively. The rise in gearing ratio is explained by the restatement of the Notes payable to its full principal value. Assuming the debt restructuring as a result of successful implementation of the settlement agreement and restructuring agreement has been effected on the reporting date, the gearing level will be substantially reduced.

BUSINESS REVIEW AND OUTLOOK *(Continued)*

Capital Structure and Liquidity *(Continued)*

The current assets increased to approximately HK$1,725 million as a result of the proceeds received from the purchaser of the Westin Project which, according to the debt restructuring, will be used to redeem the Notes and to fund the working capital of the Group. The current ratio was 0.6 (2008: 3.1). Current assets and current liabilities of the Group were approximately HK$1,725 million and approximately HK$2,873 million respectively at the end of the reporting period. Comparing with the previous year-end date, the current liabilities were increased by approximately HK$2,212 million caused by the recognition of the full outstanding principal value and the accrued interests of the Notes.

Borrowings and Pledge of Assets

Other than the deposit of approximately HK$22 million restricted for construction costs of work-in-progress, cash in accounts totaling approximately HK$17 million (31 December 2008: HK$68 million) was restricted for the redemption of the Notes and payment of interests to the Noteholders and lenders of the Term Loan. Apart from the escrowed money, shares of certain intermediate holding companies of the property developing subsidiaries of the Group were charged in favor of a security trustee acting for the noteholders and the lenders of the Term Loan. To secure for banking facilities with loans credit lines of RMB221 million granted to operating subsidiaries for working capital and construction costs by two commercial banks in the mainland China, mortgages of property interests in Tianyu Garden Phase 2 and works in progress and land of the Guiyang Project were charged in favour of the banks. At the end of the reporting period, other than the convertible notes, secured bank and other borrowings (including the Term Loan) in an aggregate amount of approximately HK$517 million (31 December 2008: HK$1,323 million) were outstanding, of which approximately HK$278 million (31 December 2008: HK$280 million), including Term Loan, are due within one year.

Foreign Currency Management

The Group is principally engaged in property development activities which are all conducted in the PRC and denominated in Renminbi ("RMB"), the functional currency of the Company's principal subsidiaries. At the same time, certain financing activities of the Group are denominated in other currencies, such as the convertible notes are in US dollars and the Term Loan in HK dollars.

Due to the slight appreciation of RMB against HK and US dollars during the year, a foreign exchange gain of approximately HK$5 million arises on consolidation of the assets and liabilities of the PRC subsidiaries. The foreign exchange reserve of approximately HK$223 million, decreased due to the recognition upon the disposal of the Westin Project, as at end of the reporting period adds to the equity attributable to shareholders of the Company. Since the US and HK dollars are pegged whilst RMB moves with a small band, the Group foresees no significant foreign currency exposure in the foreseeable future but possible appreciation in the exchange rates of RMB against HK dollars, such fluctuations will not have significant effect on the financial position of the Group. For these reasons, the Group does not hedge against its foreign currency risk. However, any permanent or significant changes in the exchange rates in RMB for HK and US dollars and the peg system of US dollars with HK dollars may have possible impact on the Group's results and financial position.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2009.

EMPLOYEES

To keep pace with the growth of the Group after the acquisitions of projects, the Group recruits suitable staff in capable caliber. As at 31 December 2009, other than the Executive Directors and as a result of the disposal of the Westin Project, the Group's staff force reduced to 138 which is maintained for the property development and central management business. During the year, total staff costs, excluding that for the hotel operation, were approximately HK$76 million, which is comparable to the preceding year. Of the total staff costs, approximately HK$8 million was capitalised as property development costs. Employees are remunerated according to qualifications and experience, job nature and performance. Remuneration packages are aligned with job markets in the business territories.

Brief Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Yu Pan *(Chairman)*

Aged 45, has over 20 years of experience in the development high-end residential, commercial and hotel projects in the PRC. Mr. Yu is a founder of the prestigious real estate company — Guangzhou Tianyu Real Estate Development Company Limited. He oversees the strategic planning and corporate development of the Group.

Mr. Lau Yat Tung, Derrick *(Deputy Chairman)*

Aged 45, holds a Master degree in Business Administration awarded by The Northeast Louisiana University in the USA. Mr. Lau has over 16 years of working experience in the senior management of corporations engaged in property agency and development in Hong Kong and the PRC.

Mr. Wong Lok

Aged 52, has over 24 years of working experience in senior management of corporations engaged in property and general trading in Hong Kong and the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Choy Shu Kwan

Aged 55, holds a Master degree in Business Administration and has over 27 years of extensive experience in banking and investment management. Mr. Choy worked for the CITIC group for 20 years in Hong Kong and before his resignation in 2007, he was the managing director of CITIC Capital Markets Limited. He is also an independent non-executive director of Poly (Hong Kong) Investments Limited.

Mr. Cheng Wing Keung, Raymond

Aged 50, is a practising solicitor in Hong Kong. Mr. Cheng holds a honours degree in laws in The University of London and a Master degree of Business Administration awarded by The University of Strathclyde, Scotland. Mr. Cheng also holds a Diploma in Chinese Professional Laws in the Chinese University of Political Science and Law, PRC. Mr. Cheng has over 22 years of experience in corporate, company secretarial and listing affairs. At present, Mr. Cheng is an independent non-executive director in three other listed companies in Hong Kong, namely China Investment Fund Company Limited, Emperor Capital Group Limited and Sino Resources Group Limited.

Ms. Chung Lai Fong

Aged 42, is a practising barrister in Hong Kong. Ms. Chung holds a Bachelor of Laws (Honours) degree, a Bachelor of Arts (Honours) Degree in Accountancy and a Master of Laws in Chinese Law. She is also a fellow member of the Association of Chartered Certified Accountants (UK) and a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators (UK) and the Hong Kong Institute of Chartered Secretaries. Ms. Chung has over 14 years of professional experience in accounting, taxation, company secretarial, regulatory and corporate affairs. On 20 April 2009, Ms. Chung has been appointed as an independent non-executive director of Far City Mining Limited, a company listed on Canadian National Stock Exchange on 31 July 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Jerry Wu

Aged 41, holds a Master of Business Administration (Finance) from The Wharton School, University of Pennsylvania; Master of Science and Bachelor of Science in Electrical Engineering from Stanford University. He is also a CFA Charterholder. Mr. Wu has over 13 years of experience in corporate finance, strategic advisory and equity investments. He is a director of Grand River Investments Limited, based in Shanghai. On 15 May 2009, Mr. Wu was re-designated from Non-executive Director to Independent Non-executive Director and appointed as a member of Audit Committee and Remuneration Committee.

COMPANY SECRETARY

Ms. Cheung Lin Shun

Aged 47, is a professional qualified accountant in Hong Kong and is in charge of the financial, accounting and company secretarial matters at the corporate level of the Group. Ms. Cheung holds a Master degree in Professional Accountancy awarded by The Hong Kong Polytechnic University. Ms. Cheung is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. She has over 24 years of experience in auditing, corporate secretarial, accounting and corporate finance in an international accounting firm and a number of listed companies in Hong Kong.

SENIOR MANAGEMENT

Mr. Wen Xiao Bing

Aged 41, is the Managing Director in charge of overall management of the property development and investment business in the PRC. He holds a Bachelor Degree in History from Beijing University and is a professional qualified economist specialized in labor economics in the PRC. Mr. Wen has over 19 years of working experience in managerial positions in corporations in the PRC.

Mr. Lin Sheng Jie

Aged 44, is the Assistant Managing Director in charge of all general administration and finance operations in the PRC. Mr. Lin was a graduate in finance and accountancy of Guangdong University of Business Studies and has over 19 years of working experience in the finance and accounting in property development, finance and hotel investment in the PRC, Thailand and Hong Kong.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to enhance its corporate governance standards by emphasizing transparency, independence, accountability, responsibility and fairness. The Company exercises corporate governance through the board of directors ("Board") and various committees with designated functions. The Company has complied with the applicable code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2009.

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the 2009 financial statements, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules except for code provision A2.1, where the roles of chairman and chief executive officer of the Company is not separated as required but is currently performed by the same individual.

DIRECTORS' SECURITIES TRANSACTIONS

Other than the governance through the Board and the committees, the Company has adopted the code of conduct regarding the Directors' securities transactions in accordance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following specific enquiry by the Company, all Directors of the Company confirmed that they have complied with the required standards as set out in the Model Code throughout the year under review.

BOARD OF DIRECTORS

As at 31 December 2009, the Board comprised seven Directors as follows:

Executive Directors

Mr. Yu Pan *(Chairman)*
Mr. Lau Yat Tung, Derrick *(Deputy Chairman)*
Mr. Wong Lok

Independent Non-executive Directors

Mr. Choy Shu Kwan
Mr. Cheng Wing Keung, Raymond
Ms. Chung Lai Fong
Mr. Jerry Wu *(re-designated on 15 May 2009)*

BOARD OF DIRECTORS *(Continued)*

The Board held five meetings in 2009. The record of attendance of each Director is as follows:

Name of Director	Number of Board Meetings Attended
Executive Directors	
Mr. Yu Pan *(Chairman)*	5/5
Mr. Lau Yat Tung, Derrick *(Deputy Chairman)*	5/5
Mr. Wong Lok	5/5
Independent Non-executive Directors	
Mr. Choy Shu Kwan	5/5
Mr. Cheng Wing Keung, Raymond	4/5
Ms. Chung Lai Fong	5/5
Mr. Jerry Wu	4/5

The Board is responsible for formulating and reviewing of the long-term business directions and strategies, and monitoring the operating and financial performance of the Group. Management is delegated by the Board with the authority to make decisions on daily operations. Both the Directors and management interacted frequently to ensure efficient communications between the parties.

The terms of reference of the Board has been published on the Company's website.

To the best knowledge of the Company, there is no financial, business and family relationship among members of the Board and between the Chairman and the Deputy Chairman.

The Company has arranged for appropriate liability insurance for the Directors for indemnifying their liabilities arising out of corporate activities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In pace with the business development and growth of the Group, the Group currently maintains a small but efficient staff force in the daily operations of the property development business. Due to the small size of the management team, both the roles of the Chairman and Chief Executive Officer of the Company are currently played by Mr. Yu Pan. The Board considers the currently simple but efficient management team serves sufficiently enough the need of the Group. The Board will, nonetheless, continue to review the business growth of the Group and, when considered essential, will set out a clear division of responsibilities at the board level and the management team to ensure a proper balance of power and authority within the Company.

REMUNERATION COMMITTEE

The Remuneration Committee comprises five Directors: the Chairman, Mr. Yu Pan and all four Independent Non-executive Directors, namely, Mr. Choy Shu Kwan, Mr. Cheng Wing Keung, Raymond, Ms. Chung Lai Fong (Chairman of the Remuneration Committee) and Mr. Jerry Wu who was appointed on 15 May 2009.

The Remuneration Committee held two meetings in 2009 and all the members attended both meetings. The matters discussed included (i) the adjustment of the remuneration of Independent Non-executive Directors and their terms of services; and (ii) the review of the 2009 remuneration policy.

The major roles and functions of the Remuneration Committee are as follows:

1. to make recommendations to the Board on the remuneration policy and structure of the Board, all committee members and senior management;

2. to determine the remuneration packages of the Directors, all committee members and senior management. The remuneration packages include basic salary, annual bonus, retirement and compensation packages;

3. to review and approve the compensation to Executive Directors and senior management on termination or dismissal;

4. to review and approve the performance target, appraisal system, remuneration terms and conditions, amount and distribution basis of the annual bonus; and

5. to review the expenses reimbursement policy.

The terms of reference of the Remuneration Committee has been published on the Company's website.

NOMINATION COMMITTEE

The Nomination Committee comprises three Executive Directors, namely, Mr. Yu Pan (Chairman of the Nomination Committee), Mr. Lau Yat Tung, Derrick, Mr. Wong Lok and one Independent Non-executive Director, Mr. Choy Shu Kwan.

The Nomination Committee held one meeting on 18 December 2009 to (i) review the service contracts of all the Directors; and (ii) recommend the retiring Directors for re-election in 2010 Annual General Meeting. All the members attended the meeting.

NOMINATION COMMITTEE *(Continued)*

The major roles and functions of the Nomination Committee are as follows:

1. to propose the basic requirements and objective entry standard for Directors;

2. to review and approve the selection, nomination and appointment procedures for Directors, all committee members and senior management;

3. to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board in all such aspects;

4. to ensure the fixed employment period for the Directors and fulfillment of the re-election requirements set under the bye-laws of the Company and related regulatory bodies;

5. to assess the independence of Independent Non-executive Directors; and

6. to review and approve the part-time policy for the Directors and senior management; and oversee the establishment of appropriate succession planning for Directors in particular the chairman and the chief executive officer.

The terms of reference of the Nomination Committee has been published on the Company's website.

AUDIT COMMITTEE

The Audit Committee comprises four Independent Non-executive Directors, Mr. Choy Shu Kwan (Chairman of the Audit Committee), Mr. Cheng Wing Keung, Raymond, Ms. Chung Lai Fong and Mr. Jerry Wu who was appointed on 15 May 2009.

The Audit Committee held three meetings in 2009 to (i) review the financial statements before submission to the Board; (ii) consider the findings disclosed in the bi-annual internal audit report and (iii) review the Group's system of internal control. The external auditors were present at the meeting held on 17 April 2009 to provide the committee members with their findings on the audit for the year ended 31 December 2008. The record of attendance of its members is as follows:

Name of Director	Number of Audit Committee Meetings Attended
Mr. Choy Shu Kwan	3/3
Mr. Cheng Wing Keung, Raymond	3/3
Ms. Chung Lai Fong	3/3
Mr. Jerry Wu (appointed on 15 May 2009)	2/2

AUDIT COMMITTEE *(Continued)*

The major roles and functions of audit committee are as follows:

1. to review the integrity of accounts and financial reporting process;

2. to review and oversee the effectiveness of internal control systems;

3. to appoint external auditors and assess their qualifications, independence and performance; and

4. to review periodically the Company's and the Group's accounts to comply with applicable accounting standards, legal and regulatory requirements on financial disclosures.

The Audit Committee has reviewed the interim results for the six months ended 30 June 2009 and the annual results for the year ended 31 December 2009.

AUDITOR'S REMUNERATION

Messrs. BDO Limited was re-appointed by the shareholders as the Company's auditor during 2009. Their engagement of the audit for 2009 has been reviewed and approved by the Audit Committee and the Provisional Liquidators.

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

Nature of service	**Fees paid** *(HK$)*
Audit services for 2009	1,104,000
Non-audit services	
— Reporting accountants	1,099,300
— Disbursements	85,000
TOTAL	**2,288,300**

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of good communications with all shareholders. The Company's general meetings are a valuable forum for the Board to communicate directly with the shareholders. The members of the Board and the committees and the external auditors are present to answer shareholders' questions in each meeting. A meeting circular is distributed to all shareholders before the annual general meeting and special general meetings in accordance with the timeline requirement as laid down in the Listing Rules and the Bye-laws of the Company. It sets out the procedures for demanding and conducting a poll at the shareholders' meeting and voting intention of proxies. The results of the poll will be published in the Stock Exchange's and Company's websites.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has announced its annual and interim results in a timely manner before the time limits as laid down in the Listing Rules.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS *(Continued)*

Trading in Shares was suspended since 3 November 2009. The management has actively participated in the discussion with the creditors about the debt restructuring of the Group. Under the disclosure obligations of Rule 13.09 of the Listing Rules, the Company has appointed a professional financial advisor to advise the Company in the making of appropriate and timely announcements to keep shareholders/market informed of the developments of the debt restructuring and all material information to appraise the Group's liquidity, operations and financial position. The Company will request for resumption of trading of Shares as soon as the resumption conditions have been fulfilled, namely the withdrawal of the winding up petition and the discharges of the provisional liquidators

The 2010 annual general meeting will be held at Falcon Room 1, Basement, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on Monday, 7 June 2010 at 11:00 a.m..

INTERNAL CONTROLS

The Board has overall responsibilities for maintaining sound and effective internal control systems of the Group whilst the internal control department is responsible primarily to ensure the systems are functioning. The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. Overall, the systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage failure in material aspects in the Group's operational systems and in the achievement of the Group's business objectives.

The internal auditor reported to the executive Directors with findings on regular audits and recommendations on the effectiveness of the controls during the year 2009. Interim and annual internal audit reports issued by the internal audit department have also been discussed and reviewed by the Audit Committee. While there have been no material issues noted, audit improvements were identified and remedial actions being taken by the management. The independent audits on the internal control systems covered key financial and operational areas, compliance controls and risk management.

The Directors herein present their annual report together with the audited consolidated financial statements for the year ended 31 December 2009.

WINDING-UP PETITION, APPOINTMENT OF RECEIVERS AND PROVISIONAL LIQUIDATORS AND DEBT RESTRUCTURING

(a) Appointment of receivers by the Trustee of the Notes

On 2 November 2009, the trustee and security trustee (collectively the "Trustee") under the trust deed date 4 May 2007 (the "Trust Deed"), who acted on the written request of holders of not less than 25 per cent. in principal amount of the US$200 million 4% secured convertible notes due 2013 (the "Notes") outstanding, issued an acceleration notice ("Acceleration Notice") to the Company on the ground that the land use right certificate and other permits in respect of the Zhoutouzui Project were not obtained on or before 31 May 2009, and the Company failed to automatically redeem US$75 million principal amount of the Notes and associated interest accrued up to the date of redemption. By service of the Acceleration Notice, the Notes with the outstanding principal value of US$192,000,000 plus accrued interest become immediately due and payable. As a result of the issue of the Acceleration Notice, on the same date, a letter from Deloitte Touche Tohmatsu ("Deloitte") was received stating that Messrs. Lai Kar Yan, Yeung Lui Ming and Darach E. Haughey of Deloitte have been appointed by the Trustee as receivers and managers of the security assets charged for the Notes under various security documents which include, the charge over all of shareholding interest in the Company held by Grand Cosmos Holdings Limited ("Grand Cosmos"), the charge over 100% equity interest in Grand Cosmos held by Sharp Bright International Limited and the charges over equity interests in certain intermediary investment holding subsidiaries of the Company (collectively the "Security"). Also on the same date, the Company received copies of the written resolutions of these intermediary subsidiaries dated 2 November 2009 approving, among other things, the appointment of Messrs Lai Kar Yan, Yeung Lui Ming, Darach Eoghan Haughey and Yeung Wallace Wai Yim of Deloitte as directors in replacement of the existing directors of these subsidiaries with immediate effect.

(b) Petition for winding-up and appointment of Provisional Liquidators

On 6 November 2009, a winding-up petition was presented to the High Court of the Hong Kong Special Administrative Region (the "High Court") by a creditor of the Group alleging that the Company was in breach of a guarantee given to the creditor. On the same day, the High Court ordered Messrs Stephen Liu Yiu Keung and David Yen Ching Wai, both of Ernst & Young Transactions Limited, be appointed as the joint and several provisional liquidators of the Company (the "Provisional Liquidators"). Pursuant to the High Court's order dated 6 November 2009, the Provisional Liquidators are empowered, amongst other things, (i) to take control and possession of the assets of the Company; and (ii) to formulate and carry out a restructuring of the business of the Company and its subsidiaries, associated companies or other entities in which the Company holds an interest and to enter into settlement, compromise or arrangement on the Company's behalf with the creditors of the Company provided that any such settlement, compromise or arrangement shall not be binding on the Company's creditors unless and until approved by the High Court. Under the supervision of the Provisional Liquidators, the daily operations of the business affairs of the Group have been undertaken by the existing directors and management team.

On 17 November 2009, the Provisional Liquidators acting on behalf of the Company, Yue Tian Development Limited ("Yue Tian"), which is an indirect wholly-owned subsidiary of the Company, Mr. Yu Pan, the chairman (the "Chairman") and executive director of the Company, and the Noteholders entered into a term sheet (the "First Term Sheet") which mainly set out the framework for the application of the proceeds from the disposal of 100% equity interest in 廣州市城建天譽房地產開發有限公司 (Guangzhou Cheng Jian Tianyu Real Estate Development Limited), the dismissal of the winding-up proceedings against the Company and the discharge of the Provisional Liquidators. On the same date, the board of directors of Yue Tian has been restored to its constitution immediately prior to the appointment of the receivers.

WINDING-UP PETITION, APPOINTMENT OF RECEIVERS AND PROVISIONAL LIQUIDATORS AND DEBT RESTRUCTURING *(Continued)*

(c) Appointment of receivers by the facility and security agent for the borrowings of HK$220,000,000

On 9 November 2009, Lehman Brothers Commercial Corporation Asia Limited (In Liquidation) ("LBCCAL") (as facility and security agent for the lenders of a loan of HK$220 million (the "Term Loan")) served a notice to Sky Honest Investments Corp. ("Sky Honest") and its holding company, Chain Up Limited ("Chain Up"), both of which are wholly-owned subsidiaries of the Company, stating that Sky Honest's failure to repay the Term Loan on the maturity date of 29 January 2009 constituted an event of default as stipulated in the loan agreement entered into between Sky Honest and lenders of the Term Loan on 27 July 2007. On the same date, LBCCAL appointed Messrs Edward Simon Middleton and Patrick Cowley (who were later replaced by Messrs Victor Yat Kit Jong and Donald Edward Osborn on 1 February 2010) as receivers and managers of the security assets charged for the Term Loan under various security documents which include (i) the entire issued share capital of Sky Honest, the shareholder loan from Chain Up to Sky Honest and all other assets of Chain Up; and (ii) 51% of the issued share capital of Yaubond Limited ("Yaubond"), the shareholder's loan from Sky Honest to Yaubond and all other assets of Sky Honest. On 10 November 2009, the board of directors of Sky Honest was replaced by a corporate director nominated by Messrs Edward Simon Middleton and Patrick Cowley, as receivers acting on behalf of the lenders to the Term Loan. On 25 February 2010, such corporate director was replaced by another two corporate directors nominated by Messrs Victor Yat Kit Jong and Donald Edward Osborn, as receivers acting on behalf of the lenders to the Term Loan.

(d) Settlement with the Noteholders

On 14 April 2010, the Company (acting by the Board), Yue Tian, Mr. Yu Pan and the Noteholders entered into a second term sheet (the "Second Term Sheet") to restructure the Notes to set out the key terms of the settlement agreement to be entered into among these parties which include, among the others, i) the Noteholders agreed to receive US$100,000,000 by 17 June 2010 and receive the balance of US$53,600,000 by 30 August 2010 as full and final settlement of the Notes and all accrued interest. The total settlement amount is US$153,600,000 being 80% of the outstanding face value of the Notes; ii) if the Company fails to repay US$100,000,000 by 17 June 2010, the Noteholders agreed to receive a penalty calculated at a rate of 10% per annum on US$100,000,000 for the first extension month and an additional penalty in the amount of US$3,334,000, representing 3.334% on US$100,000,000 for the second extension month. Upon expiry of the second extension month, the Noteholders have the right to terminate the settlement agreement or grant a further extension of up to 3 months to the Company for the repayment of US$100,000,000 with a penalty in the amount of US$3,334,000, representing 3.334% on US$100,000,000 for each of the 3 additional extension months; and iii) if the Company fails to repay the balance of US$53,600,000 by 30 August 2010, the Noteholders shall extend for a further period of 3 months for the repayment of US$53,600,000 with a penalty in the amount of US$1,787,024, representing 3.334% on US$53,600,000 for the first extension month and an additional penalty in the amount of US$3,067,280, representing 3.334% on US$92,000,000 for the each of second and third extension months, respectively. The Second Term Sheet supersedes the First Term Sheet. The Noteholders agreed to grant a four-month standstill period commencing from date of entering into the settlement apartment to the Company from taking steps to sell, realise or dispose of any of the Security provided that there is no breach of terms of the settlement agreement. Despite the deadline for entering into a settlement agreement with the parties has lapsed, the parties have informally agreed to an extension and are working on the formal binding agreement.

WINDING-UP PETITION, APPOINTMENT OF RECEIVERS AND PROVISIONAL LIQUIDATORS AND DEBT RESTRUCTURING *(Continued)*

(e) Expected withdrawal of winding-up petition and discharge of Provisional Liquidators

Trading in the shares of the Company has been suspended since 3 November 2009. The court hearing on the winding-up petition has been adjourned to 2 August 2010. Pursuant to the Second Term Sheet, within 7 days after signing of the settlement agreement, an application for the withdrawal of the winding-up petition will be submitted by the petitioner and the discharge of the Provisional Liquidators is expected to be approved by the High Court a week after. The management will then make an application to the Stock Exchange for the resumption of trading of the Shares when the resumption conditions, which include the withdrawal of the winding-up petition and the removal of the Provisional Liquidators, have been fulfilled.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries during the year are property development, property investment, hotel operation and provision of related ancillary service and provision of property development project management and interior decoration services.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in note 7 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 statement of comprehensive income on pages 32 to 33.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2009.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year ended 31 December 2009.

Details of the Company's share capital during the year are set out in note 39 to the financial statements.

SHARE OPTIONS

The share option scheme was adopted on 4 August 2005 (the "2005 Scheme").

On 22 August 2006, the Company granted 63,850,000 options to subscribe for the Company's Shares under the 2005 Scheme. During the year ended 31 December 2009, no share option was granted, exercised or lapsed. There were 46,050,000 share options outstanding as at 31 December 2009. Details of the share option scheme are set out in note 41 to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in note 40 to the financial statements.

DISTRIBUTABLE RESERVES

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Act 1981 of Bermuda. At 31 December 2009, the Company does not have reserve (net of the Company's contributed surplus) available for cash distribution and/or distribution in specie as computed in accordance with generally accepted accounting principles of Hong Kong. The Company's share premium account in the amount of approximately HK$1,225 million may be distributed in the form of fully paid bonus shares.

PROPERTY, PLANT AND EQUIPMENT

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

CONVERTIBLE NOTES

Details of the convertible notes of the Group are set out in note 36 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 3% and 11%, respectively, of the Group's total sales for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 19% and 57%, respectively, of the Group's total purchases for the year.

To the knowledge of the Directors, none of the Directors, their associates, or any shareholders which own more than 5% of the Company's share capital, had any interest in the share capital of any other of the five largest customers or suppliers of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

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

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors
Mr. Yu Pan *(Chairman)*
Mr. Lau Yat Tung, Derrick *(Deputy Chairman)*
Mr. Wong Lok

Independent Non-executive Directors
Mr. Choy Shu Kwan
Mr. Cheng Wing Keung, Raymond
Ms. Chung Lai Fong
Mr. Jerry Wu *(re-designated on 15 May 2009)*

DIRECTORS AND SERVICE CONTRACTS *(Continued)*

Mr. Yu Pan, Mr. Lau Yat Tung, Derrick and Mr. Jerry Wu will retire from office at the forthcoming annual general meeting and being eligible, will offer themselves for re-election in accordance with clause 87(1) of the Company's bye-laws and the Code on Corporate Governance Practices.

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

DIRECTORS' INTERESTS IN CONTRACTS

Except as those disclosed in the section of "Related Party Transactions" of the report hereinafter, no contracts of significance to which the Company, its holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2009, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required, (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii), pursuant to the Model Code as set out in the Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, are as follows:

(a) Interests in the Shares or underlying Shares

Name of Director	Company/ Associated corporation	Capacity	Number of Shares or underlying Shares (long position)	Approximate shareholding percentage
Mr. Yu Pan	Company	Interest of controlled corporation and/or beneficial owner	1,058,112,271 *(note 1)*	71.61% *(note 2)*

Notes:

1. These Shares comprised (i) 94,336,000 existing Shares; and (ii) 963,776,271 existing Shares held directly by Grand Cosmos Holdings Limited ("Grand Cosmos"). The entire issued share capital of Grand Cosmos was held by Sharp Bright International Limited ("Sharp Bright"), the entire issued share capital of which was held by Mr. Yu Pan. The 963,776,271 Shares were charged in favour of the security trustee by way of a share charge dated 4 May 2007. Grand Cosmos was put into receivership pursuant to an acceleration notice issued to the Company on 2 November 2009 by the trustee under the Trust Deed in relation to the US$200 million Notes. In consequence of the receivership, the board of director of Grand Cosmos was changed whereas representatives of the receivers were appointed to the board of directors of Grand Cosmos to replace Mr. Yu Pan.

2. For the purposes of this section, the shareholding percentage in the Company was calculated on the basis of 1,477,687,450 Shares in issue as at 31 December 2009.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

(b) Interests in underlying Shares arising from share options

As at 31 December 2009, the following Directors had interests as beneficial owners in options to subscribe for Shares granted under the 2005 Scheme:

Name of Director	Exercise price *(HK$)*	Exercise period	Number of underlying Shares	Approximate shareholding percentage *(note)*
Mr. Lau Yat Tung, Derrick	1.31	13 March 2007 to 31 July 2015	3,000,000	0.20%
Mr. Choy Shu Kwan	1.31	13 March 2007 to 31 July 2015	600,000	0.04%
Mr. Cheng Wing Keung, Raymond	1.31	13 March 2007 to 31 July 2015	600,000	0.04%
Ms. Chung Lai Fong	1.31	13 March 2007 to 31 July 2015	600,000	0.04%

Note:

For the purpose of this section, the shareholding percentage in the Company was calculated on the basis of 1,477,687,450 Shares in issue as at 31 December 2009.

Save as disclosed above, as at 31 December 2009, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the option holding disclosed above, at no time during the year, was the Company, its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2009, Mr. Yu Pan, the Chairman of the Company, is also a director and substantial shareholder of a company listed on the Shenzhen Stock Exchange, namely 綠景地產股份有限公司 (Lujing Real Estate Co., Ltd.) ("LJR") which is engaged in the residential real estate development business in the mass market in the PRC. Save as the aforesaid, none of the Directors and his/her respective associates had any interests in any business, which competes or is likely to compete, either directly or indirectly, with the Company's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder of the Company).

DIRECTORS' INTERESTS IN COMPETING BUSINESSES *(Continued)*

Mr. Yu has undertaken to the Company that for so long as he remains as a Director or a controlling shareholder of the Company, all enquiries and actual or potential business opportunities received by him (and/or his associates) in relation to property development project management and property investment in the PRC (the "Business Opportunities") shall be referred by Mr. Yu to the Company on a timely basis and the Business Opportunities must be first offered or made available to the Group.

In addition, Mr. Yu has executed a deed of non-competition on 4 May 2007 with the subscribers of the Notes that he and his affiliates will not be engaged or interested in any business in the Group which is engaged in property development of luxury hotels and service apartments, luxury residential and/or high grade commercial buildings in the PRC except for the business undertaken by LJR.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2009, so far as known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Interests in the Shares or underlying Shares

Name of Shareholder	**Capacity**	**Number of Shares and underlying Shares**		**Approximate percentage** *(note 9)*
Sharp Bright	Interest of controlled corporation	963,776,271 *(note 1)*	(long)	65.22%
Grand Cosmos	Beneficial owner	963,776,271 *(note 1)*	(long)	65.22%
HSBC Holdings plc	Interest of controlled corporation	963,776,277 *(note 1)*	(long)	65.22%
Bank of America Corporation	Interests of controlled corporation	1,354,371,271 *(note 2)*	(long)	91.65%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Interests in the Shares or underlying Shares *(Continued)*

Name of Shareholder	Capacity	Number of Shares and underlying Shares		Approximate percentage *(note 9)*
Lehman Brothers Holdings Inc. (in liquidation)	Interests of controlled corporation and/or person having a security interest in Shares	979,287,355 *(note 3)*	(long)	66.27%
	Interests of controlled corporation	2,700,000	(short)	0.18%
Walkers SPV Limited	Interests of controlled corporation	335,911,700 *(note 4)*	(long)	22.73%
DKR Capital Inc.	Interests of controlled corporation and/or person having a security interest in Shares and/or parties to an agreement under s.317(1)(b) and s.318 of the SFO	1,345,082,656 *(note 5)*	(long)	91.03%
DKR Management Co., Inc.	Interests of controlled corporation and/or person having a security interest in Shares and/or parties to an agreement under s.317(1)(b) and s.318 of the SFO	1,345,082,656 *(note 5)*	(long)	91.03%
DKR Capital Partners LP	Interests of controlled corporation and/or person having a security interest in Shares and/or parties to an agreement under s.317(1)(b) and s.318 of the SFO	1,345,082,656 *(note 5)*	(long)	91.03%
Oasis Management Holdings LLC	Interests of controlled corporation and/or person having a security interest in Shares and/or parties to an agreement under s.317(1)(b) and s.318 of the SFO	1,345,082,656 *(note 5)*	(long)	91.03%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Interests in the Shares or underlying Shares *(Continued)*

Name of Shareholder	Capacity	Number of Shares and underlying Shares		Approximate percentage *(note 9)*
DKR Oasis Management Co. LP	Investment manager and/or person having a security interest in Shares and/or parties to an agreement under s.317(1)(b) and s.318 of the SFO	1,345,082,656 *(note 5)*	(long)	91.03%
DKR SoundShore Oasis Holding Fund Ltd.	Beneficial owner and/or person having a security interest in Shares and/or parties to an agreement under s.317(1)(b) and s.318 of the SFO	285,240,908 *(note 6)*	(long)	19.30%
Chestnut Fund Ltd.	Beneficial owner and/or person having a security interest in Shares and/or parties to an agreement under s.317(1)(b) and s.318 of the SFO	1,059,841,748 *(note 7)*	(long)	71.72%
Deutsche Bank Aktiengesellschaft	Person having a security interest in Shares	82,806,140	(long)	5.60%
PMA Capital Management Limited	Investment manager and/or person having a security interest in Shares	1,073,142,871 *(note 8)*	(long)	72.62%
PMA Prospect Fund	Beneficial owner and/or person having a security interest in Shares	1,046,582,411 *(note 8)*	(long)	70.83%
PMA Focus Fund	Beneficial owner and/or person having a security interest in Shares	990,336,731 *(note 8)*	(long)	67.02%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Interests in the Shares or underlying Shares *(Continued)*

Notes:

1. 963,776,271 existing Shares were held directly by Grand Cosmos. As the entire issued share capital of Grand Cosmos was held by Sharp Bright, Sharp Bright was deemed to be interested in the Shares in which Grand Cosmos was interested by virtue of the SFO. As the entire issued share capital of Sharp Bright was held by Mr. Yu Pan, Mr. Yu Pan was deemed to be interested in the Shares in which Sharp Bright was interested by virtue of SFO. The 963,776,271 Shares were charged in favour of the security trustee, The Hongkong and Shanghai banking Corporation Limited ("HSBC"), by way of share charge dated 4 May 2007. Grand Cosmos was put into receivership pursuant to an acceleration notice issued to the Company on 2 November 2009 by the trustee under the Trust Deed in relation to the US$200 million Notes. In consequence of the receivership, the board of directors of Grand Cosmos was changed whereas representatives of the receivers were appointed to the board of directors of Grand Cosmos to replace Mr. Yu Pan. According to the corporate substantial shareholder notice filed by HSBC Holdings plc on 4 November 2009, HSBC Holdings plc was deemed to be interested in the Shares as a result of HSBC (a corporation indirectly controlled by HSBC Holdings plc), as a security trustee of the Notes, has taken steps to enforce its rights in respect of the shares of Grand Cosmos charged.

2. These Shares comprised (i) 963,776,271 Shares charged in favour of the security trustee (who held the benefit on trust for the Noteholders) by Grand Cosmos and Mr. Yu Pan; and (ii) 390,595,000 underlying Shares which would be issued upon exercise of the conversion rights attaching to the Notes at the reset conversion price of HK$1.00 held directly or indirectly by Merrill Lynch & Co., Inc, Merrill Lynch International Incorporated, ML GCRE CP, L.L.C., ML Asian R.E. Fund GP, L.L.C., Merrill Lynch Asian Real Estate Fund Manager Pte Ltd, and Merrill Lynch Asia Estate Opportunity Fund Pte Ltd. All of these entities were controlled by Bank of America Corporation.

3. These Shares comprised (i) 7,699,184 existing Shares; (ii) 963,776,271 Shares charged in favour of the security trustee (who held the benefit on trust for the Noteholders) by Grand Cosmos and Mr. Yu Pan; and (iii) 7,811,900 underlying Shares which would be issued upon exercise of the conversion rights attaching to the Notes at the reset conversion price of HK$1.00 held directly or indirectly by Lehman Brothers Commercial Corporation Asia Limited (in liquidation), LBCCA Holdings I LLC. and LBCCA Holdings II LLC. All these entities were controlled by Lehman Brothers Holdings Inc.

4. These Shares comprised 335,911,700 underlying Shares which would be issued upon exercise of the conversion rights attaching to the Notes at the reset conversion price of HK$1.00 held by Kingfisher Capital CLO Limited which was controlled by Walkers SPV Limited.

5. These Shares comprised (i) 6,335,185 existing Shares; (ii) 963,776,271 Shares charged in favour of the security trustee (who held the benefit on trust for the Noteholders) by Grand Cosmos and Mr. Yu Pan; and (iii) 374,971,200 underlying Shares which would be issued upon exercise of the conversion rights attaching to the Notes at the reset price of HK$1.00.

6. These Shares comprised (i) 6,335,185 existing Shares; (ii) 200,786,723 Shares charged in favour of the security trustee (who held the benefit on trust for the Noteholders) by Grand Cosmos and Mr. Yu Pan; and (iii) 78,119,000 underlying Shares which would be issued upon exercise of the conversion rights attaching to the Notes at the reset price of HK$1.00.

7. These Shares comprised (i) 762,989,548 Shares charged in favour of the security trustee (who held the benefit on trust for the Noteholders) by Grand Cosmos and Mr. Yu Pan; and (ii) 296,852,200 underlying Shares which would be issued upon exercise of the conversion rights attaching to the Notes at the reset price of HK$1.00.

8. These Shares comprised (i) 963,776,271 Shares charged in favour of the security trustee (who held the benefit on trust for the Noteholders) by Grand Cosmos and Mr. Yu Pan; and (ii) 109,366,600 underlying Shares which would be issued upon exercise of the conversion rights attaching to the Notes at the reset conversion price of HK$1.00 held by PMA Prospect Fund (as to 82,806,140 underlying Shares) and PMA Focus Fund (as to 26,560,460 underlying Shares). All of these funds were controlled by PMA Capital Management Limited.

9. For the purpose of this section, the shareholdings percentage in the Company was calculated on the basis of 1,477,687,450 Shares in issue as at 31 December 2009.

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Interests in the Shares or underlying Shares *(Continued)*

Save as disclosed above, as at 31 December 2009, the Company had not been notified by any persons or corporations who had any long or short position in the Shares and/or underlying Shares, which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

RELATED PARTY TRANSACTIONS

Save as the transactions stated below, none of the Directors, substantial shareholders or controlling shareholders of the Company and their respective associates was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at 31 December 2009 which was significant in relation to the business of either the Group or has any material personal interest.

Details of the discloseable related party transactions for the year are set out in note 47 to the consolidated financial statements. In the opinion of the Directors who do not have any interest in these transactions, the transactions were carried out on normal commercial terms and in the ordinary and usual course of business of the Group.

CORPORATE GOVERNANCE

None of the Directors are aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the 2009 financial statements, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules except for code provision A2.1, where the roles of chairman and chief executive officer of the Company is not separated as required but is currently performed by the same individual.

Due to the small size of the management team, both the roles of the Chairman and Chief Executive Officer of the Company are currently held by Mr. Yu Pan. The Board considers the current and management team is efficient and is sufficient to meet the daily needs of the Group. The Board will, nonetheless, continue to review the business growth of the Group and, when considered essential, will set out a clear division of responsibilities at the board level and the management team to ensure a proper balance of power and authority within the Company.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

During the year, the Company has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 to the Listing Rules. Specific confirmation has been obtained from all Directors to confirm compliance with the Model Code throughout the year ended 31 December 2009.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each Independent Non-executive Director an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

RETIREMENT BENEFITS SCHEMES

Particulars of the retirement benefits schemes of the Group are set out in note 43 to the financial statements.

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.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 110.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of the events after the end of the reporting period are set out in note 50 to the financial statements.

AUDITOR

BDO McCabe Lo Limited has changed its name to BDO Limited. Accordingly, the independent auditor's report is now signed under the new name.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. BDO Limited as auditor of the Company.

On behalf of the Board

Yu Pan
Chairman
Hong Kong, 30 April 2010

BDO
BDO Limited
Certified Public Accountants
德豪會計師事務所有限公司

25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
Telephone: (852) 2541 5041
Facsimile: (852) 2815 2239

香港干諾道中111號
永安中心25樓
電話:(852) 2541 5041
傳真:(852) 2815 2239

TO THE SHAREHOLDERS OF SKYFAME REALTY (HOLDINGS) LIMITED
(PROVISIONAL LIQUIDATORS APPOINTED)
(incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of Skyfame Realty (Holdings) Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (collectively the "Group") set out on pages 32 to 109, which comprise the consolidated and the Company's statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraphs, we were not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion
Basis of consolidation
As further explained in note 4(c) to the consolidated financial statements, the directors have prepared the financial statements on a consolidation basis which include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009, despite the appointment of the receivers of Grand Cosmos Holdings Limited, the immediate holding company of the Company, and certain intermediary subsidiaries of the Company by the holders of the convertible notes (the "Notes") and by the lenders of the borrowings of HK$220,000,000 (the "Term Loan"), and the appointment of the provisional liquidators of the Company pursuant to the court order (collectively referred to as the "Appointments"). However, we have not been able to obtain sufficient appropriate audit evidence to determine, whether with the Appointments the Company is still able to exercise unilateral control over its subsidiaries in all circumstances and therefore whether the adopted basis of consolidation by the Company is appropriate. Had the preparation of the consolidated financial statements on a consolidation basis not been appropriate, the Group might have been required to de-consolidate the relevant subsidiaries which may have a consequential significant effect on the net assets of the Group and the Company as at 31 December 2009 and the Group's loss attributable to the owners for the year then ended.

Material uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 4(d) to the consolidated financial statements which explain the circumstances giving rise to the material uncertainty. The appropriateness of preparing the Group's and the Company's financial statements on the going concern basis depends on the successful outcome of:

(i) the conclusion of the proposed formal binding agreements on settlement with the holders of the Notes and the Term Loan lenders ("Debt Settlement Agreements");

(ii) the fulfillment of the terms to be set out in the proposed Debt Settlement Agreements, in particular additional financing can be sought from financiers and/or investors to meet with the commitments to fully settle the balance of the Notes and/or the Term Loan; and

(iii) obtaining new banking facilities to finance certain property development projects.

We consider that appropriate disclosures have been made; however, we consider that this material uncertainty is so extreme that we disclaim our opinion in respect of the appropriateness of the going concern basis. The financial statements of the Group and the Company do not include any adjustments that would be necessary if the Group and/or the Company failed to operate as a going concern. Had the going concern basis not been used, adjustments would have to be made to reduce the carrying values of the Group's and the Company's assets to their recoverable amounts, to provide further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. Such adjustments may have a consequential significant effect on the net assets of the Group and the Company as at 31 December 2009 and the Group's loss attributable to the owners for the year then ended.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether they have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Li Yin Fan
Practising Certificate Number P03113

Hong Kong, 30 April 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	8	**304,780**	564,650
Cost of sales and services		**(122,854)**	(335,813)
Gross profit		**181,926**	228,837
Other income		**2,840**	4,066
Sales and marketing expenses		**(29,407)**	(22,569)
Administrative expenses		**(159,466)**	(179,831)
Fair value changes in investment properties		**14,769**	(119,263)
Write-down of properties under development		**(70,623)**	—
Impairment loss on goodwill		**—**	(66,511)
Fair value changes in financial derivative liabilities in relation to convertible notes		**93,162**	976,924
Gain on disposal of a subsidiary, net of tax	42(b)	**302,011**	—
Finance costs	9	**(1,883,222)**	(189,957)
Finance income	9	**1,062**	2,982
(Loss) profit before income tax	10	**(1,546,948)**	634,678
Income tax credit	14	**2,386**	49,670
(LOSS) PROFIT FOR THE YEAR		**(1,544,562)**	684,348
Other comprehensive income:			
Exchange differences arising on consolidation of foreign operations		**4,691**	186,825
Impairment loss on properties held for development charged to property revaluation reserve		**—**	(71,151)
Deferred tax credit in respect of impairment loss on properties held for development		**—**	17,788
Realisation of exchange differences upon disposal of a subsidiary	42(b)	**(157,315)**	—
		(152,624)	133,462
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(1,697,186)**	817,810
(Loss) profit for the year attributable to:			
— Owners of the Company	15	**(1,537,605)**	685,128
— Minority interests		**(6,957)**	(780)
		(1,544,562)	684,348

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Total comprehensive income for the year attributable to:			
— Owners of the Company		**(1,690,260)**	818,528
— Minority interests		**(6,926)**	(718)
		(1,697,186)	817,810
(Loss) earnings per share	*17*		
— Basic		**(HK104.055 cents)**	HK46.337 cents
— Diluted		**(HK104.055 cents)**	(HK13.484 cents)

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	18	**1,111**	1,046,987
Prepaid lease payments — non-current portion	19	**501,942**	736,550
Investment properties	20	**416,951**	401,543
Properties held for development	21	**1,061,511**	962,867
Goodwill	22	**15,562**	68,316
Interest in an associate	23	**631,094**	—
		2,628,171	3,216,263
Current assets			
Properties held for sale	26	**—**	573,808
Prepaid lease payments — current portion	19	**127,423**	494,718
Properties under development	21	**198,933**	86,268
Inventories	28	**—**	19,542
Trade and other receivables	29	**31,956**	33,900
Consideration receivable for disposal of a subsidiary	42(b)	**1,213,031**	—
Restricted and pledged deposits	30	**38,547**	67,737
Cash and cash equivalents	31	**114,719**	53,720
		1,724,609	1,329,693
Assets classified as held for sale	32	**—**	713,399
		1,724,609	2,043,092
Current liabilities			
Trade and other payables	33	**418,071**	219,761
Bank and other borrowings — current portion	35	**277,627**	280,228
Convertible notes	36	**2,057,326**	—
Deferred income		**—**	3,779
Income tax payable		**120,052**	48,080
		2,873,076	551,848
Liabilities associated with assets classified as held for sale	32	**—**	108,884
		2,873,076	660,732
Net current (liabilities) assets		**(1,148,467)**	1,382,360
Total assets less current liabilities		**1,479,704**	4,598,623

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Other payable	33	—	63,573
Bank and other borrowings — non-current portion	35	239,150	1,042,480
Convertible notes	36	—	306,337
Financial derivative liabilities	36	—	93,162
Loan from minority shareholder of a subsidiary	37	234,690	273,968
Deferred tax liabilities	38	157,405	273,674
		631,245	2,053,194
Net assets		848,459	2,545,429
Capital and reserves			
Share capital	39	14,777	14,777
Reserves	40	815,874	2,505,918
Equity attributable to owners of the Company		830,651	2,520,695
Minority interests		17,808	24,734
Total equity		848,459	2,545,429

On behalf of the Board

Yu Pan	**Lau Yat Tung, Derrick**
Director	*Director*

Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Interests in subsidiaries	24	**2,622,232**	2,739,984
Current assets			
Amounts due from subsidiaries	24	**15,167**	42,882
Other receivables	29	**696**	647
Restricted and pledged deposits	30	**16,885**	46,311
Cash and cash equivalents	31	**51**	114
		32,799	89,954
Current liabilities			
Other payables	33	**16,288**	1,020
Financial guarantee contract	34	**52,260**	—
Amount due to subsidiary	24	**—**	123
Convertible notes	36	**2,057,326**	—
		2,125,874	1,143
Net current (liabilities) assets		**(2,093,075)**	88,811
Total assets less current liabilities		**529,157**	2,828,795
Non-current liabilities			
Convertible notes	36	**—**	306,337
Financial derivative liabilities	36	**—**	93,162
		—	399,499
Net assets		**529,157**	2,429,296
Capital and reserves			
Share capital	39	**14,777**	14,777
Reserves	40	**514,380**	2,414,519
Total equity		**529,157**	2,429,296

On behalf of the Board

Yu Pan
Director

Lau Yat Tung, Derrick
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Contributed surplus reserve HK$'000	Share-based payment reserve HK$'000	Property revaluation reserve HK$'000	Merger reserve HK$'000	Statutory reserves HK$'000	Other reserves HK$'000	Foreign exchange reserve HK$'000	Retained profits (accumulated loss) HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
Year ended 31 December 2008													
At 1 January 2008	14,659	1,210,992	15,497	16,146	84,842	(301,662)	6,108	2,049	189,365	448,686	1,686,682	—	1,686,682
Total comprehensive income for the year	—	—	—	—	(53,363)	—	—	—	186,763	685,128	818,528	(718)	817,810
Contribution from minority shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	25,452	25,452
Conversion of convertible notes	116	13,555	—	—	—	—	—	—	—	—	13,671	—	13,671
Reallocation of lapsed options from share-based payment reserve to retained profits	—	—	—	(4,838)	—	—	—	—	—	4,838	—	—	—
Issue of shares:													
— Exercise of bonus warrants	—	8	—	—	—	—	—	—	—	—	8	—	8
— Exercise of share options	2	411	—	(73)	—	—	—	—	—	—	340	—	340
Expenses incurred on issue of shares	—	(12)	—	—	—	—	—	—	—	—	(12)	—	(12)
Transfer among reserves	—	—	—	—	—	—	—	4,109	—	(4,109)	—	—	—
Recognition of equity-settled share-based payment expenses	—	—	—	1,478	—	—	—	—	—	—	1,478	—	1,478
At 31 December 2008	14,777	1,224,954	15,497	12,713	31,479	(301,662)	6,108	6,158	376,128	1,134,543	2,520,695	24,734	2,545,429
Year ended 31 December 2009													
At 1 January 2009	**14,777**	**1,224,954**	**15,497**	**12,713**	**31,479**	**(301,662)**	**6,108**	**6,158**	**376,128**	**1,134,543**	**2,520,695**	**24,734**	**2,545,429**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(152,655)**	**(1,537,605)**	**(1,690,260)**	**(6,926)**	**(1,697,186)**
Transfer among reserves	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(6,158)**	**—**	**6,158**	**—**	**—**	**—**
Recognition of equity-settled share-based payment expenses	**—**	**—**	**—**	**216**	**—**	**—**	**—**	**—**	**—**	**—**	**216**	**—**	**216**
At 31 December 2009	**14,777**	**1,224,954**	**15,497**	**12,929**	**31,479**	**(301,662)**	**6,108**	**—**	**223,473**	**(396,904)**	**830,651**	**17,808**	**848,459**

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Net cash generated from operating activities	*42(a)*	**93,234**	137,662
Investing activities			
Interest received		**1,062**	4,149
Disposal of subsidiaries, net of cash disposed of	*42(b)*	**(31,651)**	—
Additions to properties held for/under development		**(225,695)**	(95,525)
Additions to prepaid lease payments		**(16,816)**	(597,558)
Payment of construction costs of completed properties in prior year		**(60,720)**	(82,817)
Purchases of property, plant and equipment		**(2,488)**	(48,808)
Proceeds from sale of property, plant and equipment		**144**	4
Net cash used in investing activities		**(336,164)**	(820,555)
Financing activities			
Decrease in restricted and pledged deposits		**29,229**	290,268
New bank and other borrowings		**487,348**	254,037
Repayment of bank and other borrowings		**(172,962)**	(170,985)
Short-term loan advance from a director		**15,031**	—
Repayment of short-term loan from a director		**(15,031)**	—
(Repayment of loan from) advance from minority shareholder of a subsidiary		**(39,664)**	271,321
Capital contributions from minority shareholder of a subsidiary		**—**	25,452
Exercise of bonus warrants		**—**	8
Proceeds from shares issued under share option scheme		**—**	340
Expenses incurred on issue of shares		**—**	(12)
Net cash from financing activities		**303,951**	670,429
Net increase (decrease) in cash and cash equivalents		**61,021**	(12,464)
Effect of foreign exchange rate changes		**(22)**	3,712
Cash and cash equivalents at beginning of year		**53,720**	63,338
		114,719	54,586
***Less:* Balance classified as assets held for sale**		**—**	(866)
Cash and cash equivalents at end of year	*31*	**114,719**	53,720

1. GENERAL

Skyfame Realty (Holdings) Limited (Provisional Liquidators Appointed) (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its registered office, head office and principal place of business in the People's Republic of China (the "PRC"), and principal place of business in Hong Kong are at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda, 32nd to 33rd floors of HNA Tower, 8 Linhe Zhong Road, Tianhe District, Guangzhou, Guangdong Province, PRC, and 2502B, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong respectively.

The Company's parent is Grand Cosmos Holdings Limited ("Grand Cosmos") and ultimate holding company is Sharp Bright International Limited ("Sharp Bright"). Grand Cosmos and Sharp Bright are both incorporated in the British Virgin Islands (the "BVI").

The Company and its subsidiaries are hereinafter collectively referred to as the "Group". The principal activity of the Company is investment holding. The principal activities of its subsidiaries are property development, property investment, hotel operation and the provision of related ancillary services, and the provision of property development project management and interior decoration services.

2. WINDING-UP PETITION, APPOINTMENT OF RECEIVERS AND PROVISIONAL LIQUIDATORS AND DEBT RESTRUCTURING

(a) Appointment of receivers by the trustee of the convertible notes

On 4 May 2007, the Company issued 4% secured convertible notes due in 2013 with principal amount of US$200,000,000 (the "Notes" or the "convertible notes"). As at 1 January 2009, the outstanding principal/face value of the Notes amounted to US$192,000,000. Pursuant to the trust deed dated 4 May 2007 (the "Trust Deed"), a supplemental deed dated 22 January 2008, a letter given by the special committee of the holders of the Notes (the "Noteholders") dated 31 March 2009 and resolutions in a special committee meeting of the Noteholders held on 10 June 2008, the Noteholders have the automatic redemption right to require the Company to redeem the Notes in principal amount of US$75,000,000 (approximately HK$585,893,000) and accrued interest (the "Automatic Redemption") if the project company of the Zhoutouzui Project, as defined in note 22, cannot obtain the land use right certificate and other permits for such project on or before 31 May 2009.

2. WINDING-UP PETITION, APPOINTMENT OF RECEIVERS AND PROVISIONAL LIQUIDATORS AND DEBT RESTRUCTURING *(Continued)*

(a) Appointment of receivers by the trustee of the convertible notes *(Continued)*

On 2 November 2009, the trustee and security trustee (collectively the "Trustee") under the Trust Deed, who acted on the written request of holders of not less than 25 per cent. in outstanding principal amount of the Notes, issued an acceleration notice (the "Acceleration Notice") to the Company on the ground that the land use right certificate and other permits in respect of the Zhoutouzui Project were not obtained on or before 31 May 2009 and the Company failed to satisfy with the Automatic Redemption. By service of the Acceleration Notice, the Notes with the face value of US$192,000,000 plus accrued interest become immediately due and payable. As a result of the issue of the Acceleration Notice, on the same date, a letter from Deloitte Touche Tohmatsu ("Deloitte") was received stating that Messrs. Lai Kar Yan, Yeung Lui Ming and Darach E. Haughey of Deloitte have been appointed by the Trustee as receivers and managers of the security assets charged for the Notes under various security documents which include, the charge over all of shareholding interest in the Company held by Grand Cosmos, the charge over 100% equity interest in Grand Cosmos held by Sharp Bright and the charges over equity interests in certain intermediary investment holding subsidiaries of the Company (collectively the "Security"). Also on the same date, the Company received copies of the written resolutions of these intermediary subsidiaries dated 2 November 2009 approving, among other things, the appointment of Messrs. Lai Kar Yan, Yeung Lui Ming, Darach Eoghan Haughey and Yeung Wallace Wai Yim of Deloitte as directors in replacement of the then existing directors of these subsidiaries with immediate effect.

(b) Petition for winding-up order and appointment of provisional liquidators

On 6 November 2009, a winding-up petition was presented to the High Court of the Hong Kong Special Administrative Region (the "High Court") by a creditor of the Group alleging that the Company was in breach of a guarantee given to the creditor, as disclosed in notes 34 and 35(b)(ii). On the same day, the High Court ordered Messrs. Stephen Liu Yiu Keung and David Yen Ching Wai, both of Ernst & Young Transactions Limited, be appointed as the joint and several provisional liquidators of the Company (the "Provisional Liquidators"). Pursuant to the High Court's order dated 6 November 2009, the Provisional Liquidators are empowered, amongst other things, (i) to take control and possession of the assets of the Company; and (ii) to formulate and carry out a restructuring of the business of the Company and its subsidiaries, associate or other entities in which the Company holds an interest and to enter into settlement, compromise or arrangement on the Company's behalf with the creditors of the Company provided that any such settlement, compromise or arrangement shall not be binding on the Company's creditors unless and until approved by the High Court. Under the supervision of the Provisional Liquidators, the daily operations of the business affairs of the Group have been undertaken by the existing directors and management team.

On 17 November 2009, the Provisional Liquidators acting on behalf of the Company, Yue Tian Development Limited ("Yue Tian"), which is an indirect wholly-owned subsidiary of the Company, Mr. Yu Pan, the chairman (the "Chairman") and executive director of the Company, and the Noteholders entered into a term sheet (the "First Term Sheet") which mainly set out the framework for the application of the proceeds from the disposal of 100% equity interest in a subsidiary, 廣州市城建天譽房地產開發有限公司 (Guangzhou Cheng Jian Tianyu Real Estate Development Limited) ("CJTY"), as disclosed in note 42(b), with a view to the dismissal of the winding-up proceedings against the Company and the discharge of the Provisional Liquidators. On the same date, the board of directors of Yue Tian has been restored to its constitution immediately prior to the appointment of the receivers.

2. WINDING-UP PETITION, APPOINTMENT OF RECEIVERS AND PROVISIONAL LIQUIDATORS AND DEBT RESTRUCTURING *(Continued)*

(c) Appointment of receivers by the facility and security agent for the borrowings of HK$220,000,000

On 29 January 2009, the borrowings of HK$220,000,000 (the "Term Loan"), as disclosed in note 35(b)(i), were due for repayment by the Group. The Term Loan became overdue and remained outstanding. The Term Loan lenders have made certain standstill arrangements and the lenders have issued consents to Sky Honest Investments Corp. ("Sky Honest"), the borrower and an indirect wholly-owned subsidiary of the Company, to refrain from taking enforcement action against Sky Honest up to the completion of the proposed disposal of 80% interest in the Tianhe Project, as defined in note 22, and details of which are also disclosed in note 32. No further standstill has been given by the lenders after the proposed disposal was voted down by the Company's shareholders in a Company's special general meeting held on 10 July 2009.

On 9 November 2009, Lehman Brothers Commercial Corporation Asia Limited (In Liquidation) ("LBCCAL") (as facility and security agent for the lenders of the Term Loan) served a notice to Sky Honest and its holding company, Chain Up Limited ("Chain Up"), which is a direct wholly-owned subsidiary of the Company, stating that Sky Honest's failure to repay the Term Loan on the maturity date of 29 January 2009 constituted an event of default as stipulated in the loan agreement entered into between Sky Honest and lenders of the Term Loan on 27 July 2007. On the same date, LBCCAL appointed Messrs. Edward Simon Middleton and Patrick Cowley (who were later replaced by Messrs. Victor Yat Kit Jong and Donald Edward Osborn on 1 February 2010) as receivers and managers of the security assets charged for the Term Loan under various security documents which include (i) the entire issued share capital of Sky Honest, the shareholder loan from Chain Up to Sky Honest and all other assets of Chain Up; and (ii) 51% of the issued share capital of Yaubond Limited ("Yaubond"), the shareholder's loan from Sky Honest to Yaubond and all other assets of Sky Honest. On 10 November 2009, the board of directors of Sky Honest was replaced by a corporate director nominated by Messrs. Edward Simon Middleton and Patrick Cowley, as receivers acting on behalf of the lenders of the Term Loan. On 25 February 2010, such corporate director was replaced by another two corporate directors nominated by Messrs Victor Yat Kit Jong and Donald Edward Osborn, as receivers acting on behalf of the lenders of the Term Loan.

(d) Proposed settlement with the Noteholders

On 14 April 2010, the Company (acting by the board (the "Board") of directors (the "Directors") of the Company), Yue Tian, Mr. Yu Pan and the Noteholders entered into a second term sheet (the "Second Term Sheet") to set out the key terms of an agreement to be entered into among these parties. The details of the Second Term Sheet are disclosed in note 50 "Events After The End of The Reporting Period".

(e) Expected dismissal of winding-up petition and discharge of Provisional Liquidators

Trading in the shares of the Company (the "Shares") has been suspended since 3 November 2009. The court hearing on the winding-up petition has been adjourned to 2 August 2010. Pursuant to the Second Term Sheet, within 7 days after execution of the settlement agreement, an application for the dismissal of the winding-up petition will be submitted by the petitioner and the discharge of the Provisional Liquidators is expected to be approved by the High Court a week after. The management will then make an application to the Stock Exchange for the resumption of trading of the Shares when the resumption conditions, which include the dismissal of the winding-up petition and the discharge of the Provisional Liquidators, have been fulfilled.

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

(a) Impact of New/Revised HKFRSs which are effective during the year

In the current year, the Group has adopted the following New/Revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial period beginning on 1 January 2009.

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

The adoption of these New/Revised HKFRSs has had no material effects on the results of the Group or the financial position of the Group and the Company for the current or prior accounting periods nor resulted in substantial changes to the Group's accounting policies, except for certain presentational changes as a result of adopting HKAS 1 (Revised), and extended disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities as a result of adopting HKFRS 7 (Amendment). Comparative figures have been restated or included in these financial statements in order to achieve a consistent presentation. The statements of financial position, previously known as balance sheets, at the beginning of the year of 2008 have not been presented as there were no changes to the originally published statements.

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

(b) Potential impact arising on New/Revised HKFRSs not yet effective

The Group has not early applied the following New/Revised HKFRSs that have been issued, potentially relevant to the Group's operations, but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs (issued April 2009)[1]
	Improvements to HKFRS 5 as part of Improvements to HKFRSs (issued May 2008)[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
Amendment to HKAS 39	Eligible Hedged Items [2]
HKFRS 2 (Amendments)	Share-based Payment — Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[2]
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners[2]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKFRS 9	Financial Instruments[5]

1 *Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate*
2 *Effective for annual periods beginning on or after 1 July 2009*
3 *Effective for annual periods beginning on or after 1 January 2010*
4 *Effective for annual periods beginning on or after 1 January 2011*
5 *Effective for annual periods beginning on or after 1 January 2013*

The adoption of HKFRS 3 (Revised) may affect the Group's accounting policy on business combination for which the acquisition date is on or after 1 January 2010. The adoption of HKAS 27 (Revised) may affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control of the subsidiary, which will be accounted for as equity transactions.

The amendment to HKAS 17 made under "Improvements to HKFRSs 2009", mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the lease and recognise a lease newly classified as a finance lease retrospectively if the criteria of a finance lease is met. If the information necessary to apply the amendment retrospectively is not available, the Group will recognise the related asset and liability at their fair values on the date of adoption and recognise the difference in retained earnings.

Except for these, the Directors are in the process of making an assessment of the potential impact of these New/Revised HKFRSs and they anticipate that the application of these New/Revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except that the following assets and liabilities are stated at their revalued amounts or fair values as explained in the accounting policies set out in note 5:

— investment properties; and
— derivative financial instruments.

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

(c) Basis of presentation

As referred in note 2, the Company is under provisional liquidation where Provisional Liquidators were appointed by the High Court to the Board and receivers were appointed by LBCCAL and the Noteholders where the boards of directors of certain subsidiaries of the Company have been replaced by representatives of the receivers. The primary duty of the Provisional Liquidators, empowered by the order of the High Court, is to exercise the powers to protect the assets to prevent them from being dissipated and to stabilise the operations of the Group to enable, if possible, compromises with its dissenting creditors by realising assets with proceeds to settle and reach an agreement with the creditors on a debt rescheduling or restructuring. The receivers, being appointed to enforce charges under powers as contained in the Trust Deed and loan documents, have a primary objective to manage the assets in order to realise the pledged assets with the proceeds to be returned to the Term Loan lenders and Noteholders with due diligence.

Since the appointment, the Provisional Liquidators have conducted reviews of and managed the Company's affairs and considered it to be in the interest of the Company that the existing operations of the Group are managed by the Board and the existing management team despite the changes in the boards of directors of certain subsidiaries of the Company under receivership. Notwithstanding the fact that the receivers are empowered by the Trust Deed and the relevant security agreements to take further enforcement action in order to take possession of the security assets, standstill has been granted by the Noteholders in the First and Second Term Sheets. It is expected that the formal binding agreement on settlement with the Noteholders can be executed shortly after the date of this annual report. Meanwhile, the receivers acting on behalf of the lenders of the Term Loan (who are appointed over the entire equity interest in Sky Honest and 51% equity interest in Yaubond and effectively, the 51% stake in the Tianhe Project) appear to have taken actions to seize control over Sky Honest and Yaubond. Hence, the Directors consider that the Company has lost its power to govern, but is able to exercise significant influence in the determination of, the financial and operating policies of Yaubond.

4. BASIS OF PREPARATION *(Continued)*

(c) Basis of presentation *(Continued)*

Based on the foregoing circumstances and given the expectation that the proposed settlement agreement with the Noteholders will be successfully executed and implemented, and the fact that the Company has been exercising control over its subsidiaries under the same corporate structure of the Group as that prior to the appointment of the Provisional Liquidators and the receivers, the Directors have prepared the financial statements on a consolidation basis, except that the equity interest in Yaubond has been accounted for as interest in associate. As such, in the event that de-consolidation of any subsidiary/subsidiaries is required as a result of the inappropriateness of the consolidation basis currently adopted, adjustments would be required.

(d) Going concern

As disclosed in notes 2, 34, 35(b) and 36, notwithstanding the facts that:

(i) the Term Loan of HK$220,000,000 which was due on 29 January 2009 has not been repaid, resulting in the appointment of receivers to the boards of directors of Yaubond and Sky Honest, both of which are subsidiaries of the Company, as an enforcement action taken by the lenders of the Term Loan;

(ii) an acceleration notice was issued by the Trustee in relation to the Notes (with current outstanding principal of US$192,000,000) to the Company due to the failure of a subsidiary of the Company in obtaining the land use right certificate and other permits in respect of the Zhoutouzui Project, resulting in the demand for the Company's immediate repayment of the entire outstanding principal amount of the Notes of US$192,000,000 (approximately HK$1,499,885,000) plus accrued interests amounted to approximately HK$557,441,000 as at 31 December 2009. On 6 November 2009, a winding-up petition was presented to the High Court by a creditor of the Group. On the same day, the High Court ordered Messrs. Stephen Liu Yiu Keung and David Yen Ching Wai be appointed the Provisional Liquidators of the Company; and

(iii) as a result of the acceleration of the Notes, the Company's net current liabilities substantially increased to approximately HK$1,148,467,000 as at 31 December 2009 as compared with net current assets of approximately HK$1,382,360,000 as at 31 December 2008;

4. BASIS OF PREPARATION *(Continued)*

(d) Going concern *(Continued)*

the consolidated financial statements have been prepared using the going concern basis, a fundamental accounting concept adopted in the presentation of the consolidated financial statements. The Directors considered carefully that the business of the Group is a going concern after having considered the assumptions and qualifications that have material effects on the Group's results and financial position for the foreseeable period covering the next twelve months since the end of the reporting period. Key assumptions are as follows:

(1) The general economic performance in the PRC and the specific industrial parameters affecting the real estate sectors are becoming stable;

(2) The general trading conditions of the Group, in particular the contractual terms offered from suppliers and creditors remain unaffected by the abovementioned non-compliances and enforcement actions, and there is no acceleration of the bank loan amortisation in light of the potential claims nor will there be any claims for consequential losses or damages;

(3) The development projects are in compliance with the governmental regulations and the relevant licenses remain in full force and effect. The risk of re-possession of the land of the Tianhe Project as referred to in note 23 will be solved and the extension of the construction period can be obtained;

(4) New banking facilities have been and will be available to the Group from financial institutions to finance the work in progress of the Tianhe, Zhoutouzui and Guiyang Projects in accordance with respective construction timetables;

(5) Imminently after the date of this annual report, the Company will conclude the negotiations with the Noteholders at commercial terms of settlement similar with that of the Second Term Sheet. Simultaneously, the Company will also reach a settlement with the lenders of the Term Loan at terms beneficial to the Group; and

(6) The Directors believe that the Company and the obligors of the settlement agreements contemplated to be entered into by the Group with the Noteholders can comply with those obligations to be set out thereunder the settlement agreements, in particular additional financing can be sought from financiers and/or investors to meet with the commitment to settle any balance in shortfall after applying the funds received from the disposal of the Westin Project as defined in note 22 for the repayment of the Notes.

The Directors believe that the Group will have sufficient cash resources from new financing to satisfy its future working capital and other financing requirements. Accordingly, the consolidated financial statements have been prepared on a going concern basis and does not include any adjustments that would be required should the Group fail to continue as a going concern.

4. BASIS OF PREPARATION *(Continued)*

(e) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 6.

(f) Functional and presentation currency

The functional currency of the Company and the principal subsidiaries of the Company is Renminbi ("RMB").

The consolidated financial statements are presented in HK$ as management of the Company controls and monitors the performance and financial position of the Group in terms of HK$.

5. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and of its subsidiaries. Inter-company transactions and balances between group companies are eliminated in full in preparing the consolidated financial statements.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

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 statement of financial position within equity, separately from equity attributable to the owners of the Company. Minority interests in the results of the Group are presented on the face of 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 owners 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.

5. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, 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.

In the Company's statement of financial position, investment in subsidiaries is stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associates

Where the Group has the power to participate in (but not control nor joint control) the financial and operating policy decisions of another entity, that another entity is classified as an associate. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying values are adjusted for the Group's share of the post-acquisition change in the associates' net assets-except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test in accordance with HKAS 36, by comparing its carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

(d) Jointly controlled entities

A jointly controlled entity is a joint venture under contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Interest in jointly controlled entity is included in the consolidated financial statements using proportionate consolidation. The Group's share of the jointly controlled entity's assets, liabilities, income and expenses are combined line-by-line with similar items of the Group. Any premium paid for an interest in jointly controlled entity above the fair value of the Group's share of identifiable assets, liabilities and contingent liabilities is dealt with under the goodwill policy as set out in note 5(e).

Profits and losses arising on transactions between the Group and jointly controlled entity are recognised only to the extent of unrelated investors' interests in the entity. The investor's share in the jointly controlled entity's profits and losses resulting from these transactions is eliminated against the asset or liability of the jointly controlled entity arising on the transaction.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

5. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Goodwill *(Continued)*

Goodwill is capitalised as a separate asset with any impairment in carrying value being charged to profit or loss.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid ("discount on business combination"), after reassessment the excess is recognised in profit or loss on the acquisition date.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units (the "CGUs") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss and is not reversed in subsequent periods.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Hotel properties and leasehold improvements	10 to 30 years
Office building and leasehold improvements	10 to 30 years
Furniture, fixtures and equipment	2 to 5 years
Motor vehicles	4 to 5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

5. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation and not occupied by the Group or held for sale in the ordinary course of business. Investment properties are measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Changes in fair value are recognised in profit or loss for the period in which they arise.

(h) Prepaid lease payments

Prepaid lease payments represent up-front payments to acquire long-term interests in lessee occupied properties. These payments are stated at cost less any impairment and are amortised over the period of the lease on a straight-line basis as an expense.

(i) Properties under development/held for sale

Properties under development/held for sale are stated at the lower of cost and net realisable value. During the construction period, the amortisation of prepaid lease payments in respect of land use rights is included as part of the cost of properties under development. Net realisable value represents the estimated selling price of properties sold in the ordinary course of business less estimated costs to be incurred in selling the properties.

(j) Properties held for development

Properties held for development are stated at cost, less any identified impairment loss. The cost of properties comprises development expenditure, professional fees and borrowing costs capitalised.

(k) Leasing

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

The Group as lessor

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

The Group as lessee

Lease incentives received are recognised as an integrated part of the total rental expenses, over the term of the lease. The total rentals payable under the lease are charged in profit or loss on a straight-line basis over the lease term.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

5. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Financial instruments

(i) Financial assets

The Group classifies its financial assets into the category of loans and receivables. The Group's accounting policy for this category is as follows:

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. Loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. At the end of each reporting period subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

Objective evidence that the asset is impaired includes observable data that comes to the attention of the Group includes 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;
— granting concession to a debtor because of debtors' financial difficulty; and
— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

5. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Financial instruments *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities into one of the two categories, depending on the purpose for which the liabilities were incurred. The Group's accounting policy for each category is as follows:

Financial liabilities at fair value through profit or loss: Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

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

At the end of each reporting period subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Financial liabilities at amortised cost: Financial liabilities at amortised cost, including trade and other payables, borrowings and the liability component of convertible notes issued by the Group, are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost, using effective interest method. The related interest expense is recognised within "finance costs" in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Convertible debts

Convertible notes issued by the Group that contain both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

5. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Financial instruments *(Continued)*

(iv) ***Convertible debts*** *(Continued)*

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss, in accordance with note 5(l)(iii).

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and conversion option components in proportion to the allocation of the proceeds. Transaction costs related to the conversion option derivative is recognised in profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

(v) ***Equity instruments***

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

(vi) ***Financial guarantee contracts***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Company measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 “Revenue”.

(vii) ***Derecognition***

The Group derecognises a financial asset where the contractual rights to the future cash flows in relation to the financial asset expire or where the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(m) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

5. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable from goods sold or services provided as follows:

(i) Revenue from sale of properties is recognised when the risks and rewards of ownership of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed, the properties have been delivered to the purchasers pursuant to the sales agreement and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included as trade and other payables under current liabilities in the statement of financial position.

(ii) Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.

(iii) Revenue from hotel operation and from the provision of related ancillary services is recognised when the relevant services are provided.

(iv) Interest income is accrued on a time basis on the principal outstanding at the applicable interest rates.

(o) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of each reporting period. Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

5. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Foreign currency

Transactions entered into by each of the entities in the Group in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of overseas operations are translated at the rate ruling at the end of the reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of the group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to profit or loss as part of profit or loss on disposal.

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

(q) Employee benefits

(i) Defined contribution pension plan

Contributions to defined contribution retirement plan are recognised as an expense in profit or loss when the services are rendered by the employees.

5. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

(ii) Termination benefits

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

(r) Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share-based payment reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in the share-based payment reserve within equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

(s) Impairment of non-financial assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment, prepaid lease payments, properties held for/under development and investment in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of a non-financial asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

5. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised.

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

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which 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.

(v) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

— they are available for immediate sale;
— management is committed to a plan to sell;
— it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
— an active programme to locate a buyer has been invited;
— the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
— a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

(i) their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and

(ii) fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not amortised or depreciated. The results of operations disposed of during the year are included in the consolidated statement of comprehensive income up to the date of disposal.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Key sources of estimation uncertainty are as follows:

Impairment of non-financial assets other than goodwill

If a triggering event occurs indicating that the carrying amount of an asset may not be recoverable, an assessment of the carrying amount of that asset will be performed. Triggering events include significant adverse changes in the market value of an asset, changes in the business or regulatory environment, or certain legal events. The interpretation of such events requires judgement from management with respect to whether such an event has occurred.

Upon the occurrence of triggering events, the carrying amounts of non-financial assets are reviewed to assess whether their recoverable amounts have declined below their carrying amounts. The recoverable amount is the present value of estimated net future cash flows which the Group expects to generate from the future use of the asset, plus residual value of the asset on disposal. Where the recoverable amount of non-financial assets is less than its carrying value, an impairment loss is recognised to write the assets down to its recoverable amount.

The impairment assessment is performed based on the discounted cash flow analysis. This analysis relies on factors such as forecast of future performance and long-term growth rates and the selection of discount rates. If these forecast and assumptions prove to be inaccurate or circumstances change, further write-down or reversal of the write-down of the carrying value of the non-financial assets may be required.

Income taxes and deferred taxes

The Group is subject to taxation in the PRC and Hong Kong. Significant judgement is required in determining the amount of the provision for taxation and the timing of the related payments. There are many transactions and calculations for which the ultimate tax 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 have impact on the income tax and/or deferred tax provisions in the period in which such determination is made.

Land appreciation taxes

PRC land appreciation tax (“LAT”) is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Land appreciation taxes *(Continued)*

Those subsidiaries of the Company which are engaged in property development business in the PRC are subject to land appreciation taxes, which have been included in income tax expense in profit or loss. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense and provision for land appreciation taxes in the period in which such determination is made.

7. SEGMENT REPORTING

On adoption of HKFRS 8 "Operating segments" and in a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment, the Group is currently organised into three operating divisions — property development, property investment and hotel operation and related ancillary services ("hotel operation").

As management of the Group considers that all consolidated revenue are attributable to the markets in the PRC and consolidated non-current assets are substantially located inside the PRC, no geographical information is presented. The Group's reportable segments under HKFRS 8 are as follows:

Property development	—	Property development and sale of properties
Property investment	—	Property leasing
Hotel operation	—	Hotel operation and provision of related ancillary services

The Group's senior executive management monitors the results attributable to each reportable segment on the basis that revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments, the expenses directly incurred by those segments and the depreciation or amortisation charges of assets attributable to those segments. Corporate expenses, finance costs and income and any non-operating items which cannot be directly associated with the reportable segments are not allocated to the respective segments.

The measure used for reporting segment results is operating earning (loss) before interest (finance costs and income), income tax, depreciation and amortisation ("adjusted EBITDA"). In addition to information concerning adjusted EBITDA, the management also provides other segment information concerning depreciation and amortisation and fair value changes in investment properties.

Segment assets/liabilities include all assets/liabilities attributable to those segments with the exception of financial instruments as derivative, cash and bank balances, unallocated bank and other borrowings, convertible notes and taxes.

7. SEGMENT REPORTING *(Continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance in the consolidated financial statements is set out below:

(a) Segment results, assets and liabilities

	Property development *HK$'000*	Property investment *HK$'000*	Hotel operation *HK$'000*	Mis-cellaneous *HK$'000*	Total *HK$'000*
Year ended 31 December 2009					
Reportable segment revenue					
— external and consolidated revenue	44,912	16,118	243,750	—	304,780
Operating results	4,438	4,350	22,249	—	31,037
Add: Depreciation and amortisation	8,486	6	59,431	—	67,923
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	12,924	4,356	81,680	—	98,960
Fair value changes in investment properties	—	14,769	—	—	14,769
Write-down of properties under development	(70,623)	—	—	—	(70,623)
Impairment loss on trade and other receivables	(534)	—	—	—	(534)
Gain on disposal of a subsidiary, net of tax	130,861	—	171,150	—	302,011
Capital expenditure incurred during the year	252,958	—	666	—	253,624
As at 31 December 2009					
Assets					
Reportable segment assets	2,461,888	417,946	1,318,519	—	4,198,353
Liabilities					
Reportable segment liabilities	727,930	18,712	40,926	—	787,568

7. SEGMENT REPORTING *(Continued)*

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

	Property development *HK$'000*	Property investment *HK$'000*	Hotel operation *HK$'000*	Mis-cellaneous *HK$'000*	Total *HK$'000*
Year ended 31 December 2008					
Reportable segment revenue					
— external and consolidated revenue	289,886	19,345	255,419	—	564,650
Operating results	32,142	14,420	10,363	517	57,442
Add: Depreciation and amortisation	13,910	10	78,196	—	92,116
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	46,052	14,430	88,559	517	149,558
Fair value changes in investment properties	—	(119,263)	—	—	(119,263)
Impairment loss on goodwill	(66,511)	—	—	—	(66,511)
Capital expenditure incurred during the year	761,128	—	38,083	—	799,211
As at 31 December 2008					
Assets					
Reportable segment assets	3,385,042	403,731	1,242,211	—	5,030,984
Liabilities					
Reportable segment liabilities	594,419	21,995	69,893	—	686,307

7. SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment results, assets and liabilities

	2009 HK$'000	2008 HK$'000
Results		
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	**98,960**	149,558
Unallocated corporate expenses before depreciation and amortisation	**(30,170)**	(20,299)
	68,790	129,259
Depreciation and amortisation		
— Reportable segment	**(67,923)**	(92,116)
— Unallocated	**(4,974)**	(6,640)
	(4,107)	30,503
Fair value changes in investment properties	**14,769**	(119,263)
Impairment loss on goodwill	**—**	(66,511)
Write-down of properties under development	**(70,623)**	—
Fair value changes in financial derivative liabilities in relation to convertible notes	**93,162**	976,924
Gain on disposal of a subsidiary, net of tax	**302,011**	—
Finance costs	**(1,883,222)**	(189,957)
Finance income	**1,062**	2,982
Consolidated (loss) profit before income tax	**(1,546,948)**	634,678
Capital expenditure incurred during the year		
— Reportable segment	**253,624**	799,211
— Unallocated	**1,419**	13,963
	255,043	813,174
Assets		
Reportable segment assets	**4,198,353**	5,030,984
Restricted and pledged deposits	**38,547**	67,737
Cash and cash equivalents	**114,719**	53,720
Unallocated corporate assets	**1,161**	106,914
Consolidated total assets	**4,352,780**	5,259,355
Liabilities		
Reportable segment liabilities	**787,568**	686,307
Income tax payable	**120,052**	48,080
Deferred tax liabilities	**157,405**	273,674
Financial derivative liabilities	**—**	93,162
Convertible notes	**2,057,326**	306,337
Unallocated bank and other borrowings	**369,083**	1,290,440
Unallocated corporate liabilities	**12,887**	15,926
Consolidated total liabilities	**3,504,321**	2,713,926

8. REVENUE

Revenue represents the net invoiced amounts received and receivable from property development, property investment and hotel operation and the provision of related ancillary services. The amounts of each significant category of revenue recognised during the year are as follows:

	2009 HK$'000	2008 HK$'000
Sale of properties	—	257,399
Rental income	61,030	51,832
Hotel operation	243,750	255,419
	304,780	564,650

9. FINANCE COSTS AND INCOME

	Notes	2009 HK$'000	2008 HK$'000
Finance costs:			
Interest on convertible notes wholly repayable within five years			
— amortisation for the year	36	238,865	156,571
— at acceleration of liabilities payable to the Noteholders	36	1,542,122	—
Interest on bank and other borrowings			
— wholly repayable within five years		72,955	36,821
— wholly repayable after five years		72,662	74,742
Interest on short-term loan from a director		97	—
Others		241	—
		1,926,942	268,134
Less: Amount capitalised as properties held for/under development			
Interest on convertible notes wholly repayable within five years		(44,182)	(65,760)
Interest on bank and other borrowings wholly repayable within five years		(9,357)	(14,807)
		(53,539)	(80,567)
		1,873,403	187,567
Other borrowing costs		21,029	4,781
Less: Amount capitalised as properties held for/under development		(11,210)	(2,391)
		9,819	2,390
Finance costs charged to profit or loss		1,883,222	189,957
Finance income:			
Bank interest income		1,062	2,669
Other interest income		—	313
		1,062	2,982

10. (LOSS) PROFIT BEFORE INCOME TAX

(Loss) profit before income tax for the year has been arrived at after charging (crediting):

	Notes	**2009** HK$'000	2008 HK$'000
Cost of materials sold		**24,065**	25,002
Cost of properties sold		**—**	109,805
Prepaid lease payments recognised as cost of sales		**—**	90,495
Staff costs, including directors' emoluments	*11*	**67,841**	71,325
Auditors' remuneration		**1,104**	1,160
Depreciation of property, plant and equipment	*18*	**59,213**	77,992
Less: Amount capitalised as properties held for/under development	*21*	**(31)**	(6)
Total depreciation charged to profit or loss		**59,182**	77,986
Amortisation of prepaid lease payments		**23,168**	28,931
Less: Amount capitalised as properties held for/under development	*21*	**(9,453)**	(8,161)
Total amortisation charged to profit or loss	*19*	**13,715**	20,770
(Gain) loss on disposal of property, plant and equipment		**(32)**	2
Minimum lease payments under operating lease in respect of:			
— subleasing of properties recognised as cost of services		**—**	1,280
— rented office premises		**1,198**	1,472
— rented other premises		**3,471**	3,038
Exchange (gain) loss, net		**(207)**	822
Impairment loss on trade and other receivables		**534**	—
Direct operating expenses incurred for rental income		**6,940**	4,435

11. STAFF COSTS

	2009 HK$'000	2008 HK$'000
Staff costs (including directors' emoluments) comprise:		
Basic salaries and other benefits	**67,225**	67,694
Bonuses	**6,441**	5,704
Equity-settled share-based payment expenses	**216**	1,478
Contributions to defined contribution pension plans	**2,358**	2,700
	76,240	77,576
Less: Amount capitalised as properties held for/under development	**(8,399)**	(6,251)
Staff costs charged to profit or loss	**67,841**	71,325

12. DIRECTORS' EMOLUMENTS

The aggregate amounts of the directors' emoluments, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Fees HK$'000	Salaries and other benefits *(note)* HK$'000	Equity-settled share-based payment expenses HK$'000	Contributions to defined contribution pension plans HK$'000	Total HK$'000
2009					
Executive directors					
Yu Pan	—	2,010	—	12	2,022
Lau Yat Tung, Derrick	—	819	29	12	860
Wong Lok	—	260	—	12	272
Independent non-executive directors					
Choy Shu Kwan	187	—	6	—	193
Cheng Wing Keung, Raymond	187	—	6	—	193
Chung Lai Fong	187	—	6	—	193
Jerry Wu *(re-designated on 15 May 2009)*	187	—	—	—	187
	748	3,089	47	36	3,920
2008					
Executive directors					
Yu Pan	—	2,291	—	12	2,303
Lau Yat Tung, Derrick	—	819	187	12	1,018
Wen Xiao Bing *(resigned on 23 December 2008)*	120	999	313	19	1,451
Wong Lok	—	260	—	12	272
Non-executive director					
Jerry Wu	200	—	—	—	200
Independent non-executive directors					
Choy Shu Kwan	200	—	37	—	237
Cheng Wing Keung, Raymond	200	—	37	—	237
Chung Lai Fong	200	—	37	—	237
	920	4,369	611	55	5,955

Note: Salaries and other benefits included basic salaries, housing and other allowances and benefits-in-kind.

There is no arrangement under which a Director has waived or agreed to waive any emoluments during the current and prior years.

13. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group during the year, one (2008: two) is Director whose emoluments are included in note 12 above. The emoluments of the remaining four (2008: three) individuals are as follows:

	2009	2008
	HK$'000	*HK$'000*
Basic salaries and other benefits	**4,615**	3,440
Bonuses	**607**	205
Equity-settled share-based payment expenses	**39**	233
Contributions to defined contribution pension plans	**116**	12
	5,377	3,890

Their emoluments are within the following bands:

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

14. INCOME TAX CREDIT

	2009	2008
	HK$'000	*HK$'000*
Current tax		
PRC corporate tax		
— current year	**—**	(9,010)
— over provision in respect of prior years	**3,397**	1,282
PRC land appreciation tax		
— current year	**—**	(22,917)
	3,397	(30,645)
Deferred tax *(Note 38)*		
— current year	**(1,011)**	53,982
— over provision in respect of prior years	**—**	26,333
	(1,011)	80,315
Total income tax credit	**2,386**	49,670

No provision for Hong Kong profits tax has been made for the year ended 31 December 2009 (2008: HK$Nil) as the Group has no estimated assessable profits in respect of operation in Hong Kong. The applicable Hong Kong profits tax rate is 16.5% (2008: 16.5%) for the year.

Enterprise income tax arising from other regions of the PRC is calculated at 25% (2008: 25%) of the estimated assessable profits.

The provision of PRC LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided, as appropriate, at ranges of progressive rates from 30% to 60% on the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditure.

14. INCOME TAX CREDIT *(Continued)*

The income tax credit for the year can be reconciled to the (loss) profit before income tax per the consolidated statement of comprehensive income as follows:

	2009	2008
	HK$'000	*HK$'000*
(Loss) profit before income tax	**(1,546,948)**	634,678
Tax calculated at the applicable PRC income tax rate of 25% (2008: 25%)	**386,737**	(158,670)
Effect of different tax rates of entities operating in other jurisdictions	**(171,780)**	82,749
Tax effect of expenses not deductible for tax purposes	**(313,286)**	(59,998)
Tax effect of revenue and gain not subject to tax	**96,597**	161,359
Tax effect of tax losses not recognised during the year	**(5,714)**	—
Over-provision in respect of prior years	**3,397**	27,615
Tax effect of utilisation of tax losses not previously recognised	**—**	2,119
Tax effect of other temporary differences not recognised	**5,879**	(8,102)
Others	**556**	2,598
Income tax credit	**2,386**	49,670

15. (LOSS) PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$1,900,355,000 (2008: profit of HK$890,001,000).

16. DIVIDENDS

The Directors do not recommend payment of any dividend for the year ended 31 December 2009 (2008: Nil).

17. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share is based on the (loss) profit attributable to ordinary equity holders of the Company and the following data:

	2009	2008
	HK$'000	*HK$'000*
(Loss) profit for the purposes of basic (loss) earnings per share	**(1,537,605)**	685,128
Effect of dilutive potential ordinary shares:		
Fair value changes in financial derivative liabilities in relation to convertible notes	**—**	(976,924)
Finance costs on convertible notes (excluding capitalised interest)	**—**	90,811
Loss for the purposes of diluted loss per share	**(1,537,605)**	(200,985)

	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**1,477,687**	1,477,291
Effect of dilutive potential ordinary shares on bonus warrants	**—**	13,256
Weighted average number of ordinary shares for the purposes of diluted loss per share	**1,477,687**	1,490,547

For the year ended 31 December 2009, basic loss per share is same as diluted loss per share as any effect is anti-dilutive.

18. PROPERTY, PLANT AND EQUIPMENT

The Group	Hotel properties and leasehold improvements HK$'000	Office building and leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2008	979,423	43,476	35,959	4,093	1,062,951
Additions	23,932	4,564	19,383	1,315	49,194
Disposals	—	—	(13)	—	(13)
Exchange differences	56,892	2,510	2,518	192	62,112
At 31 December 2008 and at 1 January 2009	1,060,247	50,550	57,847	5,600	1,174,244
Additions	—	11	2,351	126	2,488
Disposals	—	—	(270)	—	(270)
Reclassified from office building and leasehold improvements to properties held for sale	—	(50,555)	—	—	(50,555)
Disposal of a subsidiary *(Note 42(b))*	(1,061,932)	—	(58,314)	(3,401)	(1,123,647)
Exchange differences	1,685	(6)	96	8	1,783
At 31 December 2009	—	—	1,710	2,333	4,043
Accumulated depreciation					
At 1 January 2008	37,217	314	7,099	1,234	45,864
Depreciation for the year	59,815	2,147	14,689	1,341	77,992
Disposals	—	—	(7)	—	(7)
Exchange differences	2,736	39	544	89	3,408
At 31 December 2008 and at 1 January 2009	99,768	2,500	22,325	2,664	127,257
Depreciation for the year	44,793	715	12,749	956	59,213
Disposals	—	—	(158)	—	(158)
Reclassified from office building and leasehold improvements to properties held for sale	—	(3,215)	—	—	(3,215)
Disposal of a subsidiary *(Note 42(b))*	(144,776)	—	(33,823)	(1,835)	(180,434)
Exchange differences	215	—	49	5	269
At 31 December 2009	—	—	1,142	1,790	2,932
Net book value					
At 31 December 2009	—	—	568	543	1,111
At 31 December 2008	960,479	48,050	35,522	2,936	1,046,987

19. PREPAID LEASE PAYMENTS

The Group	2009 HK$'000	2008 HK$'000
Cost		
At beginning of year	**1,270,371**	681,950
Additions	**16,816**	637,936
Recognised as cost of properties sold	**—**	(94,269)
Disposal of a subsidiary *(Note 42(b))*	**(642,159)**	—
Exchange differences	**2,055**	44,754
At end of year	**647,083**	1,270,371
Accumulated amortisation		
At beginning of year	**39,103**	12,951
Amortisation for the year		
— Capitalised as properties held for/under development	**9,453**	8,161
— Charged to profit or loss	**13,715**	20,770
Eliminated upon sale of properties	**—**	(3,774)
Disposal of a subsidiary *(Note 42(b))*	**(44,657)**	—
Exchange differences	**104**	995
At end of year	**17,718**	39,103
Net book value		
At end of year	**629,365**	1,231,268

The prepaid lease payments are analysed for reporting purposes as follows:

	2009 HK$'000	2008 HK$'000
Non-current assets	**501,942**	736,550
Current assets	**127,423**	494,718
	629,365	1,231,268

The Group's prepaid lease payments represent:

	2009 HK$'000	2008 HK$'000
Long-term leases in the PRC	**629,365**	621,005
Medium-term leases in the PRC	**—**	610,263
	629,365	1,231,268

20. INVESTMENT PROPERTIES

The Group	2009 HK$'000	2008 HK$'000
At beginning of year	**401,543**	492,325
Change in fair value	**14,769**	(119,263)
Exchange differences	**639**	28,481
At end of year	**416,951**	401,543

Details of assessment of the fair value are set out in note 27.

21. PROPERTIES HELD FOR/UNDER DEVELOPMENT

Properties held for/under development in the PRC are as follows:

The Group	2009 HK$'000	2008 HK$'000
Land use right	**102,356**	151,225
Premium paid for the acquisition of the interest of the land, demolition and settlement costs	**761,648**	1,400,227
Construction cost	**242,700**	101,711
Others	**224,363**	179,466
	1,331,067	1,832,629
Less: Accumulated impairment loss/write-down	**(70,623)**	(71,151)
	1,260,444	1,761,478
Less: Assets classified as held for sale	**—**	(712,343)
	1,260,444	1,049,135
Representing:		
Properties held for development — non-current assets	**1,061,511**	962,867
Properties under development — current assets	**198,933**	86,268
	1,260,444	1,049,135

21. PROPERTIES HELD FOR/UNDER DEVELOPMENT *(Continued)*

Land use right comprises cost of acquiring rights to using certain pieces of land, which are all located in the PRC, for property development over fixed periods of time which are to be defined within the range between 40 and 70 years. The land use right certificate in respect of one of the development projects with carrying amount of HK$102,356,000 (2008: HK$88,840,000) has not been obtained at the end of the reporting period. The Noteholders have the right to require the Company to redeem part of the Notes if this land use right certificate cannot be obtained on or before 31 May 2009, as disclosed in notes 2 and 36. As at 31 December 2009, such terms of the Notes have not been fulfilled by the Group, causing the breach of the terms of the Notes during the year.

The following table reconciles the movement of the carrying amount of properties held for/under development during the year:

	2009	2008
The Group	*HK$'000*	*HK$'000*
At beginning of year	**1,049,135**	1,529,339
Additions		
— Capitalisation of prepaid lease payments	**9,453**	8,161
— Capitalisation of depreciation of properties, plant and equipment	**31**	6
— Capitalisation of finance costs	**64,749**	82,958
— Other additions	**205,912**	124,936
Write-down in value charged to profit or loss	**(70,623)**	—
Impairment loss charged against property revaluation reserve *(Note 40)*	**—**	(71,151)
Reallocated to assets held for sale	**—**	(712,343)
Exchange differences	**1,787**	87,229
At end of year	**1,260,444**	1,049,135

22. GOODWILL

The Group	2009 HK$'000	2008 HK$'000
Cost		
At beginning of year	**134,827**	118,088
Eliminated on disposal of a subsidiary *(Note 42(b))*	**(52,862)**	—
Exchange differences	**214**	16,739
At end of year	**82,179**	134,827
Accumulated impairment loss		
At beginning of year	**66,511**	—
Impairment loss recognised during the year	**—**	66,511
Exchange differences	**106**	—
At end of year	**66,617**	66,511
Net book value		
At end of year	**15,562**	68,316

Goodwill acquired through business combinations has been allocated to the following CGUs, namely hotel operation and property development, for subsequent impairment testing:

Project	Attributable CGU	*Notes*	2009 HK$'000	2008 HK$'000
Westin Project — hotel	Hotel operation	*(a)*	**—**	31,667
Westin Project — office sales	Property development	*(a)*	**—**	21,111
Zhoutouzui Project	Property development	*(b)*	**15,562**	15,538
			15,562	36,649
			15,562	68,316

Notes:

(a) Westin Project refers to the operation of a hotel tower, The Westin Guangzhou, and property sale of office units in a commercial building, the Skyfame Tower which is annexed to The Westin Guangzhou, located at the central business district of Guangzhou, the PRC. The project was disposed of during the year through the disposal of a subsidiary completed in December 2009, as disclosed in note 42(b).

(b) Zhoutouzui Project refers to the development project located at Zhoutouzui, Haizhu District, Guangzhou, the PRC. The Group acquired 51% interest in the Zhoutouzui Project in 2006 and further increased its Interest to 100% through a step-up acquisition which was completed on 4 June 2007. The project has not yet commenced construction as the land use right certificate and necessary permits in respect of the development area have not yet been obtained. The project may only generate cash in the years beyond the expected time horizon. Taking into account these circumstances, the Directors took prudent view to write off substantial amount of the associated goodwill in 2008. The carrying amount of property development costs in relation to the Zhoutouzui Project is included in properties held for development in note 21.

22. GOODWILL *(Continued)*

Impairment test for goodwill

The goodwill relates to a number of CGUs within the operational segments of hotel operation and property development. The recoverable amounts of the CGUs are determined using value-in-use calculations. These calculations use cash flow projections based on financial budgets of these CGUs which were approved by management covering a five-year period with key assumptions including revenue, direct costs and other operating expenses being referenced to past performance and management's reasonable expectations on the business outlook of these CGUs.

Key assumptions are as follows:

CGU	Discount rate	Operating margin	Growth rate after the fifth year from the start of projection
As at 31 December 2009			
Property development	**8.00%**	**25%-31%**	**5%**
As at 31 December 2008			
Hotel operation	8.00%	32%-36%	4%
Property development	8.00%	18%-48%	4%-5%

Discount rates are based on the Group's beta adjusted to reflect management's assessment of specific risks related to each of the CGUs. Operating margins are based on past experience. Growth rates beyond the fifth year from the start of the projection are based on economic data pertaining to the region concerned.

No impairment loss is provided for the year ended 31 December 2009 (2008: HK$66,511,000). The Directors performed an impairment test for the goodwill and concluded that the CGU of property development in relation to the Zhoutouzui Project demonstrates sufficient cash flows that justify the carrying value of the goodwill. Therefore, management did not consider that impairment of goodwill is necessary.

23. INTEREST IN AN ASSOCIATE

The Group	**2009** **HK$'000**	2008 HK$'000
Share of net assets	**631,094**	—

23. INTEREST IN AN ASSOCIATE *(Continued)*

Notes:

(a) As disclosed in note 32, when the plan to dispose of 80% interest in the Tianhe Project was voted down by the Company's shareholders during the year, the related assets and liabilities were reallocated out from assets and liabilities of disposal group held for sale. Upon the appointment of the receivers of the security assets by the Term Loan lenders, which include 51% equity interest in Yaubond which in turn holds the entire interest in the Tianhe Project, as disclosed in notes 2(c) and 4(c), and the change in the boards of directors of Yaubond and Sky Honest, the Directors consider that the Company has lost control to govern, but only be able to exercise significant influence in the determination of, the financial and operating policies of Yaubond as a result of losing the 51% voting power at the board of directors of Yaubond. Accordingly, the Group's interest in Yaubond has been classified as interest in an associate as at 31 December 2009.

(b) Details of the associate, which is unlisted, are as follows:

Name of associate	Place of incorporation	Particulars of issued and paid-up capital	Percentage of interest held by the Company indirectly	Percentage of voting rights held by the Company indirectly	Principal activity
Yaubond	BVI	US$18,813,500	100%	49%	Investment holding

(c) Financial information of the associate is as follows:

	2009 HK$'000
Total assets	740,966
Total liabilities	(109,872)
Net assets	631,094
The Group's share of net assets of associate	631,094

During the year ended 31 December 2009, the associate did not contribute any share of results to the Group (2008: HK$Nil).

24. INTERESTS IN SUBSIDIARIES

The Company	Notes	2009 HK$'000	2008 HK$'000
Unlisted investment, at cost	(a)	49,208	49,208
Amounts due from subsidiaries — non-current portion	(b)	2,731,278	2,690,776
		2,780,486	2,739,984
Less: Provision for impairment loss		(158,254)	—
Interests in subsidiaries — non-current portion		2,622,232	2,739,984
Amounts due from subsidiaries — current portion	(c)	23,205	42,882
Less: Provision for impairment loss		(8,038)	—
Amounts due from subsidiaries — current portion		15,167	42,882
		2,637,399	2,782,866
Amount due to subsidiary	(c)	—	123

24. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:

(a) Details of the Company's principal subsidiaries as at 31 December 2009 are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Particulars of issued ordinary shares/ paid-up capital	Percentage of equity interest held by the Company		Principal activities
			Directly	*Indirectly*	
Chain Up	BVI	US$1	100%	—	Investment holding
Fine Luck Group Limited #	BVI	US$1	100%	—	Investment holding
Great Elegant Investment Limited #	BVI	US$100	—	100%	Investment holding
廣州市創譽房地產開發有限公司 (Guangzhou Chuangyu Real Estate Development Company Limited) ("Chuangyu")	PRC	US$6,000,000	—	100%	Property investment in the PRC
廣州譽浚咨詢服務有限公司 (Guangzhou Yu Jun Consulting Service Company Limited) ("Yu Jun")	PRC	HK$5,000,000	—	100%	Investment holding and provision of property development project management services in the PRC
Guangzhou Zhoutouzui Development Limited ("GZ ZTZ") #	Hong Kong	HK$100	—	100%	Investment holding
貴州譽浚房地產開發有限公司 (Guizhou Yu Jun Real Estate Development Company Limited)	PRC	RMB50,000,000	—	55%	Property development in the PRC
Long World Trading Limited #	BVI	US$1	—	100%	Investment holding
Nicco Limited #	BVI	US$100	—	100%	Investment holding
Skyfame Management Services Limited	Hong Kong	HK$1	100%	—	Provision of management services to group entities
Smartford Limited ("Smartford") #	BVI	US$100	—	100%	Investment holding
Yue Tian	Hong Kong	HK$72,000	—	100%	Investment holding
Winprofit Investments Limited	BVI	US$100	100%	—	Investment holding

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affects the results or assets of the Group.

Chuangyu and Yu Jun are wholly foreign-owned enterprises established with limited liability in the PRC.

Under receivership *(detailed in note 2)*

(b) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment but are expected not to be repayable within twelve months from the end of the reporting period.

(c) The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

25. INTERESTS IN JOINTLY CONTROLLED ENTITY

The Group

The Company holds indirectly 100% interest in a jointly controlled entity, 廣州市譽城房地產開發有限公司 (Guangzhou Yucheng Real Estate Development Limited) ("Yucheng"), which is accounted for in the consolidated financial statements of the Group by proportionate consolidation as detailed in note 5(d). Yucheng is a sino-foreign co-operative joint venture company established in the PRC for a renewal term of 15 years commencing on 5 March 2003. Details of the Group's interests in the jointly controlled entity are as follows:

Place and date of establishment	Registered capital	Paid-up capital	Attributable equity interest indirectly held by the Company	Principal activity
PRC, 31 March 2003	US$50,000,000	US$22,000,000	100% *(Note)*	Property development in the PRC

Note: Under the terms of the sino-foreign co-operative joint venture agreement entered into by the parties, (i) GZ ZTZ is obligated for 100% of the capital of and investment in Yucheng; (ii) GZ ZTZ paid RMB10,000,000 to 廣州越秀企業(集團)公司 (Guangzhou Yuexiu Enterprise (Group) Company Limited) ("Yuexiu") as cash compensation in 2005, which has been included in properties held for development, and Yuexiu is then no longer entitled to any profit or loss generated by Yucheng; (iii) 廣州港集團有限公司 (Guangzhou Port Group Co., Limited) ("GZ Port") will be entitled to 28% of the total gross floor area of the residential units of the project upon completion of the proposed development and after which, GZ Port will no longer be entitled to any profit or loss generated by Yucheng; and (iv) GZ ZTZ will be entitled to 72% of the total gross floor area of the residential units of the project upon completion of the proposed development and the entire profit or loss to be generated by Yucheng.

The following amounts have been recognised in the Group's consolidated financial statements relating to Yucheng:

The Group	2009 *HK$'000*	2008 *HK$'000*
Non-current assets	**564,146**	512,806
Current assets	**1,814**	670
Current liabilities	**(834)**	(28,910)
Net assets	**565,126**	484,566
Revenue	**100**	86
Net expenses	**(2,266)**	(4,275)
Loss before income tax	**(2,166)**	(4,189)
Income tax	**—**	—
Loss after income tax	**(2,166)**	(4,189)

26. PROPERTIES HELD FOR SALE

The Group	2009 HK$'000	2008 HK$'000
Completed properties held for sale	—	573,808

All completed properties held for sale as at 31 December 2008 were located in the PRC and were disposed of through the disposal of a subsidiary in December 2009 as disclosed in note 42(b).

27. ANALYSIS OF PROPERTIES

(a) The analysis of the net book value of completed properties is as follows:

The Group	2009 HK$'000	2008 HK$'000
Medium-term land lease in the PRC		
— Hotel properties, including leasehold improvements	—	960,479
— Office building, including leasehold improvements	—	48,050
— Investment properties	416,951	401,543
— Properties held for sale	—	573,808
	416,951	1,983,880

(b) The investment properties were revalued on an open market value basis by an independent firm of professional valuers, DTZ Debenham Tie Leung Limited, Chartered Surveyors, as at 31 December 2009.

(c) The Group's investment properties with carrying amount as disclosed in note 46 are pledged to secure bank borrowings of the Group, as disclosed in note 35(a), at the end of the reporting period .

(d) Gross rental income from investment properties and properties held for sale amounted to approximately HK$16,118,000 (2008: HK$19,345,000) and approximately HK$44,912,000 (2008: HK$32,487,000) respectively during the year ended 31 December 2009.

28. INVENTORIES

The Group	2009 HK$'000	2008 HK$'000
Food and beverages	—	2,513
Hotel consumable goods and supplies	—	17,029
	—	19,542

29. TRADE AND OTHER RECEIVABLES

The following table includes the ageing analysis of trade receivables at the end of the reporting period:

		The Group		The Company	
		2009	2008	**2009**	2008
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current or less than 1 month		**110**	4,191	**—**	—
1 to 3 months		**—**	1,000	**—**	—
More than 3 months but less than 12 months		**—**	122	**—**	—
More than 1 year		**—**	575	**—**	—
Total trade receivables, net of impairment	*(a), (b)*	**110**	5,888	**—**	—
Deposits, prepayments and other receivables	*(a)*	**31,846**	28,012	**696**	647
	(b)	**31,956**	33,900	**696**	647

Notes:

(a) Total trade and other receivables include amounts due from related companies, which are controlled by Mr. Yu Pan, the Chairman of the Company, of HK$1,204,000 as at 31 December 2008. As at 31 December 2009, the balance has been fully settled. The maximum balance of these amounts due from related companies during the year amounted to approximately HK$1,204,000 (2008: HK$1,204,000). The Group has a policy of allowing an average credit period of 8 to 30 days to its trade customers. The Group's formal credit policy in place is to monitor the Group's exposure to credit risk through regular reviews of receivables and follow-up enquires on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount.

(b) The analysis of the Group's trade receivables which are past due but not impaired is as follows:

	2009	2008
The Group	***HK$'000***	*HK$'000*
1 to 3 months past due	**—**	466
More than 3 months but less than 12 months past due	**—**	9
More than 1 year past due	**—**	575
	—	1,050

The balances of other classes within trade and other receivables of the Group and of the Company are neither past due nor impaired.

The movements of impairment loss on trade receivables of the Group are as follows:

	2009	2008
The Group	***HK$'000***	*HK$'000*
At beginning of year	**—**	—
Impairment loss recognised	**534**	—
At end of year	**534**	—

30. RESTRICTED AND PLEDGED DEPOSITS

The Group and the Company

As at 31 December 2009, to secure for the repayment of interests accrued in the convertible notes (as disclosed in note 36) and the Term Loan (as disclosed in note 35(b)(i), bank deposits totalling approximately HK$16,904,000 of the Group and approximately HK$16,885,000 of the Company (2008: HK$67,737,000 of the Group and HK$46,311,000 of the Company) have been charged in favour of the security trustees acting for the convertible noteholders and the two financial institutions.

As at 31 December 2009, the balance also included other restricted bank deposits of approximately HK$21,643,000 (2008: HK$Nil) representing guaranteed deposits from pre-sale proceeds of properties. These guaranteed deposits shall be released only to pay for construction costs incurred for development projects in accordance with the governmental requirements.

31. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Short-term bank deposits	**—**	46,311	**—**	46,311
Cash at bank and in hand	**153,266**	75,146	**16,936**	114
	153,266	121,457	**16,936**	46,425
Less: Restricted and pledged deposits *(Note 30)*	**(38,547)**	(67,737)	**(16,885)**	(46,311)
	114,719	53,720	**51**	114

32. ASSETS AND LIABILITIES OF DISPOSAL GROUP HELD FOR SALE

The assets and liabilities attributable to the Tianhe Project, which were determined to be disposed of in 2008, have been included in the consolidated statement of financial position as assets classified as held for sale and liabilities associated with assets classified as held for sale respectively. The carrying amounts of the major assets and liabilities in this disposal group as at the end of reporting period are as follows:

The Group	**2009** ***HK$'000***	2008 *HK$'000*
Assets classified as held for sale		
Properties held for development	—	712,343
Other assets	—	1,056
	—	713,399
Liabilities associated with assets classified as held for sale		
Deferred tax liabilities	—	107,787
Other liabilities	—	1,097
	—	108,884
Net assets classified as held for sale	—	604,515

The proposed transaction to dispose of 80% interest in the Tianhe Project to a third party was voted down by the Company's shareholders in a special general meeting of shareholders held on 10 July 2009. Subsequently, considering the positive market prospect, the Directors determined to terminate the plan to sell. The relevant assets and liabilities attributable to the disposal group are reallocated to the interest in an associate in the consolidated statement of financial position by 31 December 2009, the details of which have been set out in note 23.

33. TRADE AND OTHER PAYABLES

The following table includes the ageing analysis of trade payables at the end of the reporting period:

	Notes	The Group 2009 HK$'000	The Group 2008 HK$'000	The Company 2009 HK$'000	The Company 2008 HK$'000
Current or less than 1 month		**750**	35,678	**—**	—
1 to 3 months		**71**	2,761	**—**	—
More than 3 months but less than 12 months		**538**	986	**—**	—
More than 12 months		**3,418**	5,761	**—**	—
Total trade payables		**4,777**	45,186	**—**	—
Retention money payable for construction costs	*(a)*	**—**	3,888	**—**	—
Construction costs payable		**17,474**	62,688	**—**	—
Balance of consideration payable for acquisition of a subsidiary	*(b)*	**—**	63,573	**—**	—
Advanced payments received from customers					
— Pre-sale deposits received from buyers		**246,188**	—	**—**	—
— Receipts in advance, rental and other deposits from customers and/or tenants	*(c)*	**1,980**	22,140	**—**	—
Accrued transaction costs in relation to disposal of a subsidiary		**72,217**	—	**—**	—
Accruals and other payables		**75,435**	85,859	**16,288**	1,020
		418,071	283,334	**16,288**	1,020
Amounts due within one year included in current liabilities		**(418,071)**	(219,761)	**(16,288)**	(1,020)
Amount due after one year		**—**	63,573	**—**	—

Notes:

(a) For retention money payable in respect of construction contracts, the due dates are usually one year after the completion of the construction work but are within the normal operating cycle of the property development business of the Group.

(b) This represents the balance of consideration payable to the vendor for acquisition of a subsidiary in 2006. By virtue of supplemental agreement dated 20 October 2008 entered into with the creditor, commencing 1 January 2009, the payable became interest-bearing and repayable on or before 31 December 2010. The amount was reclassified as other borrowings on 1 January 2009, as disclosed in note 35(b)(ii).

(c) As at 31 December 2008, the balance includes amounts due to related companies, which are controlled by Mr. Yu Pan, the Chairman of the Company, of approximately HK$1,737,000 which had been fully repaid during 2009.

34. FINANCIAL GUARANTEE CONTRACT

The Company

During the year ended 31 December 2009, the Company provided a corporate guarantee to secure for the repayment of a subsidiary's borrowings as disclosed in notes 33(b) and 35(b)(ii). On 6 November 2009, a winding-up petition was lodged by the creditor of the borrowings to the High Court for the breach of the corporate guarantee provided by the Company due to cross-default. As a result, the maximum amount that the Company guaranteed has been provided for as at 31 December 2009.

35. BANK AND OTHER BORROWINGS

The Group	Notes	2009 HK$'000	2008 HK$'000
Interest-bearing, secured			
— bank borrowings	(a)	**247,103**	1,070,441
— other borrowings	(b)	**269,674**	220,000
Interest-bearing, unsecured			
— other borrowings	(c)	**—**	32,267
		516,777	1,322,708

Notes:

(a) As at 31 December 2009, the bank borrowings are secured by mortgages of ownership titles of: (i) prepaid lease payments; (ii) properties under development; and (iii) investment properties with an aggregate carrying amount of approximately HK$833,796,000 (2008: approximately HK$2,522,345,000). The bank loans carry interest at variable market rates ranging from 5.35% to 7.02% per annum (2008: 6.73% to 7.44% per annum) as at 31 December 2009. The amounts will be fully repaid in 2012 and 2019.

(b) (i) As at 31 December 2009, included in the interest-bearing and secured other borrowings is the Term Loan which is advanced from two financial institutions and is secured by a time deposit of approximately HK$19,000 (2008: HK$21,426,000), mortgage of shares in certain subsidiaries, assignment of interest and benefits in the shareholder's loans to subsidiaries, and fixed and floating charges of assets in certain subsidiaries of the Company which are engaged in the development of the Tianhe Project, and was due for repayment on 29 January 2009. The Term Loan as at 31 December 2009 carries variable interest at the rate of HIBOR plus 15.25% per annum (including penalty interest) (2008: HIBOR plus 10.25% per annum).

The Term Loan remained outstanding as at 31 December 2009. As disclosed in note 2, on 9 November 2009, the lenders of the Term Loan have taken enforcement action on the security assets and appointed the receivers who nominated representatives to replace the existing directors in the boards of certain subsidiaries of the Company the shares of which have been pledged in favour of the lenders mentioned above. After the year end date, the Company has undergone discussions with the lenders about a feasible debt restructuring proposal.

(ii) As at 31 December 2009, included in the interest-bearing and secured other borrowings is another balance of approximately HK$49,674,000 which has been reclassified from other payable since 1 January 2009 as disclosed in note 33(b). The balance is secured by the Company's corporate guarantee (as disclosed in note 34), carries interest at the rate of 20% per annum and is repayable by 31 December 2010.

(c) The balance as at 31 December 2008 carried interest at the rate of 20% per annum and was fully repaid in June 2009.

35. BANK AND OTHER BORROWINGS *(Continued)*

At the end of the reporting period, the bank and other borrowings were repayable as follows:

The Group	**2009** **HK$'000**	2008 HK$'000
On demand or within one year	**277,627**	280,228
More than one year, but not exceeding two years	**7,953**	27,961
More than two years, but not exceeding five years	**173,938**	83,825
After five years	**57,259**	930,694
	516,777	1,322,708
Amounts due within one year included in current liabilities	**(277,627)**	(280,228)
Amounts due after one year	**239,150**	1,042,480

36. CONVERTIBLE NOTES AND FINANCIAL DERIVATIVE LIABILITIES

The Group and the Company

The convertible notes in the aggregate principal amount of US$200,000,000 (equivalent to approximately HK$1,562,380,000) were issued on 4 May 2007. The Notes bear a coupon of 4% per annum payable semi-annually in arrear, maturity terms of 6 years and an annual yield-to-maturity of 15%. The Notes are convertible into ordinary shares of the Company at the adjusted price of HK$1.00 per share under the stipulated reset mechanism on 4 August 2008 (the initial conversion price being HK$1.35 per share). Unless previously redeemed, converted or repurchased and cancelled, the Company will redeem each note at 201.33% of its principal amount on the maturity date of 3 May 2013.

On issue, part of the proceeds of the Notes was recognised as derivative instrument. The remaining amount is recognised as a loan and is carried at amortised cost. The effective interest rate is 60.58% per annum. The fair values of the loan and derivative elements of the Notes at initial recognition were approximately HK$175,545,000 and HK$1,386,835,000 respectively.

Each noteholder shall have the right to exercise the put options at three stages, (i) redeeming not exceeding 30% of the principal value of the Notes at the date of issue plus accrued interests on 4 May 2010; (ii) redeeming not exceeding 20% of the principal value of the Notes at the date of issue plus accrued interests on 4 November 2010; and (iii) redeeming all remaining outstanding principal plus accrued interests on 4 May 2011.

The derivative components embedded in the Notes are presented as financial derivative liabilities which are revalued at the end of the reporting period at fair values.

36. CONVERTIBLE NOTES AND FINANCIAL DERIVATIVE LIABILITIES *(Continued)*

Pursuant to the Trust Deed, a supplemental deed dated 22 January 2008, a standstill letter given by the special committee of the Noteholders dated 31 March 2009 and a special committee meeting of the Noteholders held on 10 June 2008, the Noteholders have the Automatic Redemption right to have the Company redeemed the Notes in principal amount of US$75,000,000 (approximately HK$585,893,000) and accrued interest if the project company of the Zhoutouzui Project cannot obtain the land use right and other permits for the project on or before 31 May 2009. Due to the Group's non-compliance with the term under the Trust Deed and the Group's failure to satisfy the Automatic Redemption, on 2 November 2009, the Company received the Acceleration Notice from the Trustee of the Notes demanding the repayment in full of the entire outstanding amount of US$192,000,000 of the Notes and interest accrued. Accordingly, the outstanding principal value of US$192,000,000 plus accrued interest in an aggregate amount of approximately HK$2,057,325,000 is reflected in the statements of financial position of the Group and the Company under current liabilities whilst the financial derivative component embedded in the Notes extinguishes.

The movements of liability and financial derivative components of the convertible notes are as follows:

			Carrying amount		
The Group and the Company	*Notes*	**Nominal value** *HK$'000*	**Liability component** *HK$'000*	**Financial derivative component** *HK$'000*	**Total** *HK$'000*
At 1 January 2008		1,515,509	211,946	1,081,572	1,293,518
Accrued interest expense		—	156,571	—	156,571
Interest paid		—	(59,995)	—	(59,995)
Conversion of convertible notes		(15,624)	(2,185)	(11,486)	(13,671)
Fair value changes in financial derivative liabilities		—	—	(976,924)	(976,924)
At 31 December 2008 and at 1 January 2009		**1,499,885**	**306,337**	**93,162**	**399,499**
Accrued interest expense					
— amortisation for the year	*(a)*	**—**	**238,865**	**—**	**238,865**
— at acceleration of liabilities payable to the Noteholders	*(b)*	**—**	**1,542,122**	**—**	**1,542,122**
Interest paid		**—**	**(29,998)**	**—**	**(29,998)**
Fair value changes in financial derivative liabilities up to the date of extinguishment		**—**	**—**	**(93,162)**	**(93,162)**
At 31 December 2009		**1,499,885**	**2,057,326**	**—**	**2,057,326**

36. CONVERTIBLE NOTES AND FINANCIAL DERIVATIVE LIABILITIES *(Continued)*

Liability component of the convertible notes are presented as:

	2009	2008
	HK$'000	*HK$'000*
Current liabilities	**2,057,326**	—
Non-current liabilities	**—**	306,337
	2,057,326	306,337

Notes:

(a) Interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate of 60.58% per annum up to the date of default during the year and 15% per annum since then (2008: 60.58%) to the liability component.

(b) The balance of the liability component payable to the Noteholders accelerated to its entire outstanding principal value plus accrued interest as on 2 November 2009 when the Company received the Acceleration Notice from the Trustee demanding the repayment in full of the entire outstanding amount of US$192,000,000 of the Notes and interest accrued due to breach of the term of the Notes. Accordingly, the outstanding principal value of US$192,000,000 plus accrued interest in an aggregate amount of approximately HK$2,057,326,000 is reflected on the reporting date in the statements of financial position of the Group and the Company as a current liability whilst the financial derivative component embedded in the Notes extinguished. The acceleration has taken effect in profit or loss for the year and resulted in a loss of approximately HK$1,542,122,000.

As at 31 December 2009, the face value of the outstanding Notes was US$192,000,000 (approximately HK$1,499,885,000).

As at 31 December 2009, the Group's obligations under the Notes to the Noteholders are secured by (i) restricted and pledged deposits of approximately HK$16,885,000 (2008: HK$46,311,000) (as disclosed in note 30); (ii) shares of certain subsidiaries of the Company which hold equity interests in other subsidiaries engaged in property development; and (iii) shares of the Company beneficially held by Mr. Yu Pan, the Chairman of the Company, as disclosed in note 47(b).

In addition to the Acceleration Notice issued by the Trustee of the Notes, the Trustee also appointed the receivers which nominated representatives to replace the existing directors in the boards of certain subsidiaries of the Company the shares of which are pledged in favour of the Noteholders mentioned above. During the year, the Company has undergone discussions with the Noteholders about a feasible debt restructuring proposal.

On 14 April 2010, the Company and the Noteholders signed the Second Term Sheet to restructure the Notes which stipulates the Company's full settlement of the entire outstanding principal amount of US$192,000,000 of the Notes and accrued interests totaling HK$557,440,000 waived on conditions of the Company's repaying US$100,000,000 on 17 June 2010 and the remaining US$53,600,000 within 4 months since the date of such agreement with an extended period of 3 months subject to an incremented daily penalty. The Directors intend to use the proceeds from the disposal of Westin Project to repay the Noteholders and it is seeking additional financial resources from potential financiers or investors to meet with the remaining balance.

37. LOAN FROM MINORITY SHAREHOLDER OF A SUBSIDIARY

The Group

As at 31 December 2008, the balance was unsecured, interest-free and had no fixed terms of repayment but was agreed not to be repayable within eighteen months from the end of the reporting period. During the year ended 31 December 2009, the minority shareholder has agreed to further extend the repayment date so that the balance is not repayable within eighteen months from 31 December 2009.

38. DEFERRED TAX LIABILITIES

Movements of the deferred tax liabilities are as follows:

	Revaluation of properties			
The Group	**Prepaid lease payments** *HK$'000*	**Investment properties** *HK$'000*	**Properties held for development** *HK$'000*	**Total** *HK$'000*
At 1 January 2008	136,699	91,117	225,745	453,561
Credit to profit or loss	(24,166)	(29,816)	(26,333)	(80,315)
Credit to property revaluation reserve	—	—	(17,788)	(17,788)
Reclassified as liabilities associated with assets held for sale	—	—	(107,787)	(107,787)
Exchange differences	7,673	5,271	13,059	26,003
At 31 December 2008 and at 1 January 2009	**120,206**	**66,572**	**86,896**	**273,674**
(Credit) charges to profit or loss	**(2,682)**	**3,693**	**—**	**1,011**
Eliminated on disposal of a subsidiary *(Note 42(b))*	**(117,711)**	**—**	**—**	**(117,711)**
Exchange differences	**187**	**105**	**139**	**431**
At 31 December 2009	**—**	**70,370**	**87,035**	**157,405**

As at 31 December 2009, the Group and the Company have estimated unutilised tax losses of approximately HK$93,518,000 (2008: HK$62,127,000) and HK$63,431,000 (2008: HK$42,670,000) respectively for offsetting against future assessable profits. The unrecognised tax losses may be carried forward indefinitely or up to five years from the year in which the loss was originated.

No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams.

39. SHARE CAPITAL

(a) Authorised and issued share capital

The Group and the Company	Number of shares: Ordinary share of HK$0.01 each '000	Number of shares: Convertible preference share of HK$0.01 each '000	Number of shares: Total '000	Nominal value: Ordinary share capital HK$'000	Nominal value: Convertible preference share capital HK$'000	Nominal value: Total HK$'000
Authorised:						
At 1 January 2008 and at 31 December 2008 and 2009	**29,000,000**	**1,000,000**	**30,000,000**	**290,000**	**10,000**	**300,000**
Issued and fully paid:						
At 1 January 2008	1,465,847	—	1,465,847	14,659	—	14,659
Issue of shares:						
— Conversion of convertible notes	11,573	—	11,573	116	—	116
— Exercise of bonus warrants	7	—	7	—	—	—
— Exercise of share options	260	—	260	2	—	2
At 31 December 2008 and 2009	**1,477,687**	**—**	**1,477,687**	**14,777**	**—**	**14,777**

(b) Capital management policy

The primary objective of the Company'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 shareholders' value.

The Company manages its capital structure and makes adjustments to it by adjusting applicable policies on dividend pay-out, return to shareholders and debt and equity raising or redemption, in the light of changes in economic conditions. There have been no material changes in these objectives and policies or processes during the current and prior years.

The Company monitors capital using gearing ratio, which is calculated as net debt to the summation of capital and net debt. Net debt includes bank and other borrowings, convertible notes, financial derivative liabilities, loan from minority shareholder of a subsidiary and other payable classified as non-current liabilities less cash and cash equivalents. Capital represents equity attributable to owners of the Company.

The gearing ratio as at the end of the reporting period is as follows:

The Group	2009 HK$'000	2008 HK$'000
Total debt	**2,808,793**	2,059,748
Less: cash and cash equivalents	**(114,719)**	(53,720)
Net debt	**2,694,074**	2,006,028
Equity attributable to owners	**830,651**	2,520,695
Capital and net debt	**3,524,725**	4,526,723
Gearing ratio	**76.4%**	44.3%

40. RESERVES

The Group	Share premium HK$'000	Contributed surplus reserve HK$'000	Share-based payment reserve HK$'000	Property revaluation reserve HK$'000	Merger reserve HK$'000	Statutory reserves HK$'000	Other reserves HK$'000	Foreign exchange reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2008	1,210,992	15,497	16,146	84,842	(301,662)	6,108	2,049	189,365	448,686	1,672,023
Conversion of convertible notes	13,555	—	—	—	—	—	—	—	—	13,555
Issue of shares:										
— Exercise of bonus warrants	8	—	—	—	—	—	—	—	—	8
— Exercise of share options	411	—	(73)	—	—	—	—	—	—	338
Transfer among reserves	—	—	—	—	—	—	4,109	—	(4,109)	—
Recognition of equity-settled share-based payment expenses	—	—	1,478	—	—	—	—	—	—	1,478
Reallocation of lapsed options from share-based payment reserve to retained profits	—	—	(4,838)	—	—	—	—	—	4,838	—
Expenses incurred on issue of shares	(12)	—	—	—	—	—	—	—	—	(12)
Exchange differences arising on consolidation of overseas entities	—	—	—	—	—	—	—	186,763	—	186,763
Impairment loss on properties held for development	—	—	—	(71,151)	—	—	—	—	—	(71,151)
Deferred tax credit directly recognised in equity	—	—	—	17,788	—	—	—	—	—	17,788
Profit for the year	—	—	—	—	—	—	—	—	685,128	685,128
At 31 December 2008 and at 1 January 2009	**1,224,954**	**15,497**	**12,713**	**31,479**	**(301,662)**	**6,108**	**6,158**	**376,128**	**1,134,543**	**2,505,918**
Transfer among reserves	**—**	**—**	**—**	**—**	**—**	**—**	**(6,158)**	**—**	**6,158**	**—**
Recognition of equity-settled share-based payment expenses	**—**	**—**	**216**	**—**	**—**	**—**	**—**	**—**	**—**	**216**
Exchange differences arising on consolidation of overseas entities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**4,660**	**—**	**4,660**
Eliminated on disposal of a subsidiary *(Note 42(b))*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(157,315)**	**—**	**(157,315)**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,537,605)**	**(1,537,605)**
At 31 December 2009	**1,224,954**	**15,497**	**12,929**	**31,479**	**(301,662)**	**6,108**	**—**	**223,473**	**(396,904)**	**815,874**

40. RESERVES *(Continued)*

The Company	Share premium HK$'000	Contributed surplus reserve HK$'000	Share-based payment reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2008	1,210,992	15,497	16,146	266,516	1,509,151
Conversion of convertible notes	13,555	—	—	—	13,555
Issue of shares:					
— Exercise of bonus warrants	8	—	—	—	8
— Exercise of share options	411	—	(73)	—	338
Recognition of equity-settled share-based payment expenses	—	—	1,478	—	1,478
Reallocation of lapsed options from share-based payment reserve to retained profits	—	—	(4,838)	4,838	—
Expenses incurred on issue of shares	(12)	—	—	—	(12)
Profit for the year	—	—	—	890,001	890,001
At 31 December 2008 and at 1 January 2009	**1,224,954**	**15,497**	**12,713**	**1,161,355**	**2,414,519**
Recognition of equity-settled share-based payment expenses	**—**	**—**	**216**	**—**	**216**
Loss for the year	**—**	**—**	**—**	**(1,900,355)**	**(1,900,355)**
At 31 December 2009	**1,224,954**	**15,497**	**12,929**	**(739,000)**	**514,380**

40. RESERVES *(Continued)*

(a) The following describes the nature and purpose of each reserve within owners' equity:

Share premium	The amount relates to subscription for share capital in excess of nominal value. The application of the share premium account is governed by clause 150 of the Company's bye-laws and the Companies Act 1981 of Bermuda.
Contributed surplus reserve	The amount arose from the capital reduction, cancellation of share premium and part of which has been set-off against the accumulated losses of the Company as at 31 December 2004 pursuant to the capital re-organisation. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its owners out of the contributed surplus reserve under certain circumstances.
Share-based payment reserve	The capital reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees and non-employees of the Group recognised in accordance with the accounting policy adopted for share based payments in note 5(r).
Property revaluation reserve	Gains/losses arising on revaluing the identifiable assets and liabilities of existing subsidiaries when the Group further acquired the equity interest in the subsidiaries from minority shareholders.
Merger reserve	The amount represents the difference between the fair value of combined capital of the Company and the carrying value of the assets and liabilities of the subsidiaries transferred to the Group pursuant to the acquisition of 100% interests in Long World Trading Limited.
Statutory reserves	In accordance with relevant rules and regulations concerning foreign investment enterprise established in the PRC and the articles of association, PRC subsidiaries of the Company were required to make appropriations from net profit to the reserve fund, staff and workers' bonus and welfare fund and enterprise expansion fund, after offsetting accumulated losses from prior years, and before profit distributions are made to investors. The percentage of profits to be appropriated to the above three funds are solely determined by the board of directors, except that being a wholly foreign-owned enterprise, transfer of 10% of the net profit for each year to the statutory reserves is mandatory until the accumulated total of the fund reaches 50% of its registered capital. During the current and prior years, the Group has not made any appropriations to the staff and workers' bonus and welfare fund and enterprise expansion fund.
Other reserves	The amount represents the capital reserve fund contribution, and reallocated to the accumulated losses as the project was disposed of during the year through the disposal of a subsidiary completed in December 2009, as disclosed in note 42(b).
Foreign exchange reserve	The amount represents gains/losses arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 5(p).

(b) **Distributable reserves**

At 31 December 2009, the distributable reserves available for distribution to owners of the Company were HK$Nil (2008: HK$1,176,852,000).

41. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to a resolution passed on 4 August 2005, a share option scheme was adopted (the "2005 Scheme"). The Company operates the 2005 Scheme for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2005 Scheme include the Directors and other employees of the Group. The 2005 Scheme became effective on 5 August 2006 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Under the 2005 Scheme, the Directors are authorised, at their absolute discretion, to invite any employee (including the executive and non-executive Directors), executive or officer of any member of the Group or of any entity in which the Group holds equity interest and any supplier, consultant, adviser or customer of the Group or of any entity in which the Group holds equity interest who is eligible to participate in the 2005 Scheme, to take up options to subscribe for shares in the Company.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2005 Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. of the total number of shares of the Company in issue as at the date of adoption of the 2005 Scheme.

The Company may seek approval of the shareholders in general meeting for refreshing the 10 per cent. limit under the 2005 Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the 2005 Scheme and any other share option schemes of the Company under the limit as "refreshed" shall not exceed 10 per cent. of the total number of shares in issue as at the date of approval of the limit. Options previously granted under the 2005 Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the other scheme(s) or exercised options) will not be counted for the purpose of calculating the limit as "refreshed".

Notwithstanding aforesaid in this paragraph, the maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2005 Scheme and any other share option schemes of the Company must not exceed 30 per cent. of the total number of shares in issue from time to time.

The total number of Company's shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1 per cent. of the total number of shares in issue at the offer date (the "Individual Limit"). Any further grant of options in excess of the Individual Limit must be subject to the shareholders' approval in general meeting with such participant and his, her or its associates abstaining from voting.

The exercise price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be less than the highest of (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the offer date; (ii) the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the offer date; and (iii) the nominal value of the shares in the Company.

41. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The offer of a grant of share options must be accepted not later than 21 days after the date of the offer, upon payment of a consideration of HK$1.00 by the grantee. The exercise period of the share options granted is determined by the Board, save that such period shall not be more than a period of ten years from the date upon which the share options are granted or deemed to be granted and accepted.

The options are exercisable six months (or a later date as determined by the Directors) after the date on which the options are granted for a period up to ten years or 31 July 2015, whichever is earlier. Each option gives the holder the right to subscribe for one ordinary share in the Company.

The following table discloses the details of the Company's options under the 2005 Scheme held by employees (including Directors) and non-employees outstanding as at 31 December 2009:

Date of grant	Exercise period	Vesting period	Exercise price	Number of options outstanding at 31 December 2008 and 2009
12 September 2006	13 March 2007 to 31 July 2015	Six months from the date of grant	HK$1.31	**15,340,000**
12 September 2006	13 March 2008 to 31 July 2015	One and a half years from the date of grant	HK$1.31	**15,340,000**
12 September 2006	13 March 2009 to 31 July 2015	Two and a half years from the date of grant	HK$1.31	**15,370,000**
				46,050,000

Analysis of category:	
Directors	4,800,000
Other employees	17,100,000
Non-employees	24,150,000
	46,050,000

During the year, no share option was granted, exercised or lapsed under the 2005 Scheme.

The Group recognised HK$216,000 as equity-settled share-based payment expenses for the year ended 31 December 2009 (2008: HK$1,478,000) in relation to share options granted by the Company.

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of (loss) profit before income tax to net cash generated from operating activities

	2009 HK$'000	2008 HK$'000
(Loss) profit before income tax	**(1,546,948)**	634,678
Adjustments for:		
Finance costs	**1,883,222**	189,957
Finance income	**(1,062)**	(2,982)
Equity-settled share-based payment expenses	**216**	1,478
Depreciation of property, plant and equipment	**59,182**	77,986
Amortisation of prepaid lease payments	**13,715**	20,770
Prepaid lease payments recognised as cost of sales	**—**	90,495
Fair value changes in financial derivative liabilities in respect of convertible notes	**(93,162)**	(976,924)
Impairment loss on trade and other receivables	**534**	—
Gain on disposal of subsidiaries, net of tax *(Note (b))*	**(302,011)**	—
(Gain) loss on disposal of property, plant and equipment	**(32)**	2
Fair value changes in investment properties	**(14,769)**	119,263
Write-down of properties under development	**70,623**	—
Impairment loss on goodwill	**—**	66,511
Write-back of trade and other payables	**(1,788)**	—
Operating profit before working capital changes	**67,720**	221,234
Decrease in properties held for sale	**—**	63,280
Decrease in inventories	**12,344**	13,951
Increase in trade and other receivables	**(19,540)**	(1,442)
Increase in trade and other payables	**214,414**	14,012
(Decrease) increase in deferred income	**(1,192)**	3,779
Cash generated from operations	**273,746**	314,814
Income tax paid	**(7,087)**	(8,320)
Other borrowing costs paid	**(11,211)**	(4,781)
Interest paid	**(162,214)**	(164,051)
Net cash generated from operating activities	**93,234**	137,662

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Disposal of a subsidiary

Disposal of 100% interest in the Westin Project

On 14 September 2009 and 13 October 2009, a subsidiary of the Company, Yue Tian, and a third party, HNA Hotel Holdings Ltd. ("HNA Hotel"), entered into an agreement and a supplemental agreement respectively, pursuant to which Yue Tian has conditionally agreed to dispose of the entire equity interest in CJTY and assign the shareholder loan due by CJTY to Yue Tian and HNA Hotel has conditionally agreed to acquire the same from Yue Tian. The entire equity interest in CJTY was transferred and the shareholder loan due by CJTY to Yue Tian was assigned to HNA Hotel at an aggregate consideration of approximately RMB1,087,710,000 (equivalent to approximately HK$1,235,753,000), being gross consideration of RMB2,200,000,000 for the properties net of assumed liabilities of approximately RMB1,046,901,000 and allowed adjustments as stipulated in the agreements mentioned above. The disposal was completed on 28 December 2009.

The underlying assets of the equity interest in CJTY are the properties comprising The Westin Guangzhou and Skyfame Tower (except for the office premises from the 17th floor to 22nd floor of the Skyfame Tower which have been sold in 2008).

The net proceeds from the disposal of approximately HK$1,062,656,000 (net of transaction costs and taxes) is to be paid to the Noteholders for the settlement of the Notes in accordance with terms of the proposed settlement agreement.

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Disposal of a subsidiary *(Continued)*

Disposal of 100% interest in the Westin Project *(Continued)*

	Notes	2009 HK$'000
Net assets disposed of:		
Property, plant and equipment	18	943,213
Prepaid lease payments	19	597,502
Properties held for sale		622,540
Inventories		7,214
Trade and other receivables		20,443
Cash and cash equivalents		52,890
Trade and other payables		(55,293)
Deferred income		(2,592)
Income tax payable		(17,014)
Deferred tax liabilities	38	(117,711)
Bank and other borrowings		(1,186,094)
Amount due to immediate holding company		(70,758)
Net assets disposed of		794,340
Assignment of amount due to immediate holding company		70,758
Direct expenses incurred (including taxes)		173,097
Goodwill	22	52,862
Foreign exchange reserve released		(157,315)
		933,742
Gain on disposal of a subsidiary, net of tax		302,011
Total consideration		1,235,753
Satisfied by:		
Cash		22,722
Consideration receivable for disposal of a subsidiary *(Note)*		1,213,031
		1,235,753
Net cash outflow arising from the disposal:		
Cash consideration received		22,722
Direct expenses incurred		(173,097)
Direct expenses accrued (including income tax payable)		171,614
Net proceeds received		21,239
Bank balances and cash disposed of		(52,890)
		(31,651)

Note: Subsequent to the end of the reporting period, an aggregate sum of approximately HK$1,162,145,000 out of the consideration receivable for the disposal of the subsidiary has been received. The remaining balance of approximately HK$50,886,000 is unsecured, interest-free and receivable by 28 December 2010.

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Major non-cash transactions

As at 31 December 2008, a balance of consideration with the amount of approximately HK$63,573,000 was payable by Smartford, a subsidiary of the Company, to the vendor for acquisition of a subsidiary in 2006 as mentioned in note 33(b). The amount was expected to be settled in the form of a two-year promissory note which will be issued upon obtaining the land use right certificate attributable to one of the property development projects, bearing an interest rate of 8% per annum from the date of issue.

By virtue of a supplemental agreement dated 20 October 2008 entered into between Smartford and the creditor, commencing 1 January 2009, the terms of the amount payable were changed to interest-bearing at a rate of 20% per annum, unsecured, and the principal together with accrued interest being repayable on or before 31 December 2010. The amount is reclassified as other borrowings since 1 January 2009. No cash receipt or payment has been involved in the change of terms.

During the year ended 31 December 2009, as disclosed in notes 23 and 32, upon the termination of the plan to dispose of the Tianhe Project and the subsequent appointment of receivers of the security assets by the Term Loan lenders resulting in the loss of 51% voting power at the board of directors of Yaubond, the relevant assets and liabilities in relation to the Tianhe Project have been reclassified from assets and liabilities of disposal group held for sale to interest in an associate by 31 December 2009. No cash receipt or payment has been involved in the reclassification.

43. EMPLOYEE RETIREMENT BENEFITS

Defined contribution pension plans

As stipulated by the labour regulations of the PRC, the Group participates in a defined contribution pension plan organised by the municipal and provincial governments for the benefits of its employees. The Group is required to make contributions to the plan at ranges of specified percentages of the eligible employees' salaries.

The Group also participates in the 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 and not previously participating in the defined contribution retirement plan as mentioned above. The MPF Scheme is a defined contribution pension scheme administered by independent trustees. Under the MPF Scheme, the Group and its employees are each required to make contributions to the MPF Scheme at the rate of 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. The Group's contributions vest fully in the employees when contributed into the MPF Scheme.

Under both plans, the Group has no other obligation for the payment of its employees' retirement and other post-retirement benefits other than contributions described above.

44. OPERATING LEASE COMMITMENTS

Lessee

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

The Group	**2009** *HK$'000*	2008 *HK$'000*
Within one year	**3,025**	2,078
Later than one year but within five years	**921**	45
	3,946	2,123

Lessor

At the end of the reporting period, the Group had commitments for future minimum rental receivable under non-cancellable operating leases in respect of retail and office units which fall due as follows:

The Group	**2009** *HK$'000*	2008 *HK$'000*
Within one year	**7,286**	53,706
Later than one year but within five years	**8,690**	135,447
Later than five years	**—**	4,099
	15,976	193,252

45. CAPITAL COMMITMENTS

The Group	**2009** *HK$'000*	2008 *HK$'000*
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of property construction and development costs	**1,094,981**	1,167,158

46. PLEDGE OF ASSETS

At the end of the reporting period, the following table shows the carrying amounts of the Group's assets which were pledged to secure credit facilities granted to the Group as disclosed in notes 35 and 36:

The Group	2009 HK$'000	2008 HK$'000
Property, plant and equipment	—	1,008,529
Prepaid lease payments	334,200	610,263
Properties held for/under development	261,355	—
Investment properties	238,241	401,543
Properties held for sale	—	502,010
Restricted and pledged deposits	16,904	67,737
	850,700	2,590,082

At the end of the reporting period, shares in certain subsidiaries of the Company were also charged to secure the Term Loan and convertible notes as disclosed in notes 35(b)(i) and 36.

47. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following material transactions with related parties:

(a) Material transactions with related parties

Related party relationship	Type of transaction	2009 HK$'000	2008 HK$'000
Mr. Yu Pan, Chairman of the Company	Interest on short-term loan from a director paid by the Group	97	—
Companies controlled by Mr. Yu Pan	(a) Rental income from office leasing	4,759	8,784
	(b) Revenue from hotel operation	8	994

Details of the Group's outstanding balances with related parties and the maximum balance of amounts due from related parties disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance have been set out in notes 29(a) and 33(c). The balances are unsecured, interest-free and repayable on demand. The Group has not made any provision for impairment loss in respect of related party debtors.

47. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Pledge of shares by the Chairman

To secure for the convertible notes with an outstanding principal value of US$192,000,000 issued by the Company as disclosed in note 36, Sharp Bright and Grand Cosmos, companies wholly owned by Mr. Yu Pan, pledged their assets in favour of the Trustee of the Noteholders as follows:

(i) 963,776,271 ordinary shares of the Company; and

(ii) first fixed charge and first floating charge over the assets of Sharp Bright and Grand Cosmos.

Grand Cosmos was put into receivership pursuant to the Acceleration Notice issued to the Company on 2 November 2009 by the Trustee under the Trust Deed in relation to the Notes. In consequence of the receivership, the board of director of Grand Cosmos was changed whereas a representative of the receivers was appointed to the board of director of Grand Cosmos to replace Mr. Yu Pan.

(c) Compensation of key management personnel

The remuneration of members of key management, including directors' emoluments as disclosed in note 12, incurred during the year is as follows:

	2009 ***HK$'000***	2008 *HK$'000*
Short-term benefits	**16,403**	14,449
Other long-term benefits	**369**	187
Equity-settled share-based payment expenses	**86**	806
	16,858	15,442

Members of key management are those persons who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and executive officers.

48. FINANCIAL INSTRUMENTS — RISK MANAGEMENT

Financial assets of the Group mainly include cash and cash equivalents, restricted and pledged deposits, and trade and other receivables, including the consideration receivable for disposal of a subsidiary. Financial liabilities of the Group include convertible notes, trade and other payables, bank and other borrowings and loan from minority shareholder of a subsidiary. The Group has not issued and does not hold any financial instruments for trading purposes at the end of the reporting period.

The main financial risks faced by the Group are foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

48. FINANCIAL INSTRUMENTS — RISK MANAGEMENT *(Continued)*

(a) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from financing and operating activities of the group entities conducted in currencies other than the functional currency.

The carrying amounts of the Group's monetary assets and liabilities which are denominated in currencies other than the functional currencies of the respective group entities at the end of the reporting period are as follows:

The Group	**2009** **HK$'000**	2008 HK$'000
Restricted and pledged deposits		
— US$	**16,885**	46,311
Cash and cash equivalents		
— US$	**9**	7
Financial derivative liabilities		
— US$	**—**	93,162
Convertible notes		
— US$	**2,057,326**	306,337

The following table demonstrates the effect of sensitivity to reasonably possible changes in the United States dollars exchange rate, with all other variables held constant, on the Group's (loss) profit after income tax (due to changes in the carrying amounts of monetary assets and liabilities) in the next accounting period:

	2009		2008	
	Change in exchange rate %	**(Decrease) increase in loss after income tax HK$'000**	Change in exchange rate %	Increase (decrease) in profit after income tax HK$'000
If United States dollar weakens against Renminbi	**5%**	**(81,750)**	5%	17,710
If United States dollar strengthens against Renminbi	**5%**	**81,750**	5%	(17,710)

48. FINANCIAL INSTRUMENTS — RISK MANAGEMENT *(Continued)*

(b) Interest rate risk

The following table details the interest rate profile of the Group's financial assets and liabilities as at the end of the reporting period based upon which the Company's management evaluates the interest rate risk:

The Group	2009 Effective interest rate *(% per annum)*	2009 Amount *HK$'000*	2008 Effective interest rate *(% per annum)*	2008 Amount *HK$'000*
Financial assets				
Fixed rate receivables				
— Restricted and pledged deposits	**—**	**—**	1.21% to 2.95%	46,311
Floating rate receivables				
— Restricted and pledged deposits	**0.00%**	**38,547**	0.01%	21,426
— Other cash at bank	**0.00% to 0.36%**	**114,062**	0.00% to 0.36%	52,253
Financial liabilities				
Non-interest bearing borrowings				
— Loan from minority shareholder of a subsidiary	**—**	**234,690**	—	273,968
Fixed rate borrowings				
— Other borrowings	**20.00%**	**49,674**	20.00%	32,267
— Convertible notes	**15.00%**	**2,057,326**	60.58%	306,337
Floating rate borrowings				
— Bank borrowings	**5.35% to 7.02%**	**247,103**	6.73% to 7.44%	1,070,441
— Other borrowings	**16.75%**	**220,000**	12.69%	220,000

The Group's exposure to interest rate risk for changes in interest rates primarily relates to the Group's restricted and pledged deposits, cash at bank included in cash and cash equivalents and floating rate bank and other borrowings. The Group does not use derivative financial instruments to hedge its cash flow interest rate risk.

The following table demonstrates the effect of sensitivity to reasonably possible changes in interest rates, with all other variables held constant, on the Group's (loss) profit after income tax in the next accounting period:

	2009 Increase (decrease) in basis points	2009 (Decrease) increase in loss after income tax *HK$'000*	2008 Increase (decrease) in basis points	2008 Increase (decrease) in profit after income tax *HK$'000*
Floating rate financial assets				
Increase in floating rate	**100**	**(1,533)**	100	737
Decrease in floating rate	**(100)**	**1,533**	(100)	(737)
Floating rate financial liabilities				
Increase in floating rate	**500**	**23,355**	500	(64,521)
Decrease in floating rate	**(500)**	**(23,355)**	(500)	64,521

48. FINANCIAL INSTRUMENTS — RISK MANAGEMENT *(Continued)*

(c) Credit risk

The Group's exposure to credit risk arises from the trade and other receivables. Management has a formal credit policy in place and the exposure to credit risk is monitored through regular reviews of receivables and follow-up enquires on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount. At the end of the reporting period, there is no significant concentration of credit risk in trade and other receivables. The maximum exposure to credit risk of the Group in this regard is represented by the carrying amount of trade and other receivables presented in the consolidated statement of financial position.

For the consideration receivable for the disposal of a subsidiary, as a significant portion of the balance has been received and placed as deposit with a bank of high credit, management does not consider that there is significant concentration of credit risk in receivables.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and restricted and pledged deposits, arises from possible default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. At the end of the reporting period, the Group has placed these deposits with banks and financial institutions of high credit.

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings.

48. FINANCIAL INSTRUMENTS — RISK MANAGEMENT *(Continued)*

(d) Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contracted undiscounted payments, is as follows:

The Group	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
2009							
Trade and other payables	**48,487**	**110,870**	**258,714**	**—**	**—**	**—**	**418,071**
Bank and other borrowings	**269,674**	**4,905**	**25,889**	**20,834**	**189,787**	**64,634**	**575,723**
Convertible notes	**2,057,326**	**—**	**—**	**—**	**—**	**—**	**2,057,326**
Loan from minority shareholder of a subsidiary	**—**	**—**	**—**	**234,690**	**—**	**—**	**234,690**
	2,375,487	**115,775**	**284,603**	**255,524**	**189,787**	**64,634**	**3,285,810**
2008							
Trade and other payables	75,653	65,788	82,134	5,086	64,844	—	293,505
Bank and other borrowings	—	244,319	110,805	95,916	277,513	1,001,044	1,729,597
Convertible notes	—	—	59,995	1,169,577	1,145,995	—	2,375,567
Loan from minority shareholder of a subsidiary	—	—	—	273,968	—	—	273,968
	75,653	310,107	252,934	1,544,547	1,488,352	1,001,044	4,672,637

49. FINANCIAL INSTRUMENTS — CARRYING AMOUNT AND FAIR VALUE

(a) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at end of the reporting period under the level 2 of the fair value hierarchy defined in HKFRS 7 "Financial Instruments: Disclosures", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The level is defined as follows:

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

The following table presents the balances of derivative financial liabilities measured at fair value as at the reporting date:

	2009 Level 2 HK$'000	2008 Level 2 HK$'000
Financial liabilities:		
Financial derivative liabilities	—	93,162

The table below shows the change in fair value of financial liabilities at fair value through profit or loss (including derivatives):

	2009 HK$'000	2008 HK$'000
Change in fair value during the year	93,162	976,924
Cumulative change in fair value	1,337,875	1,244,713

49. FINANCIAL INSTRUMENTS — CARRYING AMOUNT AND FAIR VALUE

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

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

- the fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using information from observable current market transactions; and

- the fair values of derivative instruments are calculated using generally accepted valuation models.

The following table shows the carrying amount and fair value of financial assets and liabilities of the Group at the end of the reporting period:

	2009		2008	
	Carrying amount	**Fair value**	Carrying amount	Fair value
The Group	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Financial assets				
Trade and other receivables	**31,956**	***(Note)***	33,900	*(Note)*
Consideration receivable for disposal of a subsidiary	**1,213,031**	***(Note)***	—	—
Restricted and pledged deposits	**38,547**	***(Note)***	67,737	*(Note)*
Cash and cash equivalents	**114,719**	***(Note)***	53,720	*(Note)*
Financial liabilities				
Trade and other payables	**418,071**	***(Note)***	283,334	*(Note)*
Bank and other borrowings	**516,777**	***(Note)***	1,322,708	*(Note)*
Convertible notes	**2,057,326**	***(Note)***	306,337	482,095
Loan from minority shareholder of a subsidiary	**234,690**	***(Note)***	273,968	*(Note)*

Note: The Directors consider that the carrying amounts of these categories approximate their fair value on the grounds that either their maturities are short or their effective interest rates are approximate to the discount rates as at the end of the reporting period.

50. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Settlement with the Noteholders

On 14 April 2010, the Company, Yue Tian, Mr. Yu Pan and the Noteholders signed the Second Term Sheet to restructure the Notes which stipulates the Company's full settlement of the entire outstanding principal amount of US$192,000,000 of the Notes and accrued interests and to set out the key terms of the settlement agreement to be entered into among these parties which include, among the others, (i) the Noteholders agreed to receive US$100,000,000 by 17 June 2010 and receive the balance of US$53,600,000 by 30 August 2010 as full and final settlement of the Notes and all accrued interest. The total settlement amount is US$153,600,000 being 80% of the outstanding face value of the Notes; ii) if the Company fails to repay US$100,000,000 by 17 June 2010, the Noteholders agreed to receive a penalty calculated at a rate of 10% per annum on US$100,000,000 for the first extension month and an additional penalty in the amount of US$3,334,000, representing 3.334% on US$100,000,000 for the second extension month. Upon expiry of the second extension month, the Noteholders have the right to terminate the Settlement Agreement or grant a further extension of up to 3 months to the Company for the repayment of US$100,000,000 with a penalty in the amount of US$3,334,000, representing 3.334% on US$100,000,000 for each of the 3 additional extension months; and (iii) if the Company fails to repay the balance of US$53,600,000 by 30 August 2010, the Noteholders shall extend for a further period of 3 months for the repayment of US$53,600,000 with a penalty in the amount of US$1,787,024, representing 3.334% on US$53,600,000 for the first extension month and an additional penalty in the amount of US$3,067,280, representing 3.334% on US$92,000,000 for the each of second and third extension months, respectively. The Second Term Sheet supersedes the First Term Sheet. The Noteholders agreed to grant a four-month standstill period commencing from date of execution of the binding settlement agreement to the Company from taking steps to sell, realise or dispose of any of the Security provided that there is no breach of terms of the settlement agreement. Despite the deadline for entering into a settlement agreement with the parties has lapsed, the parties have informally agreed to an extension and are working on the formal binding agreement.

The Directors intend to use the proceeds from the disposal of Westin Project to repay the Noteholders and are seeking additional financial resources from potential financiers or investors to meet the payment of the remaining balance.

(b) Cooperation Agreement in relation to Tianhe Project

On 4 February 2010, 廣州寰城實業發展有限公司 (Guangzhou Huan Cheng Real Estate Development Company Limited ("Huan Cheng"), a subsidiary of Yaubond, and 廣西廣利貿易有限責任公司 (Guangxi Guang Li Trading Limited) ("Guang Li") entered into the first agreement which was later superseded by a second agreement (the "Guang Li Agreement") on 21 February 2010 and pursuant to which Guang Li would negotiate with and seek to obtain the concession from the relevant government authorities in relation to the idle land issue of the Tianhe Project and participate in the investment for the development of the project, and in exchange, Guang Li would share 50% of the future after tax profit or loss of Huan Cheng during the development of the Tianhe Land.

50. EVENTS AFTER THE END OF THE REPORTING PERIOD *(Continued)*

(b) Cooperation Agreement in relation to Tianhe Project *(Continued)*

Notwithstanding the provisions of the Guang Li Agreement, the board of directors of Huan Cheng has not been changed. The Guang Li Agreement does not stipulate a change in control and ownership of Huan Cheng and, in effect, Yaubond remains to hold 100% of the equity interest of Huan Cheng whereas Guang Li will participate the sharing of profit or loss derived from the development of the Tianhe Project.

Pursuant to the terms of the Guang Li Agreement, Yaubond has to complete the capital injection of RMB150,000,000 on or before 20 April 2010, which was later extended by Guang Li to 20 August 2010 on condition that a settlement agreement be executed with the lenders of the Term Loan on or before 30 April 2010. On the date of this annual report, Guang Li has expressed their willingness to extend the deadline to 30 November 2010.

In the event that the idle land issue of the Tianhe Project cannot be solved, Huan Cheng has to bear 50% of the cost Guang Li incurred. On the other hand, if Huan Cheng was unable to fulfil its obligations or events of default as set out in the Guang Li Agreement occurred, including that the proposed settlement agreement with the Term Loan lenders cannot be concluded by the deadline mentioned above and without further extension granted by Guang Li, Guang Li would be entitled to either acquire the land use right of the plot of land of the Tianhe Project or to seek compensation according to the terms as stipulated in the Guang Li Agreement.

(c) Settlement with the petitioner of the winding-up order

On 27 January 2010, the Company entered into a settlement agreement ("Original Agreement") with a creditor of a subsidiary who is also the petitioner of the winding-up order. Pursuant to which the Company agreed, among the others, (i) to sign a settlement agreement with the Noteholders and the Trustee to withdraw the Acceleration Notice and discharge the receivers; and (ii) to pay to the creditor on behalf of the subsidiary an amount not less than HK$30,000,000 within ten days after signing of the agreement. The aforesaid terms of the Original Agreement still have not been fulfilled by the Company as at the date of this annual report and will have no binding effect. As a result, the Company and the creditor are negotiating the extension of the terms of the Original Agreement and the execution of another agreement effective from the date of execution of the proposed settlement agreement with the Noteholders.

51. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 30 April 2010.

Five Year Financial Summary

The following table summaries the results, assets and liabilities of the Group:

	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
For the year ended 31 December					
Revenue					
— Continuing operations *(Note)*	**304,780**	564,650	125,631	50,329	4,757
— Discontinued operations	**—**	—	—	—	457
	304,780	564,650	125,631	50,329	5,214
(Loss) profit before income tax					
— Continuing operations *(Note)*	**(1,546,948)**	634,678	160,096	78,021	(2,580)
— Discontinued operations	**—**	—	—	—	(2,234)
	(1,546,948)	634,678	160,096	78,021	(4,814)
Income tax credit (expense)					
— Continuing operations	**2,386**	49,670	61,239	(33,152)	(33)
(Loss) profit for the year					
— Continuing operations	**(1,544,562)**	684,348	221,335	44,869	(2,613)
— Discontinued operations	**—**	—	—	—	(2,234)
	(1,544,562)	684,348	221,335	44,869	(4,847)
Attributable to					
— Owners of the Company	**(1,537,605)**	685,128	209,078	46,621	(4,847)
— Minority interests	**(6,957)**	(780)	12,257	(1,752)	—
	(1,544,562)	684,348	221,335	44,869	(4,847)
FINANCIAL POSITION					
At 31 December					
Total assets	**4,352,780**	5,259,355	4,946,528	1,458,148	250,120
Total liabilities	**(3,504,321)**	(2,713,926)	(3,259,846)	(691,283)	(57,786)
Net assets	**848,459**	2,545,429	1,686,682	766,865	192,334
Minority interests	**(17,808)**	(24,734)	—	(45,345)	—
Total equity attributable to owners of the Company	**830,651**	2,520,695	1,686,682	721,520	192,334

Note: The results in the property development segment for 2009 include gain on disposal in the selling of a disposal group when the group of assets together with liabilities associated with the disposed assets held in the Westin Project have been sold to a third party in December 2009. Notwithstanding the above presentation, had the management adopted the rationale that the disposal is in fact ordinary sales of properties held by the Group for sale and is within its principal activities as a property developer, the revenue from continuing operations as shown above would have increased by approximately HK$1,083,004,000 to approximately HK$1,387,784,000.

Particulars of Major Properties

As at 31 December 2009

(A) Details of the Group's properties held for/under development at 31 December 2009 are as follows:

	Location	Lease period	Development type	Site area	Gross floor area (above the ground)	Effective equity interest % held	Stage of development	Anticipated completion	Open market value (Note 1)	Open market value (Note 1)	Market value attributable to the Group
				(sq.m.)	*(sq.m. approx.)*				*RMB'000*	*HK$'000*	*HK$'000*
1.	A plot of land at the junction of Tianhe North Road and Linhe Dong Road, Tianhe District, Guangzhou, Guangdong Province, the PRC.	2005 to 2045	Hotel Office Serviced Apartment Commercial Clubhouse Refuge Floor Others	6,057	25,942 40,048 13,779 2,452 1,752 2,330 2,350	100%	Under clearance and demolition work	Not yet commence construction	936,000 *(Note 2)*	1,063,395 *(Note 2)*	1,063,395 *(Note 2)*
					88,653						
2.	A plot of waterfront land at the north of Mayong, the east of Pearl River, and south of Zhujiang and the west of Hongde Road, Zhoutouzui Haizhu District, Guangzhou, Guangdong Province, the PRC.	2004 to 2044/ 2054/ 2074	Office Residential Service Apartment Commercial Ancillary Overhanging	86,557	27,585 146,077 12,845 5,021 12,294 11,561	72%	Under clearance and demolition work	Not yet commence construction	1,434,000 *(Note 3)*	1,629,175 *(Note 3)*	1,629,175 *(Note 3)*
			Layer		215,383						
3.	The residential development project, situated at Xiaoguan Maochong, Yunyan District, Guiyang, Guizhou Province, the PRC.	2008 to 2048-49/ 2078-79	Residential – Phase 1 – Phase 2 – Phase 3 Commercial Club House Refuge Floor Common Utilities	136,447 (excluding roads)	 91,430 155,427 201,793 14,770 4,924 10,023 9,221	55%	Construction of Phase 1 underway and was scheduled for completion in late 2010.	The first quarter of 2011 in whole project	802,000	911,157	501,136
					487,588						
					791,624				3,172,000	3,603,727	3,193,706

Notes:

1. The properties were revalued on an open market value basis by an independent firm of professional valuers, DTZ Debenham Tie Leung Limited, Chartered Surveyors, as at 31 December 2009. Valuation of open market value of the properties is based on the assumptions that the properties will be developed and completed in accordance with the Group's latest development proposal, and that all consents, approvals and licences from relevant government authorities have been obtained without onerous condition or delay.

2. The property have been assumed that the property is not defined as "idle land", which land use rights of the property will be repossessed by the Bureau of Land Resources and Housing Management of Guangzhou Municipality, the approved development proposal would be developed and completed in a proper development period. Had the property is defined as "idle land", the property would have no commercial value.

3. The open market value has already reflected the entitlement of 28% interest over the completed properties in the development by a Chinese cooperative joint venture partner. The project company has not obtained the certificate for the state-owned land use rights from the original land use rights holder. Had the valid certificate not been issued to the Group, the property will have no commercial value.

(B) Details of the Group's investment properties at 31 December 2009 are as follows:

Location	Lease period	Use type	Class	Gross floor area *(sq.m.)*	Effective equity interest % held	Open market value *(Note 4)* *RMB'000*	Open market value *(Note 4)* *HK$'000*	Market value attributable to the Group *HK$'000*
All the shops on 2/F and 5/F, Units 402-403 of 4/F and Units 140-142, 6/F of Commercial podium, Tianyu Garden Phase 2, Nos. 136-146 Linhe Zhong Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	2000 to 2040	Commercial	Office/retail	19,790	100%	367,000	416,951	416,951
Total (A to B)						**3,539,000**	**4,020,678**	**3,610,657**

Notes:

4. The properties were revalued on an open market value basis by an independent firm of professional valuers, DTZ Debenham Tie Leung Limited, Chartered Surveyors, as at 31 December 2009.