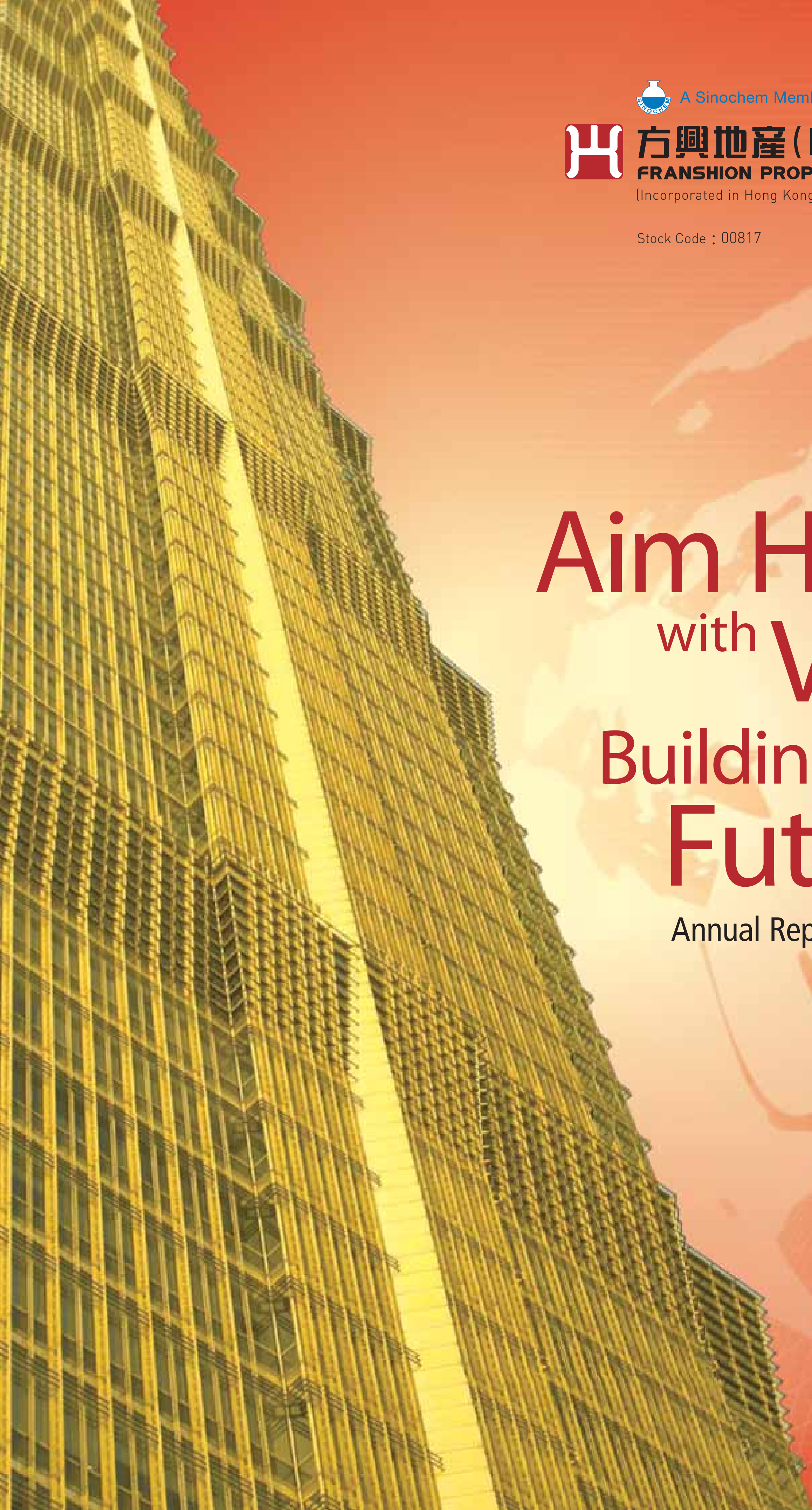


A Sinochem Member Company

方興地產(中國)有限公司
FRANSHION PROPERTIES (CHINA) LIMITED
(Incorporated in Hong Kong with limited liability)

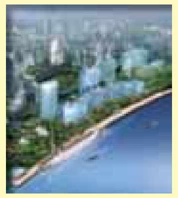
Stock Code：00817

Aim High with Vision
Building for the Future

Annual Report 2010

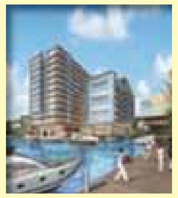
Brief Overview of Each Project

Property Development Projects (Under development and completed)



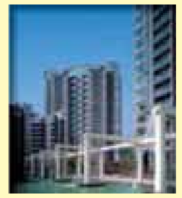
Site B of Shanghai Port International Cruise Terminal Project

Shanghai Port International Cruise Terminal is located on the west bank of the Huangpu river of Shanghai, it is adjacent to the Bund, and directly across the river from the Oriental Pearl TV Tower, it is designed to be a commercial complex development project comprising a cruise terminal and office buildings. This project is divided into Site A and Site B, Site A will be developed into a cruise terminal and shipping service buildings and Site B will be developed into 11 office buildings. We hold economic interest in the Site B development and expect to have a total gross floor area of approximately 302,080 sq. m. upon completion. Construction works of the site commenced in May 2004 and are expected to be completed in 2011. Currently, the majority of the units under the project have been sold.



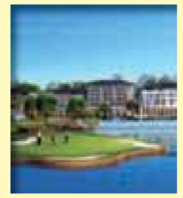
Shanghai International Shipping Service Center Project

Shanghai International Shipping Service Center Project is located on the North Bund of Shanghai, directly across the river from the area of Lujiazui. The west side of the site is adjacent to Shanghai Port International Cruise Terminal, the two projects will form a riverside area that doubles the length of the Bund. The zone will be used for offices, commercial complex, convention facilities, hotels and service apartments, with other facilities including a yacht marina. This project features the marina, creating a riverfront modern office and commercial zone which matches its marine theme. This project comprises the Eastern Site, the Central Site and the Western Site and is expected to have a total gross floor area of approximately 530,933 sq. m. Construction works of this project commenced in 2008 and are expected to be completed in 2013.



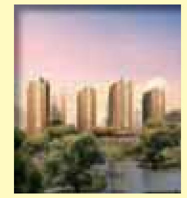
Zhuhai Every Garden Project

Zhuhai Every Garden Project is located on the north section of Lover's Road in Zhuhai and has a total gross floor area of approximately 137,225 sq. m. It comprises a complex of thirteen 11 to 31-storey residential apartment buildings. With the unique "New Athenism" design concept and a grand sea view, this project has become an innovative high-end residential property in Zhuhai and is nominated as "The Real Estate Project with the Highest Brand Value in Zhuhai, PRC". This project was completed in 2008 and currently most units have been sold out.



Shanghai Dongtan Jin Mao Noble Manor Project (formerly known as Shanghai Chongming Island Project)

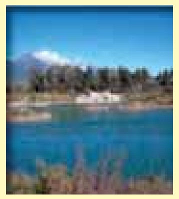
Shanghai Dongtan Jin Mao Noble Manor Project is located in a riverside leisure sport and residential community in Chenjia Town, Chong Ming Island, Shanghai, with a site area of approximately 220,000 sq. m., estimated total gross floor area of approximately 164,009 sq. m. The Group has also leased an adjacent site with a site area of approximately 955,478 sq. m. The Group plans to develop the leased site into a sports park and develop the granted land into a riverside high-end leisure, sports and resort complex comprising a clubhouse, low-density residence, hotels and and property right hotels.



Beijing Guangqu Jin Mao Palace Project (formerly known as Beijing No. 15 Guangqu Road Project)

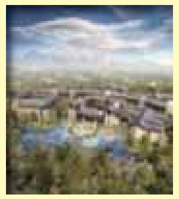
Beijing Guangqu Jin Mao Palace Project is located at the east of Fourth Ring Road in Chaoyang District, Beijing, adjacent to the CBD area. The area was named as the "only remaining prime site" in Beijing for its excellent location. It has a site area of approximately 155,918 sq. m. and an estimated total gross floor area of approximately 366,302 sq. m. We plan to develop the project into a low-density and high-end high quality project featuring residential and commercial properties.

Property Development Projects (Reserved)



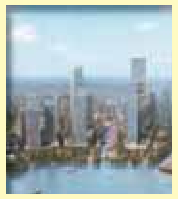
Jin Mao World Heritage Park Redevelopment Project

Jin Mao World Heritage Park Redevelopment Project is located in the former site of Lijiang World Heritage Park, Yunnan province, with a site area of approximately 333,330 sq. m. The project aims to combine the Naxi culture with international design concepts, building the most characteristic high-end resort hotels and villas in China with an estimated total gross floor area of approximately 215,000 sq. m.



Lijiang Jin Mao Mansion Project (formerly known as Jin Mao Yulong Snow Mountain Resort Hotel Project)

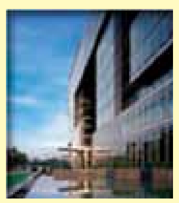
Lijiang Jin Mao Mansion Project is located in Ganhaizi of Lijiang Yulong Snow Mountain, Yunnan province, with a site area of approximately 65,575 sq. m. The project will be developed into a super five-star luxury hotel with an estimated total gross floor area of approximately 43,060 sq. m.



Changsha Meixi Lake Project

The project, covering a land area of approximately 11,452 mu, is located at the central zone of the Great West Changsha Pioneering District in China's Hunan Province The concepts of ecology, energy saving, innovation and scientific technology will be highlighted in the project which will be transformed into a high-end international business and innovation center that is most competitive in the central region and a new livable city of harmonic natural landscape. The Group will continue to complete the primary development and subsequent construction within the area of such project and endeavour to develop a "two-type community" model.

Property Investment Projects



Beijing Chemsunny World Trade Centre

Beijing Chemsunny World Trade Centre is located on Fuxingmen Nei Street and is adjacent to West Chang An Street, with a gross floor area of approximately 194,530 sq. m. It consists of three parallel and interconnected 14-storey office buildings, the East, Central and West Towers. The project is a representative of high-end up market office with its prime location, unique design style, and it is successfully named as "Classical Representative of Award Winning First-Class Office Building in China".

Jin Mao Tower

Jin Mao Tower is located in Lu Jia Zui, Shanghai's major financial and business centre, and has become a prominent landmark in China. Jin Mao Tower has 88 floors, 420.5 metres in height and comprises a total gross floor area of approximately 292,475 sq. m. The third to 50th floors are offices, and the 53rd to 87th floors house a super deluxe 5-star hotel, and the 88th floor is an indoor observation deck. The project is a perfectbnmix of traditional Chinese architecture and modern architectural technology, and is named as the most influential urban landmark in China.

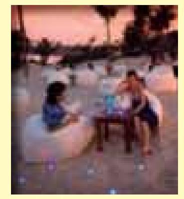
Sinochem Tower

Sinochem Tower is located in Beijing on Fuxingmen Wai Street, right at the heart of the financial centre. Sinochem Tower has 26 floors, comprising a gross floor area of approximately 49,066 sq. m., which includes offices and shops. It is an office building which offers intelligent offices and personalised services. This project has been awarded "National High Quality Prize" and "China Construction Project Luban Award".

Hotel Operations Projects

The Ritz-Carlton, Sanya

The Ritz-Carlton, Sanya is located in Yalong Bay of Sanya, Hainan province. It was officially opened in 2008 with a total gross floor area of approximately 83,000 sq. m. It has 450 luxurious guest rooms equipped with a variety of facilities, including 21 luxury suites and 33 villas with distinctive amenities such as private swimming pools and housekeepers. It has an indoor conference space of 1,700 sq. m. specially designated for business conference, large seminar and other special occasions, and it has the only outdoor sea-view wedding auditorium in China, and the Ritz-Carlton spa with an area of 2,788 sq. m.

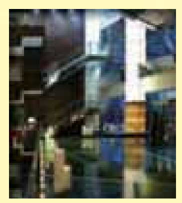


Hilton Sanya Resort & Spa, Hainan

The Hilton Sanya Resort & Spa is located at Yalong Bay Resort. Opened in 2006 and with a total gross floor area of approximately 76,666 sq. m., it has 501 guest rooms, suites, villas and a 400 metres long, white and fine beach. The hotel has 6 restaurants and a conference centre of 3,000 sq. m.

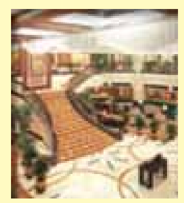
Grand Hyatt Shanghai

Grand Hyatt Shanghai is located on the 53rd to 87th floors of Jin Mao Tower. It was officially opened in 1999, with a total gross floor area of approximately 80,410 sq. m. comprising 555 luxury guest rooms. It comprises a grand ball room which can accommodate 1,200 guests, a ball room which can accommodate 800 guests and more than 10 function rooms. It was the venue for major international events such as "Fortune Global Forum", "APEC Conference" and other high-level forums and conferences.



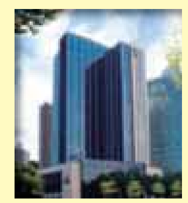
Westin Beijing, Chaoyang

Westin Beijing, Chaoyang is located in the Yansha commercial area of Chaoyang district, Beijing, and is adjacent to the embassy district. It was officially opened in 2008, with a total gross floor area of approximately 75,446 sq. m. The hotel has 34 floors, comprising 550 guest rooms, a function room of 720 sq. m. and 7 smaller conference rooms with the most advanced audio visual technology. It has received numerous international heads of states, sports and business elites, including the Former US President George W. Bush and his family during the Beijing Olympic Games and was highly acclaimed.



Wangfujing Grand Hotel

Wangfujing Grand Hotel is located at the north of Wangfujing Street, and it was opened in 1995. It has a total gross floor area of approximately 41,349 sq. m. and has 405 rooms as well as a number of conference rooms, dining and other facilities. The hotel was designated as a receiving hotel during the Beijing Olympics Games period, and its quality service is highly acclaimed in the industry.



JW Marriott Shenzhen

JW Marriott Shenzhen is located in Futian District, Shenzhen. The construction of the hotel commenced operations in 2009. It has a gross floor area of approximately 52,000 sq. m., with 411 guest rooms, a ball room which can accommodate 400 guests and 5 conference rooms with the most advanced audio visual equipment. The hotel aims to become the top luxury five-star hotel in Shenzhen with its distinguished design and quality service.

Our Hotel Brands

Contents

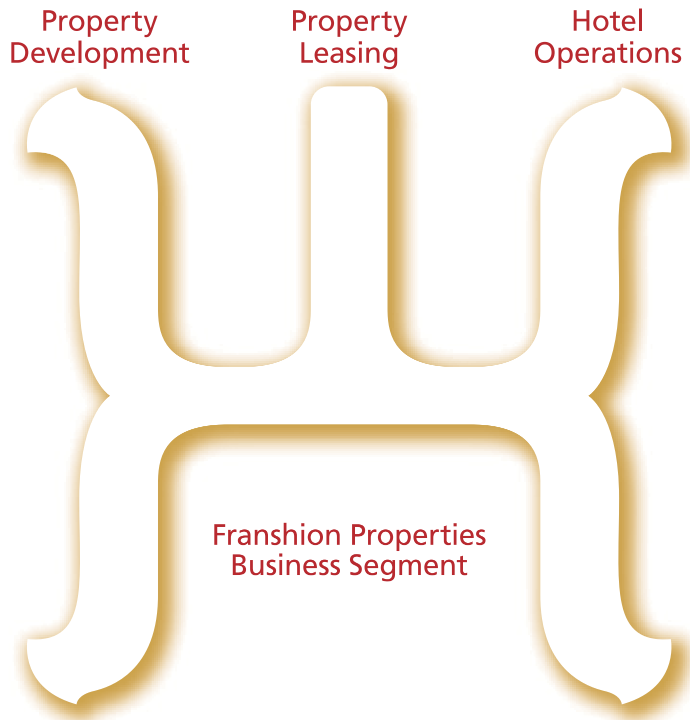
2	Corporate Information
3	Financial Highlights
4	Chairman's Statement
8	Major Events
10	Honours and Awards
12	Management Discussion and Analysis
66	Investor Relations Report
68	Corporate Social Responsibility Report
72	Profile of Directors and Senior Management
78	Corporate Governance Report
87	Report of the Directors
104	Independent Auditors' Report
105	Consolidated Income Statement
106	Consolidated Statement of Comprehensive Income
107	Consolidated Statement of Financial Position
109	Consolidated Statement of Changes in Equity
110	Consolidated Statement of Cash Flows
112	Statement of Financial Position
113	Notes to Financial Statements
184	Five-Year Financial Information

Company Overview

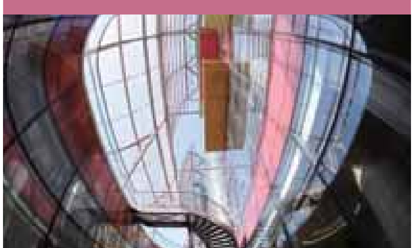
Franshion Properties (China) Limited (Stock code: 00817) is a developer and operator of large-scale and high-end commercial real estate projects in the PRC, and also a platform enterprise under the real estate and hotel segments of Sinochem Group, one of the top 500 world's enterprises (ranking the 203rd among the top 500 world's enterprises in 2010 by "Fortune"). Sinochem Group is currently one of the 16 state-owned enterprises that are principally engaged in real estate businesses, and one of the six state-owned enterprises that are approved by the State-owned Assets Supervision and Administration Commission to engage in hotel operations. On 17 August 2007, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited. It is now one of the component stocks of the Hong Kong Hang Seng Composite Index.

The Company emphasises on the growth opportunities at the prime locations in the core cities in China and has established a synergistic development pattern for our three major business segments, namely high-end property project development, properties leasing and hotel investment and operations. The Company has developed several top quality real estate projects in Beijing, Shanghai, Shenzhen and Sanya, and has a number of landmark projects in many cities such as Shanghai Jin Mao Tower and Beijing Chemsunny World Trade Centre. It has also invested in a number of five-star luxury hotels. Through successful development and operation of a series of prime quality projects, the Company has gained a significant foothold in the real estate industry in China. Leveraging on its unique growth pattern, experienced management team and the strong backing from its parent company, Sinochem Group, the Company can capitalise on tremendous opportunities arising from the fast-growing PRC real estate industry and gain more opportunities in the acquisition and integration of resources.

The Company strives to position itself at the high-end of the market and specialises in the development of high quality projects with its focus on both properties holding and development, and endeavours to become a leading high-end real estate developer and operator in China through refining and optimising the structure in the course of development, as well as capitalising on its comparative advantages of integration, system innovation and sizable growth.



Property Development

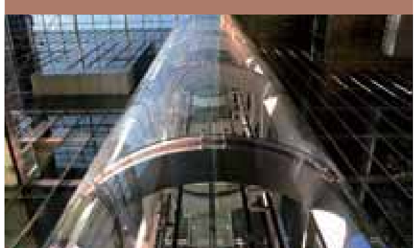


Eight property development projects with a gross floor area of approximately 1.51 million square metres

Strong Performance

Expanded the sales of Shanghai Port International Cruise Terminal Project, successfully purchased the Western Site of the Shanghai International Shipping Service Center Project, and obtained the right for tier-1 land development in respect of Changsha Meixi Lake Project in January 2011

Property Leasing

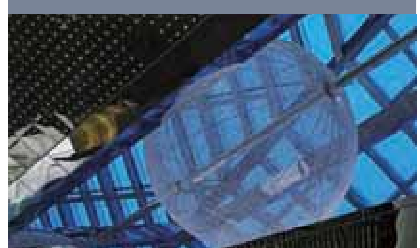


Three high-end property investment projects with a gross floor area of approximately 360,000 square metres

Stable Income

High rental level and high occupancy rate of investment properties, outperforming its peers

Hotel Operations



Six luxury hotels offering 2,872 guest rooms

Industry Leader

Results of hotel operations resumed growth momentum in general and outperformed its peers

Corporate Information

COMPANY NAME

Franshion Properties (China) Limited

PRINCIPAL OFFICE

Rooms 4702-4703
47th Floor, Office Tower, Convention Plaza
No. 1 Harbour Road
Wan Chai, Hong Kong

NON-EXECUTIVE DIRECTORS

Mr. LUO Dongjiang (Chairman)
Ms. LI Xuehua (Vice Chairman)
Mr. WANG Hongjun

EXECUTIVE DIRECTORS

Mr. HE Cao (Vice Chairman and Chief Executive Officer)
Mr. HE Binwu (Vice President)
Mr. JIANG Nan (Chief Financial Officer)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Hon Chuen, Ambrose
Professor SU Xijia
Professor LIU Hongyu
Mr. NGAI Wai Fung
Dr. GAO Shibin

CHIEF FINANCIAL OFFICER

Mr. JIANG Nan

QUALIFIED ACCOUNTANT

Mr. LIAO Chi Chiun

COMPANY SECRETARY

Mr. LIAO Chi Chiun

AUTHORISED REPRESENTATIVES

Mr. HE Cao
Mr. JIANG Nan

LEGAL ADVISORS

Baker & McKenzie
14th Floor, Hutchison House
10 Harcourt Road
Central, Hong Kong

Latham & Watkins
41st Floor, One Exchange Square
8 Connaught Place
Central, Hong Kong

Tian Yuan Law Firm
11th Floor, Tower C, Corporate Square
35 Financial Street, Xicheng District
Beijing, People's Republic of China

AUDITORS

Ernst & Young
18th Floor, Two International Finance Centre
8 Finance Street, Central, Hong Kong

STOCK CODE

00817

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
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INVESTOR ENQUIRY

Tel: 852-28299521
Fax: 852-28240300
Email: franshion@sinochem.com

WEBSITE

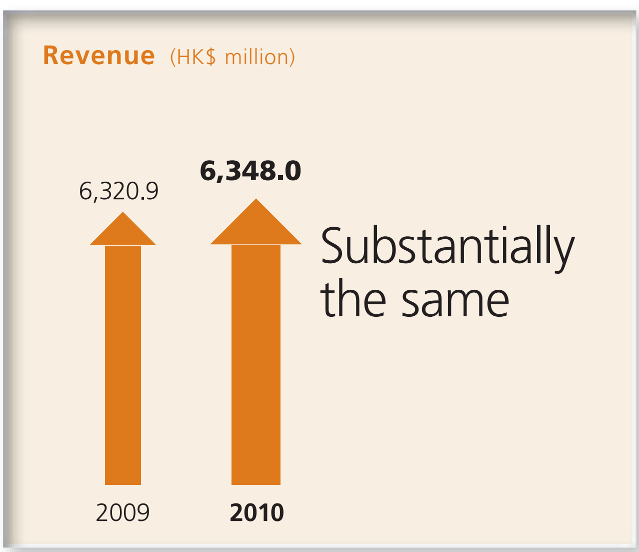
www.franshion.com

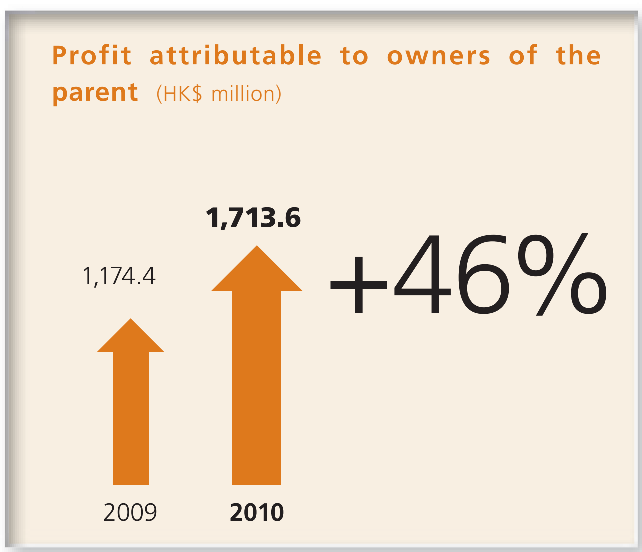
Financial Highlights

	2010 (HK$ million)	2009 (HK$ million)	Percentage change (%)
Revenue	**6,348.0**	6,320.9	–
Gross profit	**3,302.9**	3,299.2	–
Profit attributable to owners of the parent – less: fair value gains on investment properties (net of deferred tax)	**1,067.3**	1,047.5	2
Add: fair value gains on investment properties (net of deferred tax)	**646.3**	126.9	409
Profit attributable to owners of the parent	**1,713.6**	1,174.4	46
Total assets	**51,355.2**	40,142.5	28
Equity attributable to owners of the parent	**23,124.5**	16,419.6	41
Basic earnings per share (HK cents)	**18.70**	13.71	36
Basic earnings per share – less fair value gains on investment properties (net of deferred tax) (HK cents)	**11.65**	12.22	-5
Dividend (HK cents)			
– final dividend per ordinary share	**2.50**	2.50	–
Net debt-to-adjusted capital ratio (%)	**18**	48	N/A

Note:

Net debt-to-adjusted capital ratio = (interest-bearing bank and other borrowings – cash and cash equivalents – restricted bank balances and pledged deposits)/(total equity + amount due to related parties).





Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the board of directors (the "Board") of Franshion Properties (China) Limited ("Franshion Properties" or the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the"Group", "we" or "us") for the twelve months ended 31 December 2010 (the"Period under Review" or the "Year").

During the Period under Review, profit attributable to owners of the parent amounted to HK$1,713.6 million, representing an increase of 46% over last year. Basic earnings per share was HK18.70 cents. If the fair value gains on investment properties, net of deferred tax, are excluded, the profit attributable to owners of the parent would be HK$1,067.3 million, representing an increase of 2% over last year. The Board has resolved to recommend the payment of a final dividend of HK2.5 cents per share, which will be subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

Since 2010, the Chinese government has taken a host of stern measures such as the New National Ten ("新國十條") and the New National Eight ("新國八條") to tighten its control over the property market. These measures, on the one hand, aim to curb irrational demand for investment and speculation through raising the percentage of mortgage down payment and interest rates, limiting the number of property purchases and launching property tax trial, and on the other hand, aim to boost the market supply to solve the housing problems of mid/low-income families through increasing land supply, accelerating affordable housing construction and enhancing government accountability. Compared to residential housing, commercial properties were less affected by policy tightening, with high-quality offices, hotels and retail properties located at prime sites of key cities becoming more attractive for investment. Positioned as a high-end commercial property developer and operator with a well-established asset portfolio focused on property development, property leasing and hotel operations, the Company has achieved a more balanced and stable development in the three business segments and has created an increasingly clear synergy among them in 2010.

With respect to property development, the Group adhered to its growth strategy of high-end positioning and premium branding, and the construction of each project was well underway. The Shanghai Port International Cruise Terminal, a riverfront project located in the key area of North Bund of Shanghai, has been largely sold. The adjacent project, Shanghai International Shipping Service Center, has been designated as a key construction project of Shanghai, and with construction well in progress, is expected to commence pre-sale in 2011.

The Guangqu Jin Mao Palace, a project located in an area known as the "only remaining prime site" in Beijing, applies a number of hi-tech solutions, such as GSHP (ground source heat pump), capillary tube network and fresh air system, to provide a low-carbon, low-dust, low-noise and highly-comfortable living experience to residents. The sales office and sample units of this project have opened and are well received by the market. The Shanghai Dongtan Jin Mao Noble Manor, a high-end low-density residential project, and the Lijiang Jin Mao Mansion, a tourism complex, have both commenced construction.

With respect to property leasing, the Beijing office market maintained a strong growth momentum with better-than-expected performance for the whole year of 2010, Shanghai Pudong saw fierce competition in the office market as quite a number of office buildings were launched in Lujiazui. During the Period under Review, our office buildings, all located at the prime sites of Beijing and Shanghai, generated stable and stronger leasing revenue as well as a superior rental level. Beijing Sinochem Tower, Beijing Chemsunny World Trade Center and Shanghai Jin Mao Tower have reached an occupancy rate of 100%, close to 100% and the region's highest, respectively. According to a survey conducted by a third party engaged by us, the overall customer satisfaction index for our office leasing and property services is higher than the industry benchmark. In adhering to our customer-oriented service philosophy, we have carried out targeted rectifications on each office building, resulting in positive effects as part of our efforts to improve customer satisfaction level and operation and management standards.

With respect to hotel operations, the global economic recovery and increased international business activities, together with the Shanghai Expo, have resulted in a strong rebound in the high-end commercial hotel market in Beijing and Shanghai. Benefiting from the development of Hainan into an international tourism island and the continuous growth in resort demand, the high-end and luxurious hotel market in Sanya has experienced satisfactory growth. Through leveraging its advantage over hotel management, the Group captured the market opportunities and achieved not only much better results than the annual targets for 2010 in the hotel operations segment, but also strengthened and raised its leadership position within market competition. In addition, the Group, through the Observation Deck of Jin Mao Tower, capitalised on the unique opportunities offered by the Shanghai Expo and, through tapping into its nationwide operation and sales network and strengthening cooperation with travel agencies, delivered outstanding results. During the Shanghai Expo, the Observation Deck of Jin Mao Tower successfully attracted more than 10,000 visitors per day, with both revenue and profits hitting record highs.

"At this key moment of accelerated growth, Franshion Properties will adhere to its high-end positioning and premium branding strategy, and through both property sales and holdings, accelerate our expansion. We strongly believe that with a unique business model, high-quality asset portfolio, sound investment and financing portals as well as our shareholders' strong support, Franshion Properties shall stand out amidst policy tightening and industry consolidation over the property market and realise fast, healthy and sustainable growth."

Mr. LUO Dongjiang
Chairman

In 2010, the Group made key breakthroughs in the acquisition of key resources including land and capital. We believe that second-tier central cities with active regional economy, well-developed transportation network and abundant land resources will enjoy better growth opportunities, and the "Pan regional city circle" will also drive the consumption upgrade of regional central cities and bring them into a stage of faster growth. Adhering to its expansion strategy through partnership and negotiated land acquisition, in September 2010, it completed the acquisition of 50% interest in Shanghai Yin Hui Property Development Company Limited ("Shanghai Yin Hui") and obtained additional land reserve of 0.2 million square metres. The Group further followed up with the Changsha Meixi Lake International Service and Technology Innovation Town Project and procured the tier-1 land development right in January 2011, which is expected to contribute earnings to the Group in the future. The Group is also pushing forward a pipeline of potential projects in Beijing, Shanghai, Hefei, Hangzhou, Jinan and Chongqing, and selectively expanding its high-quality land reserve. In the face of credit tightening and higher financing costs, the Group successfully issued US$600 million perpetual convertible securities in October 2010 and obtained proposed credit facilities and new loans from several banks during the Period under Review, thereby not only effectively covering the capital needs of existing development projects but also laying a solid foundation for the Group's future growth.

In 2010, the Group stepped up its recruitment efforts, reinvented the incentive system and accomplished the cross-regional and multi-project operational management model, which effectively enhanced the professional operation and management capabilities of the property development segment. In addition, the Group accelerated the implementation of brand strategies, completed the assessment of the existing brand assets and introduced the brand new brand positioning of "Aim High with Vision, Building for the Future"; whilst developed a series of property development and services brands, including Jin Mao Palace, Jin Mao Noble Manor, Jinmao Property Services according to different types of products.

In 2011, the Chinese economy will continue on a positive track in its overall development. Against the backdrop of macro policies in relation to strategic restructuring over the economy and price stabilisation, further policy tightening and industry consolidation will be inevitable. In the face of complex policies and market environment, the Group will make timely adjustment to it business strategy, focus highly on cash flow management and adopt sound financial policies and prudent investment strategies. Given the limited impact of policy tightening over commercial properties, the Group is accelerating the progress of its large-scale urban complex and tier-1 land development projects in order to create a well-balanced asset

portfolio of higher profitability and risk tolerance. The Group will seek to enhance its strategic partnership with commercial banks and insurance funds, take advantage of the platform of project construction and industry induction and strengthen its business alliance in response to the changing and complicated external environment. Meanwhile, the Group will further promote the development and application of energy-efficient and low-carbon environmental technologies, with the aim of gradually gaining an edge in green technology and enhancing the competitiveness of its products in the market.

China's property market still has huge room for expansion during the 12th Five-Year Plan period and beyond. At this key moment of accelerated growth, Franshion Properties will adhere to its high-end positioning and premium branding strategy, and through both property sales and holdings, accelerate our expansion. On the one hand, the Group will increase the percentage of property sales so as to promote property holdings through sales; and accelerate asset turnover to achieve sustainable growth. On the other hand, whilst expanding its size, the Group will adhere to "holding quality properties" by gradually expanding the holding portfolio of landmark projects located in the prime locations of core cities with a view to becoming the premier high-end commercial property holder in China, establishing its leading position in the industry, thereby sharing gains from the appreciation of properties. The Group strongly believes that, with a unique business model, high-quality asset portfolio, sound investment and financing portals as well as strong support from shareholders, Franshion Properties shall stand out amidst policy tightening and industry consolidation over the property market and realise fast, healthy and sustainable growth. On behalf of the Board, I would like to express our sincere gratitude to our customers, business partners, shareholders and all employees of the Company. Franshion Properties will continue to use its best endeavors and creativity to make progress and achieve better results with a view to creating wealth for its shareholders and exploring a more prosperous future for the Group.

LUO Dongjiang
Chairman

Hong Kong
17 March 2011

Major Events

June 2010

"Jin Mao" brand was recognised as one of "China's 500 Most Valuable Brands" with its brand value of RMB3,399 million, six years in a row since 2004.

August 2010

Franshion Properties and China Development Bank, Shanghai Branch, duly entered into the Memorandum of Strategic Cooperation whereby Franshion Properties was granted with an integrated credit line of RMB20.0 billion.

Franshion Properties and Sinochem Finance duly entered into the Letter of Intent for Loans whereby Franshion Properties was granted with a proposed credit facility of RMB5.0 billion syndicate loan.

September 2010

Franshion Properties completed the acquisition of 50% interests of Shanghai Yin Hui

October 2010

Franshion Properties successfully issued US$600 million perpetual convertible securities

Franshion Properties was accredited the title of "Blue Chip Real Estate China 2010" in an election jointly organised by Economic Observer and Adfaith

November 2010

Franshion Properties and Global Hyatt Corporation entered into a hotel management contract to introduce the brand "Hyatt" into the hotels under Shanghai Dongtan Jin Mao Noble Manor Project

The ground breaking ceremony for the Eastern Site of Shanghai International Shipping Service Center Project was held at the riverfront in The Bund to the north of Shanghai.

December 2010

Lijiang Jin Mao Mansion Project kicked off foundation stone laying ceremony

The sales office of Beijing Guangqu Jin Mao Palace Project officially opened and launched sales

Honours and Awards

Major Integrated Awards

- "Jin Mao" trademark was recognised by Trademark Office of the State Administration for Industry and Commerce as "Famous Trademark of China" in January 2010.

- Franshion Properties was awarded "Top 10 PRC Real Estate Companies Listed in Hong Kong in terms of Profitability for 2010" by the Research Group of Top 10 Properties in China in June 2010.

- Franshion Properties was awarded "The Outstanding PRC Real Estate Stock for 2010" by Economic Digest in June 2010.

- Franshion Properties was awarded "Top 50 PRC Listed Real Estate Enterprises for 2010" by "China Real Estate Appraisal in June 2010.

- Franshion Properties' 2009 annual report was granted the silver prize under the category of "Real Estate Holding Enterprises", bronze price under the category of "Diversified Business", honorary prize under the category of "Hotel and Real Estate" and honorary prize under the category of "Real Estate Development and Service" in the 21st Galaxy Awards in August 2010.

- Franshion Properties was awarded the "Titanium Awards for Investor Relations" by The Asset in December 2010.

Major Office Project Awards

- J Life Jinmao Fashion & Lifestyle was awarded the "Progress Award of Mall China – PRC Shopping Mall for 2009-2010" in September 2010.

- Jin Mao Tower was named as the "Advanced Group" of National Safety Management for World Expo Security and Construction Projects 2010 by the National Safety Bureau of Pudong New District, Shanghai City in December 2010.

- Beijing Chemsunny World Trade Centre was granted the "Leading Office Building in the Industry" in the 7th Annual Meeting of China's Office Buildings Industry in December 2010.

Major Hotel Awards

China Jin Mao (Group) Company Limited (the "Jin Mao Group") was granted "The Best Owner of China's Hotels for 2009" by 2010 Asia Hotel Forum's Fifth China Hotel Starlights Awards in March 2010; in September of the same year, Jin Mao Group was granted the "Best Hotels Asset Management Group of Asia" at the 3rd "Asia Hotel Forum International Hotel Investment Summit".

Grand Hyatt Shanghai

- The only hotel in Shanghai to have awarded "Shanghai's Best Hotel" by Destin Asian in January 2010.
- Awarded "Top 50 Business Hotels in Greater China" by Travel & Leisure in January 2010.
- Awarded "China's Top 10 Most Attractive Hotels for 2009" by Asia Hotel Forum's Fifth China Hotel Starlights Awards in March 2010.
- Awarded "Shanghai's Best Hotel" by Destin Asian in March 2010.
- Won the award of "Asia's Best Business Hotel" by Smart Travel Asia in October 2010.
- Awarded "China's Top 100 Hotels" in the 2010 China Travel Awards held by Travel & Leisure in November 2010 for the fourth consecutive years.

The Ritz-Carlton, Sanya

- Awarded "China's Top 10 Most Attractive Hotels for 2009" by 2010 Asia Hotel Forum's Fifth China Hotel Starlights Awards in March 2010.
- Named as "China's Best Resort Hotel for 2010" at the 2010 TTG China Travel Awards Ceremony in April 2010.
- Granted the award of "My Most Favourite Hotel for 2010" by Ctrip.com and HOTELS in June 2010 for the second consecutive year.
- Awarded "Asia's Top 25 Resort Hotels for 2010" and "Asia's Top 25 Spa Hotels" by smarttravel.com in September 2010.

Hilton Sanya Resort & Spa

- Awarded "Top 20 Resort Hotels in Greater China for 2009" by Travel & Leisure in January 2010.
- Awarded "China's Top 10 Leisure Resorts for 2009" by 2010 Asia Hotel Forum's Fifth China Hotel Starlights Awards in March 2010.
- Awarded "China's Top 5 Resort Hotels" by the US's HOTELS in June 2010.

Westin Beijing, Chaoyang

- Named as "The Best Business Hotel" by Travel & Leisure in January 2010.
- Awarded "China's Top 10 City Business Hotels for 2009" by 2010 Asia Hotel Forum's Fifth China Hotel Starlights Awards in March 2010.

JW Marriott Shenzhen

- Awarded "China's Top 10 City-Nova Hotels for 2009" by 2010 Asia Hotel Forum's Fifth China Hotel Starlights Awards in March 2010.
- Awarded "China's Top 10 Most Popular Business Hotels for 2010" in the 7th Golden Pillow Awards of China's Hotels in May 2010.
- Recognized as "China's Top 5 Luxury Hotels" by the US's HOTELS in June 2010.

Wangfujing Grand Hotel

- Awarded "The Most Popular and Preferred Business Hotel for 2009" by the Second Organizing Committee of China Hotel Industry Summit in January 2010.
- Named as "Top 10 Five-Star Excellent Hotel Brands of the Asia Hotel Golden Olive Awards" by Asia Hotel Leaders Summit in November 2010.

Management Discussion and Analysis

The year 2010 was a year of substantial transformation for the property market in China, as well as the year which marked the beginning of strategic growth of the Group. In face of various government austerity policies and intensifying industry competition, the Group adopted prudent and proactive measures to cope with the operating difficulties and achieved remarkable results amid such complicated market conditions where a stable and yet fast growth in results performance was recorded as compared to that of last year.

Under the complicated and ever-changing market environment in 2010, the Group swiftly refined the models of each business segment in the following manner: in light of the complicated real estate sales market, the Group entered into the sales contracts, respectively, for the Block No. 2 and Block No. 8 of Shanghai Port International Cruise Terminal with an area transacted of up to 23,000 square metres, laying a foundation for enhancing the target results of annual performance; in view of the keen competition from its peers in the office lease market, the Group adopted the strategies of stabilising the existing tenant base and refining the tenant mix to secure a stable occupancy rate and rental level where the office leasing operations maintained a relatively high level of revenue; in light of the recovering hotel market, the Group actively adopted a variety of measures to seize market opportunities in different locations, stepped up the marketing efforts and implemented stringent cost control policies, enabling its hotels to maintain a leading position among its peers in the same region and realising the objective of "outperforming its peers under the same conditions". During the period, the Group completed the acquisition of the Western Site of the Shanghai International Shipping Service Center Project. In addition, the Group obtained the tier-1 land development rights in respect of Changsha Meixi Lake Project in January 2011, laying a firm foundation for the future project development of the Group.

Franshion Properties' reputation has been increasing in the industry. In January 2010, Franshion Properties' "Jin Mao" trademark was recognised by the SAIC as a famous trademark of China for "the category of real estate leasing and management". In June 2010, Franshion Properties ranked eighth in "Top 10 PRC Real Estate Companies Listed in Hong Kong in terms of Wealth Generating Capabilities"(中國大陸在港上市房地產公司財富創造能力TOP10) as announced by the Research Group of Top 10 Properties in China for its distinguished wealth generating capabilities and this was the third consecutive year that Franshion Properties was among the top 10 rankings. At the same time in June 2010, Franshion Properties was named one of the fifteen outstanding Mainland Chinese real estate stocks by Hong Kong's well-known finance and economics magazine *Economic Digest* for the second consecutive year. In October 2010, together with enterprises including China Vanke, China Overseas Holding and China Poly Group, Franshion Properties got the honorary title of "China Blue Chip Real Estate 2010" from *Economic Observer*. The above awards were validations of Franshion Properties' reputation and strength in the capital markets as an established high-end real estate developer in China by the media and experts in the finance and economics sectors.

Our Property Segment

Franshion Properties (China) Limited

- Property development
- Property leasing
- Hotel operations
- Property related business

Beijing

- ■ Beijing Chemsunny World Trade Centre
- ▲ Westin Beijing, Chaoyang
- ■ Sinochem Tower
- ▲ Wangfujing Grand Hotel
- ● Beijing Guangqu Jin Mao Palace Project

Shanghai

- ■ Jin Mao Tower
- ▲ Grand Hyatt Shanghai
- ● Shanghai Port International Cruise Terminal Project
- ● Shanghai International Shipping Service Center Project
- ● Shanghai Dongtan Jin Mao Noble Manor Project

Zhuhai

- ● Zhuhai Every Garden Project

Changsha

- ● Changsha Meixi Lake Project*

Sanya

- ▲ Ritz-Carlton, Sanya
- ▲ Hilton Sanya Resort & Spa, Hainan

Lijiang

- ● Jin Mao World Heritage Park Redevelopment Project
- ● Lijiang Jin Mao Mansion Project

Shenzhen

- ▲ JW Marriott Shenzhen

● Property development ■ Property leasing ▲ Hotel operations

* Changsha Meixi Lake Project was acquired in January 2011

Management Discussion and Analysis – Business Review

PROJECT INFORMATION

1. AREAS BY SEGMENTS

Franshion Properties
Total gross floor area: 2,278,756 square metres

Property Development Total gross floor area: 1,506,015 square metres			Property Leasing Total gross floor area: 363,870 square metres	Hotel Operations Total gross floor area: 408,871 square metres Number of guest rooms: 2,872
Completed Projects: *(unsold portion)* East Tower of the Beijing Chemsunny World Trade Centre and car parks: 50,138 square metres Zhuhai EveryGarden: 5,766 square metres Block No.1 of Shanghai Port International Cruise Terminal Project: 21,407 square metres	Projects under development: Site B of the Shanghai Port International Cruise Terminal Project: 109,400 square metres* Shanghai International Shipping Service Center Project: 530,933 square metres* Beijing Guangqu Jin Mao Palace Project: 366,302 square metres* Shanghai Dongtan Jin Mao Noble Manor Project: 164,009 square metres*	Reserved Projects: Jin Mao World Heritage Park Redevelopment Project: 215,000 square metres* Lijiang Jin Mao Mansion Project: 43,060 square metres*	Completed Projects: *(investments properties)* Central and West Towers of the Beijing Chemsunny World Trade Centre: 102,739 square metres Jin Mao Tower (excluding hotel): 212,065 square metres Sinochem Tower: 49,066 square metres:	*Hotels in operation* Grand Hyatt Shanghai Hotel: 80,410 square metres, 555 rooms Hilton Sanya Resort & Spa: 76,666 square metres, 501 rooms Wangfujing Grand Hotel: 41,349 square metres, 405 rooms Ritz-Carlton, Sanya: 83,000 square metres, 450 rooms Westin Beijing, Chaoyang: 75,446 square metres, 550 rooms JW Marriott Shenzhen: 52,000 square metres, 411 rooms

2. PROPERTY INVESTMENT PROJECTS

Name of property projects	Total gross floor area (square metres)	Including: Office building area available for lease (square metres)	Including: Commercial area available for lease (square metres)	Including: Carparking spaces (unit)
Central and West Towers of the Beijing Chemsunny World Trade Centre	102,739	97,592	5,147	302
Jin Mao Tower (excluding hotel)	212,065	122,131	22,986	800
Sinochem Tower	49,066	29,495	8,707	260
Sub-total	**363,870**	**249,218**	**36,840**	**1,362**

3. COMPLETED PROJECTS – UNSOLD PORTION

Name of property projects	Unsold total gross floor area (square metres)	Including: Commercial and residential area available for sale (square metres)	Including: Carparking spaces available for sale (unit)
East Tower of the Beijing Chemsunny World Trade Centre and car parks	50,138	8,021	639
Zhuhai Every Garden Project	5,766	963	414
Block No.1 of Shanghai Port International Cruise Terminal Project	21,407	21,407	–
Sub-total	**77,311**	**30,391**	**1,053**

4. INFORMATION ON EXISTING PROJECTS

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Area sold (square metres)	Area unsold (square metres)
A. Projects under development									
Site B of Shanghai Port International Cruise Terminal Project	No. 610 Dong Da Ming Road, Hongkou District, Shanghai, the PRC	85,089	302,080*	Commercial	Holding and selling	50%	2011	192,680***	109,400
Shanghai International Shipping Service Center Project	Jie Fang 81 Ti Lan Qiao Street, Hongkou District, Shanghai, the PRC	95,594	530,933*	Commercial	Holding and selling	50%	2013	N/A	N/A
Beijing Guangqu Jin Mao Palace Project	Northwest of Dajiaoting Bridge, Chaoyang District, Beijing, the PRC	155,918	366,302*	Residential	Selling	100%	2013	N/A	N/A
Shanghai Dongtan Jin Mao Noble Manor Project	Bin Jiang Leisure and Sports Residential Community, Chenjia Town, Chongming Island, Shanghai, the PRC	220,000	164,009*	Commercial/ residential	Holding and selling	100%	2013	N/A	N/A
B. Reserved projects									
Jin Mao World Heritage Park Redevelopment Project	Lijiang World Heritage Park, Lijiang City, Yunnan Province, the PRC	333,330	215,000*	Commercial/ residential	Holding and selling	100%	Beyond 2013	N/A	N/A
Lijiang Jin Mao Mansion Project	Ganhaizi, Yulong Snow Mountain, Lijiang City, Yunnan Province, the PRC	65,575	43,060*	Commercial/ residential	Holding and selling	100%	Beyond 2013	N/A	N/A

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Company	Date of completion	Area sold (square metres)	Area unsold (square metres)	Area held (square metres)	Area of hotel (square metres)
C. Completed Projects											
Beijing Chemsunny World Trade Centre	Nos. 26, 28 and 30, Fu Xing Men Nei Avenue, Xicheng District, Beijing, the PRC	21,659	194,530	Office building	Holding and selling	100%	2006	41,653	50,138	102,739	–
Block No.1 of Shanghai Port International Cruise Terminal	No.568 Dong Da Ming Road, Hongkou District, Shanghai, the PRC	****	21,407	Office building	Selling	100%	2010	–	21,407	–	–
Zhuhai Every Garden	No. 11 North of Zhuhai Qinglv Avenue, Xiangzhou District, Zhuhai, Guangdong Province, the PRC	43,499	137,225	Residential	Selling	100%	2008	131,460	5,766	–	–
Sinochem Tower	No. A2 Fu Xing Men Wai Avenue, Xicheng District, Beijing, the PRC	5,833	49,066	Office building	Holding	100%	1995	–	–	49,066	–
Jin Mao Tower (including hotel)	No. 88 Shiji Dadao, Pudong New District, Shanghai, the PRC	23,611	292,475	Office building	Holding	100%	1999	–	–	212,065	80,410

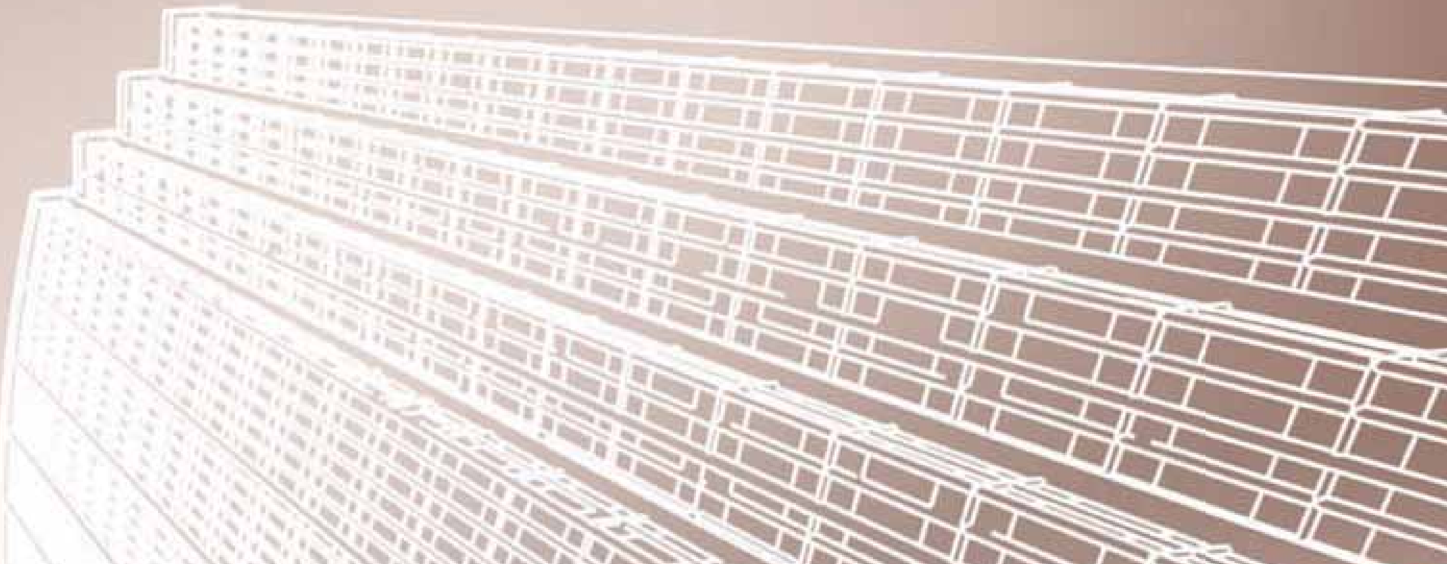
Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Number of guest rooms
D. Hotel operations projects								
Wangfujing Grand Hotel	No. 57 Wang Fu Jing Avenue, Dongcheng District, Beijing, the PRC	9,858	41,349	Hotel	Holding	100%	1995	405
Grand Hyatt Shanghai	No. 88 Shiji Dadao, Pudong New District, Shanghai, the PRC	**	80,410	Hotel	Holding	100%	1999	555
Hilton Sanya Resort & Spa	Yalong Bay Resort, Sanya, Hainan Province, the PRC	108,610	76,666	Hotel	Holding	60%	2006	501
Ritz-Carlton, Sanya	Yalong Bay Resort, Sanya, Hainan Province, the PRC	153,375	83,000	Hotel	Holding	100%	2008	450
Westin Beijing, Chaoyang	Nos. 1-3 Xinyuan South Road, Chaoyang District, Beijing, the PRC	24,195	75,446	Hotel	Holding	100%	2008	550
JW Marriott Shenzhen	No. 6005 Shennan Boulevard, Futian District Shenzhen, Guangdong Province, the PRC	4,471	52,000	Hotel	Holding	100%	2009	411

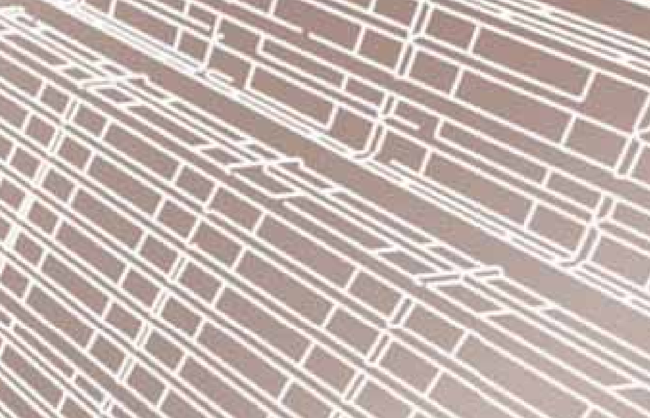
* Estimated gross floor area
** Grand Hyatt Shanghai situated in Jin Mao Tower
*** Area sold of 192,680 square metres includes Block No.1 of Shanghai Port International Cruise Terminal purchased by the Group
**** Site area is included in Site B of Shanghai Port International Cruise Terminal Project

Property Leasing Segment

Aim High

Global magnitude and foresight into the future. We have not only created benchmark properties that leads the industry, but also formed a driving force into the future, which guides us to create quality real estate with sustainable development and continuous value enhancement under the mission of operational excellence.





Property Leasing Segment

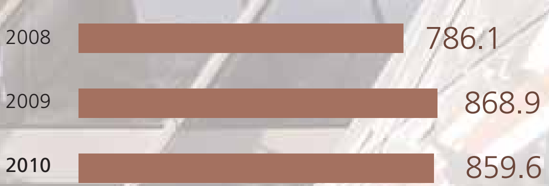
The Group endeavours to hold high-end commercial properties at the prime locations in cities. The major investment properties include Beijing Chemsunny World Trade Centre, Sinochem Tower and Jin Mao Tower. Our investment properties are of high quality and with superior and unique designs, enabling them to become the local landmarks. In particular, Jin Mao Tower was once the highest skyscraper in China. It is a perfect combination of the world's modern architectural design and the traditional Chinese architectural style (pagoda), and enjoys a high reputation nationwide and even worldwide. Beijing Chemsunny World Trade Centre distinguishes itself from other high-end office buildings in Beijing by its unique overall design style as well as its highend ancillary facilities.

The Group's strategy is to retain the properties with the highest investment value in the commercial property development project for rental income so as to ensure that stable cash inflows will be generated to the Group in the future to resist risks. As our office buildings are situated at favourable geographical locations and are of superior quality, the Group can achieve satisfactory operating performance and receive value-added gains from the appreciation of investment properties. The Group will also actively adjust the proportion of properties for holding and properties for sales with a view to achieving balanced operations and sustainable growth in performance.

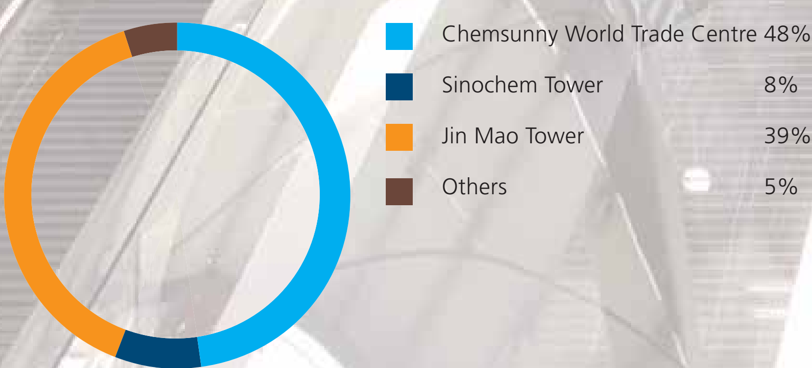
As at 31 December 2010, the Group owned three investment properties in China, among which, two were located in Beijing and one was in Shanghai. During the Period under Review, the investment properties owned by the Group flexibly adjusted the operating strategies and continued to optimise the tenant mix. Leverage on its premium quality, favourable geographical location and high-end property services among similar properties in the same region, its occupancy rate and rental level were kept at a relatively high level, thus generating stable revenue to the Group.

During the Year, the overall sales revenue from property leasing segment amounted to HK$859.6 million, which was substantially the same as that of last year. The rental income for the Year was mainly derived from Jin Mao Tower and Beijing Chemsunny World Trade Centre.

Sales revenue from property leasing segment for the past three years (HK$ million)



Percentage of sales revenue attributable to each investment property for 2010



Business Review – Property Leasing Segment

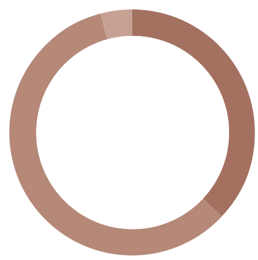
Leasing business of Beijing Chemsunny World Trade Centre

(100% owned by the Group)

Situated on Fuxingmen Nei Street within the financial district of Beijing, Beijing Chemsunny World Trade Centre is adjacent to West Chang An Avenue and opposite to Jinrong Street. The complex is less than ten minutes' walk from two subway lines and only one block to the west of the Second Ring Road.

Tenant structure of Beijing Chemsunny World Trade Centre

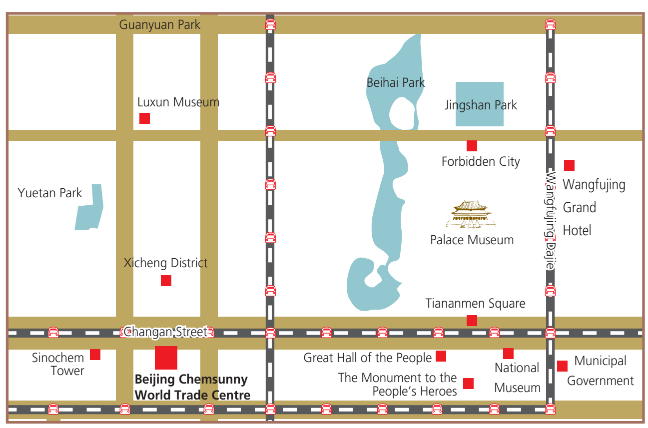
Related companies	37%
Financial	59%
Others	4%



The project comprises three parallel and interconnected 14-storey office buildings, being the East, Central and West Towers respectively. The three office buildings comprise a total gross floor area of approximately 194,530 square metres. Construction of the Beijing Chemsunny World Trade Centre commenced in April 2004 and the main body of the construction was completed in December 2006. The complex can provide separate offices for approximately 80 to 120 companies, and house as many as 5,000 employees. It distinguishes itself from other highend office buildings in Beijing by the incorporation of a number of distinctive design elements and features. The Group holds 100% interests in the project.

The Central and West Towers of Beijing Chemsunny World Trade Centre are the Group's long-term investment and are held for rental to external parties, with a total rentable area of approximately 102,739 square metres, while the East Tower is available for sale on a floor basis.

Due to its prime location, superior quality, advance product design and high-end ancillary facilities, the property is widely recognised by its clients throughout the market, and a large number of international and domestic renowned enterprises have moved into Beijing Chemsunny World Trade Centre. As at 31 December 2010, the occupancy rate of Beijing Chemsunny World Trade Centre was 99.3% (as at 31 December 2009: 95.0%). The primary tenants of this property are Sinochem Group and its related companies, and some of the top companies from other fields including finance and consultancy.



Business Review – Property Leasing Segment

Leasing business of Sinochem Tower

(100% owned by the Group)

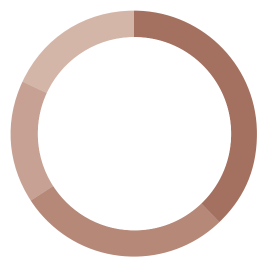
Situated at the heart of Beijing on Fuxingmen Wai Street, the prime location of the business circle of the financial street which is less than 50 metres away from the subway station of the Beijing Subway Line One, Sinochem Tower is an office building supported by sophisticated office facilities and personalised services.

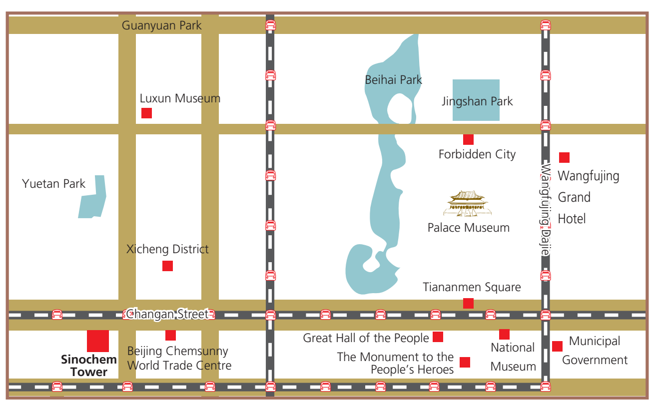
The 26-storey Sinochem Tower has a total gross floor area of approximately 49,066 square metres. The Group holds 100% interest in the Sinochem Tower.

The principal tenants are eminent enterprises of the finance, software, and consultancy industries and the related companies of the Group. During the Year, after adjustment the tenant structure, such property not only recorded an increase in the rental level but also maintained the occupancy rate at high levels. As at 31 December 2010, the occupancy rate was 100.0%, an increase as compared to 99.1% for last year.

Tenant structure of Sinochem Tower

Related companies	38%
Financial	28%
Commercial	16%
Others	18%





Business Review – Property Leasing Segment

Leasing business of Jin Mao Tower

(100% owned by the Group)

Situated at the Lujiazui Finance and Trade Zone of Pudong, Shanghai, Jin Mao Tower is one of China's landmark buildings attracting numerous businessmen, tourists and sightseers at home and abroad. The 420.5-metre-high 88-storey tower, with a gross floor area of approximately 292,475 square metres, represents a perfect combination of China's traditional architectural techniques and the world's state-of-the-art technology.

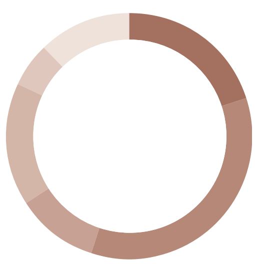
The spacious, bright and imposing entrance hall of Jin Mao Tower is located on the first two floors. On the 3rd-50th floors are commodious office areas without poles, with a height between floors of 4 metres and a ceiling height of 2.7 metres. The 51st-52nd floors are designed for mechanical and electric rooms, and the 53rd-87th floors house the Grand Hyatt Shanghai Hotel, a superior luxury five-star hotel. The indoor observation deck is on the 88th floor. "J-Life" was constructed on the podium building connected to Jin Mao Tower and has become the brand new fashionable landmark in Shanghai. The Group owns 100% interest in Jin Mao Tower.

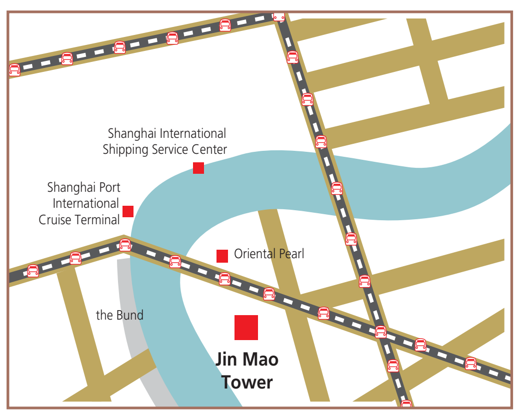
The 3rd-50th floors of Jin Mao Tower are made up of grade A offices, and the leaseable office area has a total gross floor area of approximately 122,131 square metres. Its excellent location, along with its superior landmark effects, makes the tower one of the first choices as place of business in Shanghai for prestigious corporations at home and abroad. In spite of the intensifying competition between office buildings due to the completion of a number of new office buildings in the surrounding areas during the period, the occupancy rate and rental level remained steady as proactive measures were adopted for such project. As at 31 December 2010, the occupancy rate of the offices in Jin Mao Tower was 92.4% (as at 31 December 2009: 90.0%).

"J-Life", constructed on a gross floor area of approximately 22,986 square metres and located in the podium building of Jin Mao Tower, is anchored by many flagship stores of famous brands engaged in the provision of retailing services, private nursing services, personalised services and Chinese and western catering services, and has become one of the high-end lifestyle service centres in Pudong, Shanghai, which greatly improves the overall quality of Jin Mao Tower.

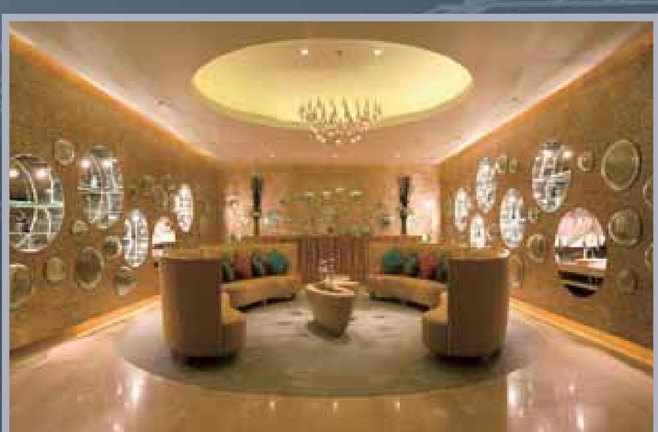
Tenant structure of Jin Mao Tower

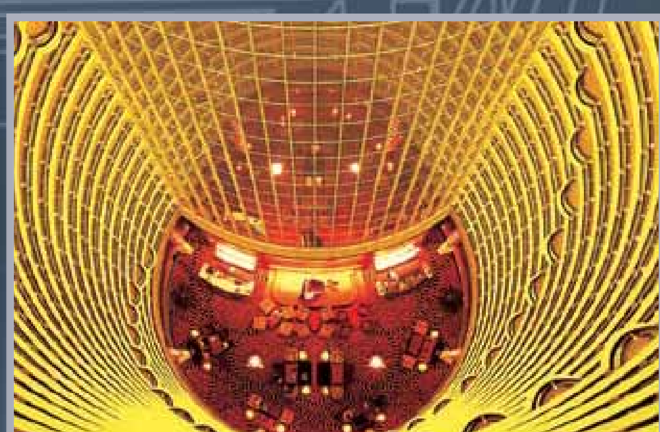
Related companies	20%
Financial	35%
Technology	11%
Consultancy	16%
Trading	6%
Others	12%





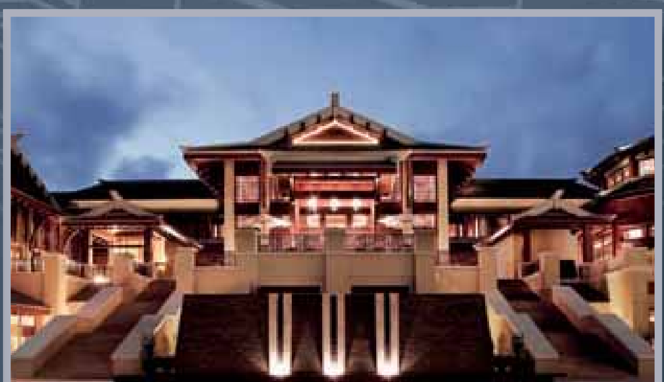
Hotel Operations Segment





Vision

Devotion leads to accomplishments. We believe in the power of persistence and adhere to people-oriented hospitality, long-term service commitments and ultimate hardware standards. Our unfailing persistence transforms customer's expectation and recognition into a power which drives us to consistent advancement.



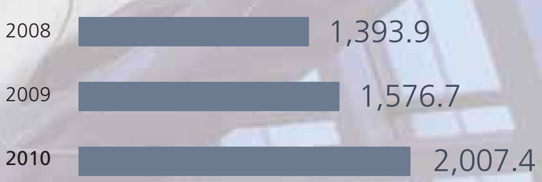
Hotel Operations Segment

The Group is committed to the investment and operation of high-end hotels in core cities and tourist cities and has accumulated extensive management experience. In particular, the Group has developed a sophisticated management model in realising profit-sharing with the world's renowned hotel management companies. Under the Group's principle of developing exclusive and high-end hotels, our hotel operations are identified with high-quality services and are popular among, and well recognised by, high-income consumers. In addition to generating profit, this enhances the Group's brand and overall reputation, and promotes the image and popularity of the other business segments of the Group, thereby generating higher profitability.

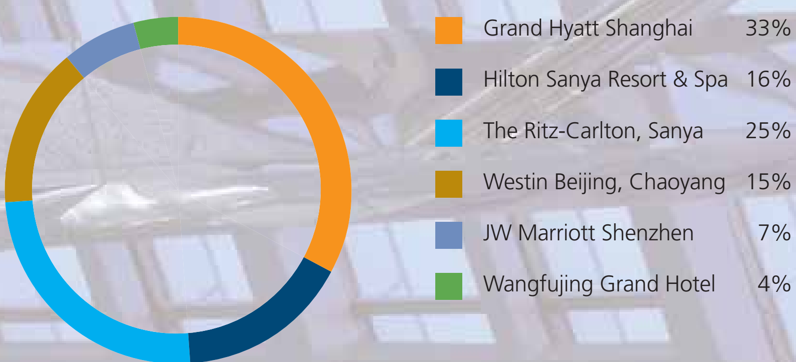
As at 31 December 2010, the Group owned six hotels in China, which are located in Beijing, Shanghai, Sanya and Shenzhen respectively. Among such hotels, Wangfujing Grand Hotel is directly operated by the Group, and the other hotels are high-end luxury hotels which are managed by world famous international hotel management companies entrusted by the Group. During the Period under Review, the Group maintained its leading position among its peers and achieved substantial growth in its results by fully capitalising on the favourable opportunities arising from Hainan International Travel Island and Shanghai Expo and adopting various flexible measures to expand the market.

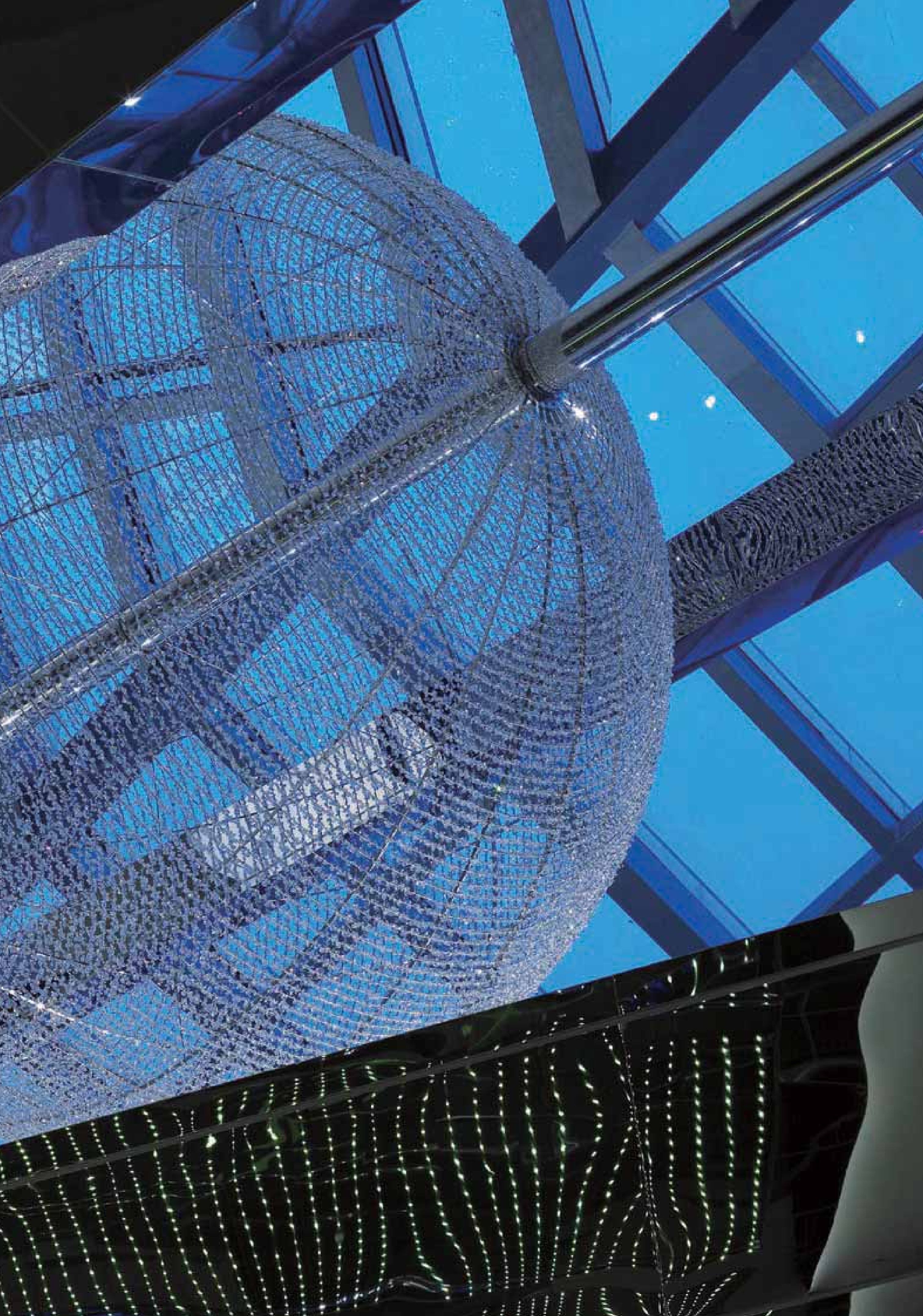
During the Year, the overall sales revenue from hotel operations segment amounted to HK$2,007.4 million, representing a growth of 27% over that of last year. The revenue from hotel operations for the Year was mainly derived from Grand Hyatt Shanghai, Hilton Sanya Resort & Spa and The Ritz-Carlton, Sanya.

Sales revenue from hotel operations segment for the past three years (HK$ million)



Percentage of sales revenue attributable to each hotel for 2010





Business Review – Hotel Operations Segment – Shanghai

上海金茂君悅大酒店 GRAND HYATT SHANGHAI

Grand Hyatt Shanghai

(100% owned by the Group)

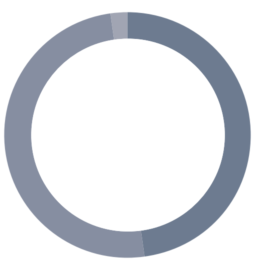
Situated on 53rd to 87th floors of Jin Mao Tower, Grand Hyatt Shanghai is operated and managed by Global Hyatt Corporation (one of the world famous international hotel management companies) entrusted by the Group.

Grand Hyatt Shanghai was opened in 1999 with a total gross floor area of 80,410 square metres. The 35-storey hotel has 555 luxury guest rooms each decorated with panorama glass curtain walls, thus allowing guests to enjoy the breathtaking scenery of Shanghai city.

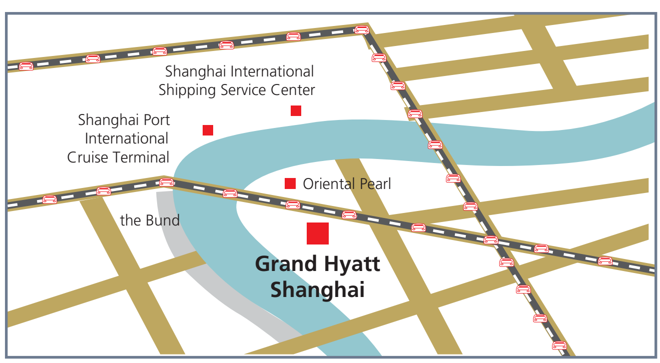
Since its inauguration, the hotel has been granted more than 100 hotel-related awards in China and abroad, and has successfully undertaken a series of significant activities such as the Fortune Global Forum, APEC Conference, Asian Bankers' Annual Conference and Forbes' Global CEO Conference. In 2010, Grand Hyatt Shanghai was named the "Designated Hotel of 2010 Shanghai Expo"(2010上海世博會指定接待住地) by the Shanghai Municipal Government. During the period of Shanghai Expo, the hotel received a total of 34 batches of VIP guests across the world and China and provided services to 66 large-scale Expo-related activities, serving approximately 200,000 people. The hotel firmly seized the historical opportunities brought forth by the Expo. Amidst tough market competition, the hotel adopted flexible pricing strategies and stepped up its marketing efforts, thereby achieving a substantial growth in its results which was reflected in the frequent occurrence of full booking situation particularly during the period of Shanghai Expo.

Revenue structure 2010

Revenue from guest rooms	48%
Revenue from catering services	50%
Other revenue	2%

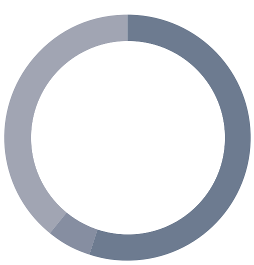


Grand Hyatt Shanghai	2010	2009
Average occupancy rate	**72.3%**	57.0%
Average room rate (RMB)	**1,994**	1,677
Average revenue per available room (RMB)	**1,442**	957



Guest structure 2010

Mainland China	55%
Hong Kong and Taiwan	6%
Overseas	39%



Business Review – Hotel Operations Segment – Sanya

Hilton Sanya Resort & Spa

(60% owned by the Group)

Hilton Sanya Resort & Spa
金茂三亚希尔顿大酒店

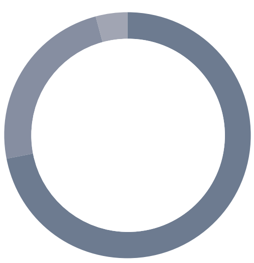
Situated at the enchanting Yalong Bay, Hainan Province, Hilton Sanya Resort & Spa is operated and managed by Hilton International Corporation (one of the world famous international hotel management companies) entrusted by the Group.

Hilton Sanya Resort & Spa was opened in 2006 with a total gross floor area of approximately 76,666 square metres, and has 501 guest rooms, suites and villas as well as 400 metres of powdery white beachfront. This hotel is designed and built with unique features and services to provide a "True Resort Experience", a basic concept embodying strong southern China's characteristics everywhere.

During the Period under Review, by capturing the opportunities arising from the PRC government's development plans for Hainan International Travel Island, overcoming the impacts of natural disasters in the second half of the year and striving to expand the overseas market, Hilton Sanya Resort & Spa achieved satisfactory operating results and continued to rank top among its peers in the same region.

2010 Revenue structure

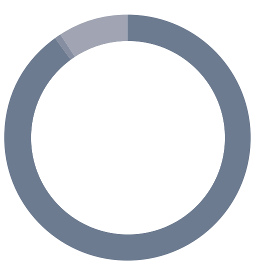
● Revenue from guest rooms	72%
● Revenue from catering services	24%
● Other revenue	4%



Hilton Sanya Resort & Spa	2010	2009
Average occupancy rate	**66.6%**	67.6%
Average room rate (RMB)	**1,752**	1,470
Average revenue per available room (RMB)	**1,167**	994

2010 Guest structure

● Mainland China	90%
● Hong Kong and Taiwan	1%
● Overseas	9%



Business Review – Hotel Operations Segment – Sanya

The Ritz-Carlton, Sanya

(100% owned by the Group)

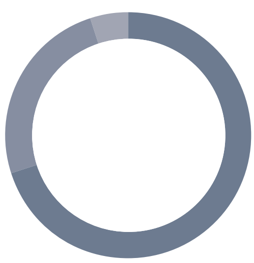
Situated at the charming Yalong Bay of Sanya, the Ritz-Carlton, Sanya is operated and managed by the Ritz-Carlton Hotel Company (one of the world famous international hotel management companies) entrusted by the Group.

The Ritz-Carlton, Sanya was opened in April 2008. It has a total gross floor area of approximately 83,000 square metres and 450 luxury guest rooms. Each guest room has a floor area of more than 60 square metres. 21 of such guest rooms are luxury suites and 33 are villas with private housekeepers and independent swimming pools, all of which are situated between the fine and silvery white sand recesses and the conservation zone of the mangrove forest of Yalong Bay.

During the Period under Review, Ritz-Carlton, Sanya fully capitalised on the opportunities arising from the policies relating to the international travel island, continued to consolidate its thriving position in the high-end hotel market in Yalong Bay through adopting highly market sensitive and flexible operating strategies, and significantly outperformed its peers in the same region.

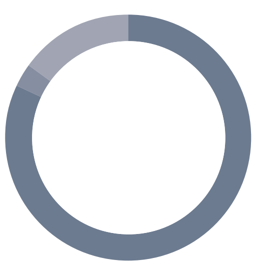
2010 Revenue structure

- Revenue from guest rooms 70%
- Revenue from catering services 25%
- Other revenue 5%

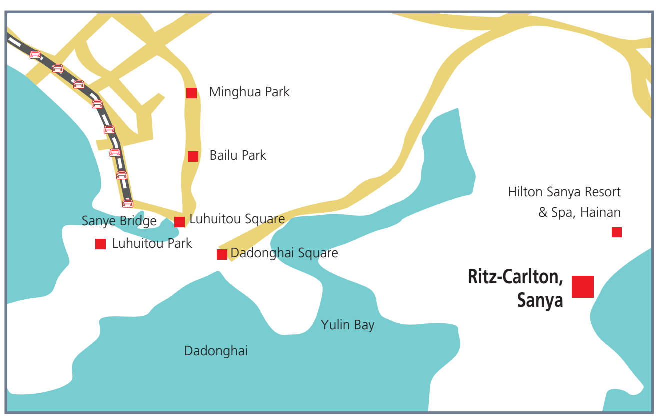


2010 Guest structure

- Mainland China 82%
- Hong Kong and Taiwan 3%
- Overseas 15%



The Ritz-Carlton, Sanya	2010	2009
Average occupancy rate	**76.2%**	75.1%
Average room rate (RMB)	**2,425**	1,953
Average revenue per available room (RMB)	**1,848**	1,466



Business Review – Hotel Operations Segment – Beijing

THE WESTIN
BEIJING
CHAOYANG
金茂北京威斯汀大饭店

Westin Beijing, Chaoyang

(100% owned by the Group)

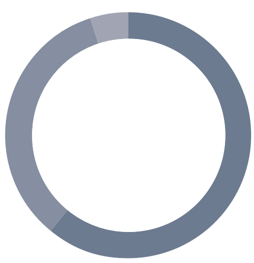
Situated at Yansha Business Circle, Chaoyang District, Beijing and adjacent to Beijing's embassy area, Westin Beijing, Chaoyang is only 25 minutes' ride from Beijing Capital International Airport. The hotel is operated and managed by Starwood Hotels & Resorts Management Company (喜達屋酒店及度假村管理集團公司, one of the world famous international hotel management companies) entrusted by the Group.

Westin Beijing, Chaoyang was opened in June 2008. The 34-storey hotel has a total gross floor area of approximately 75,446 square metres and 550 guest rooms, which, from luxury guest rooms of 40 square metres to presidential suites of 320 square metres, provide various comfortable and convenient facilities to cater to each guest's favourite way of recreation. Since its opening, the hotel served numerous foreign heads of state and business elites, thereby establishing a high-end brand image of the hotel.

During the Period under Review, despite the severe external economic environment, the hotel gradually expanded its market share leveraging on its product strength and favourable geographical location, the support from its stable and quality customers and government authorities, and its flexible pricing strategies, thereby ranking top among its peers in the same region.

2010 Revenue structure

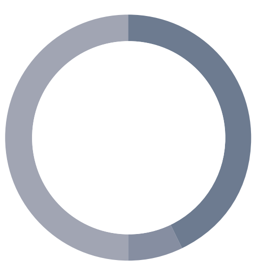
- Revenue from guest rooms 61%
- Revenue from catering services 34%
- Other revenue 5%

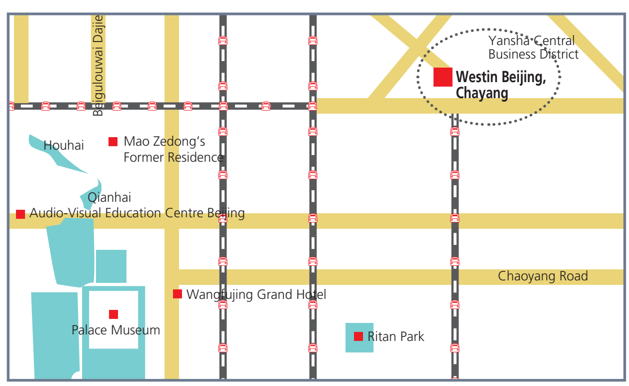


Westin Beijing, Chaoyang	2010	2009
Average occupancy rate	**67.9%**	53.0%
Average room rate (RMB)	**1,251**	1,195
Average revenue per available room (RMB)	**849**	633

2010 Guest structure

- Mainland China 43%
- Hong Kong and Taiwan 7%
- Overseas 50%





Business Review – Hotel Operations Segment – Beijing

Wangfujing Grand Hotel

(100% owned by the Group)

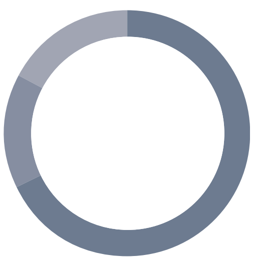
Situated on the northern section of Wangfujing Avenue in Beijing's major business and shopping district, Wangfujing Grand Hotel is enjoying an unparalleled location, which allows for walks to a cluster of cultural and historical sites and facilities, short distance to The Forbidden City, Tian'anmen Square and Beihai Park, and a bird's-eye view of The Forbidden City. Wangfujing Grand Hotel is operated and managed by the Group.

The Wangfujing Grand Hotel was opened in 1995. This 14-storey building has 405 guest rooms as well as a number of conference rooms, dining and wine outlets and other facilities. The hotel has a total gross floor area of approximately 41,349 square metres.

Due to its convenient location, Wangfujing Grand Hotel has attracted a large number of tourists. Amid severe external market environment, the hotel has adopted various flexible business strategies such as implementing flexible and competitive pricing policies, strengthening marketing efforts in online booking, tapping into small-to-medium conferencing market and launching festival catering promotion, which generated satisfactory revenue to the Group.

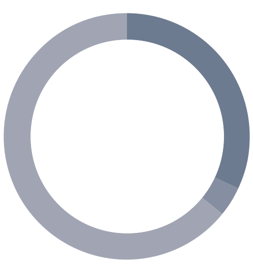
2010 Revenue structure

- Revenue from guest rooms 68%
- Revenue from catering services 15%
- Other revenue 17%

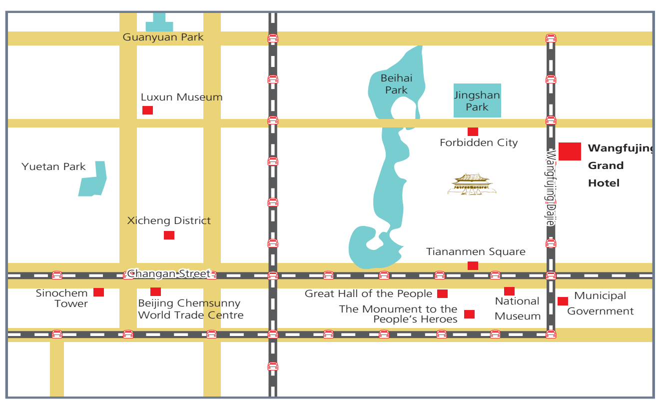


2010 Guest structure

- Mainland China 32%
- Hong Kong and Taiwan 4%
- Overseas 64%



Wangfujing Grand Hotel	**2010**	2009
Average occupancy rate	**52.2%**	69.9%
Average room rate (RMB)	**620**	566
Average revenue per available room (RMB)	**323**	395



Business Review – Hotel Operations Segment – Shenzhen

JW Marriott Shenzhen

(100% owned by the Group)

JW Marriott Shenzhen is located in Futian District, Shenzhen, in close proximity to the Shenzhen Golf Club. The hotel is operated and managed by Marriot Hotel International (one of the world famous international hotel management companies) entrusted by the Group.

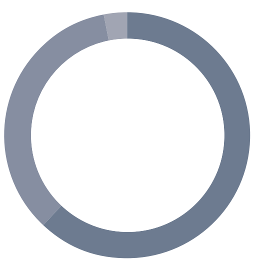
JW Marriott Shenzhen was officially opened in March 2009, occupying a total gross floor area of approximately 52,000 square metres. It has 411 guest rooms, a banquet hall that can accommodate 400 people, as well as 5 conference rooms equipped with the most advanced audio-visual technology. Its modern tropical design concept blends into the architectural style of the hotel and the seasonal characteristics of the South China city, making the hotel one of Shenzhen's top-grade superior deluxe five-star rating business hotels.

Since its opening in 2009, the hotel has been optimising its marketing team to expand the market shares and has made substantial progress in both agreement client and tour agency markets. Our business team also performed well. The average occupancy rate climbed up considerably, rendering it one of the top hotels in the region.



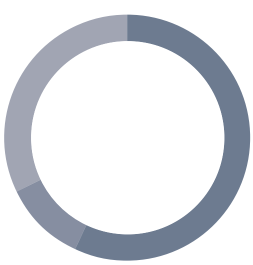

2010 Revenue structure

- Revenue from guest rooms 62%
- Revenue from catering services 35%
- Other revenue 3%



2010 Guest structure

- Mainland China 57%
- Hong Kong and Taiwan 11%
- Overseas 32%



JW Marriott Shenzhen	2010	2009
Average occupancy rate	**71.4%**	39.7%
Average room rate (RMB)	**801**	816
Average revenue per available room (RMB)	**572**	324

Property Development Segment

Building for the Future

External expression and internal development. In our relentless pursuit of a habitat for arts and life philosophy, we focus on the future organic and endless growth of Chinese cities and quality buildings, continuously reflect upon the relationship between the beauty of the present moment and the unlimited future, and through project development, business life, regional vitality and city prosperity put them into practice comprehensively.

Property Development Segment

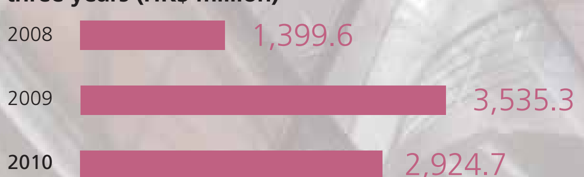
Franshion Properties specialises in developing urban landmarks featuring a unique artistic mood with the concept of unleashing future vitality of the city, pursuing harmonious development between man, architecture and nature. Since the completion of construction of Jin Mao Tower in 1998, we have been committed to developing architectural classics on the most precious land in the PRC in the past 12 years and redefining the idea of "high-end" and "quality" with a forward-looking vision. Our representative projects include Shanghai Fortune Plaza and Beijing Chemsunny World Trade Centre. Projects under development currently, including Shanghai Port International Cruise Terminal, Shanghai International Shipping Service Center and Beijing Guangqu Jin Mao Palace Project, etc. continue to reflect the Group's consistent strategy of developing high-end excellent properties. We will create an outstanding landscape and a brand new classical image for future city development.

After years of project development, the Group has formed an experienced development team and established sound cooperation relationships with local governments, enabling us to obtain quality land resources easily. We have also developed a unique management model covering the selection, operation and management of property development projects and promoting the synergistic development with other economic entities of the same region. In particular, we have accumulated extensive experience in the development of riverfront and waterfront properties.

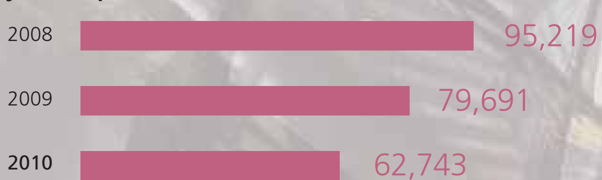
As at 31 December 2010, the Group had 8 property development projects in different development stages located in Beijing, Shanghai and Lijiang. During the Period under Review, sales of the property development projects were satisfactory, generating substantial revenue for the Group. The development of the projects under construction was in smooth progress with promising prospects: The sales of the majority of the Shanghai Port International Cruise Terminal Project has been completed and part of the sales was recognised during the Year, accounting for the largest profit contribution to the Group for the Year. Shanghai International Shipping Service Center Project under construction had been listed as one of the key projects in Shanghai city and had become a key integral part of the urban growth strategies in Shanghai. The construction of Beijing Guangqu Jin Mao Palace Project and Shanghai Dongtan Jin Mao Noble Manor Project had commenced and was well under way. The preparatory work for Yunnan Lijiang Project was in progress.

The sales revenue from property development segment recognised for the Year amounted to HK$2,924.7 million, a decrease of 17% over that of last year and saleable area was up to 62,743 square metres.

Sales revenue from property development segment for the past three years (HK$ million)



Saleable area of property development segment for the past three years (sq.m.)



Business Review – Property Development Segment – Projects under Development and Completed Projects

Beijing Guangqu Jin Mao Palace Project

(formerly known as Beijing No. 15 Guangqu Road Project)

(100% owned by the Group)

Located at the east of Fourth Ring Road in Chaoyang District, Beijing, the project is adjacent to the CBD area and at the south of its Eastern Expansion Area, which is only 4 kilometres from the core area of the CBD. The project is near to a cluster of bus lines and two subway lines under construction, which offers convenient transportation facilities. In addition, auxiliary facilities, such as hospitals, education institutions, commercial facilities and restaurants are nearby, and a number of high-end properties are adjacent to the project. This area is recognised by the industry as the "only remaining prime site" in Beijing for its excellent location.

In June 2009, the Group obtained the land use rights of the project. It has a site area of 155,918 square metres and an estimated total gross floor area of 366,302 square metres. The project will be developed into a high-end residential complex consisting of high-end residential properties, high-end commercial properties, sport parks and primary school. It will represent a metropolitan landmark integrating the functions of culture, leisure, education and fashion. Currently, such project is under construction in a systematic manner. The entire project is expected to be completed in 2013.

Business Review – Property Development Segment – Projects under Development and Completed Projects

Shanghai Dongtan Jin Mao Noble Manor Project

(formerly known as Shanghai Chongming Island Project)

(100% owned by the Group)

The investment value of Shanghai Chongming Island has been increasingly highlighted with its excellent ecological environment and unique geographical location. With the steady development of "International Eco-Island" plan, the gradually improved infrastructure and the opening of Yangtze River Tunnel Bridge in the future, Shanghai Chongming Island is being embraced with new opportunities for development.

In November 2008, the Group acquired the land use rights of Site No. 4 located in Chenjia Town Binjiang Recreation and Sports Residential Community in Chongming Island, Shanghai. The land has an area of approximately 220,000 square metres and an estimated total gross floor area of 164,009 square metres. At the same time, the Group has entered into a lease agreement with Shanghai Chenjiazhen Asset Management Company to lease a site adjacent to Site No. 4 for an area of approximately 955,478 square metres. The Group preliminarily plans to develop the leased site into a sports park and develop the granted land into a quality integrated recreation, sports and holiday resort, comprising of a sports park, low-density residential properties, holiday resort and property right hotels. In particular, the world's renowned hotel management brand "Hyatt" will be engaged to manage and operate the hotel in this project. Currently, such project is under construction in a systematic manner. The entire project is expected to be completed in 2013.

Business Review – Property Development Segment – Projects under Development and Completed Projects

Shanghai International Shipping Service Center Project

(50% owned by the Group)

Shanghai International Shipping Service Center Project is located in the North Bund of Hongkou District, Shanghai, directly across the river from the area of Lujiazui, Pudong. The site is adjacent to the west side of Shanghai Port International Cruise Terminal, the two of which form a riverfront area that doubles the length of the Bund.

Shanghai International Shipping Service Center is designed to realise the core functions and the economies of scale of the shipping service industry in Shanghai, and to achieve synergies of international shipping enterprises. In this connection, the project aims to address the needs of shipping transactions and commerce by strengthening the commercial and auxiliary functions of shipping services. It also attempts to highlight the characteristics of shipping service by constructing a yacht harbour. A classic compound based on the theme of shipping service will be constructed along the coast, creating a modem office and commercial zone featuring a shipping centre. The zone will be used for offices, commercial purposes, conventions, hotels and apartment hotels, with all the facilities including a yacht harbour. The entire project comprises the Eastern Site, the Western Site, and the Central Site.

The Group acquired the land use rights of the Eastern Site of the project in 2007, with an area of 35,210 square metres. In March 2008, the Group acquired the land use rights of the Central Site of the project, with an area of 19,039 square metres. In August 2010, the Group completed the acquisition of 50% equity interests in Shanghai Yin Hui. Through the acquisition, the Group has obtained the land use rights of the Western Site of

the project with an area of approximately 41,345 square metres held by Shanghai Yin Hui, and therefore holds 50% economic interests in the Eastern Site, Central Site and Western Site of the project.

The Group intends to consolidate the development of the Eastern Site, Western Site and Central Site. Upon completion, the project will comprise a total gross floor area of approximately 530,933 square metres. The project is listed as one of the key projects in Shanghai city and has become a key integral part of the urban growth strategies in Shanghai. The Group is actively expanding the market and striving to enter into the intent for sale with potential customers. Such project is currently under construction. The entire project is expected to be completed in 2013.

Site map

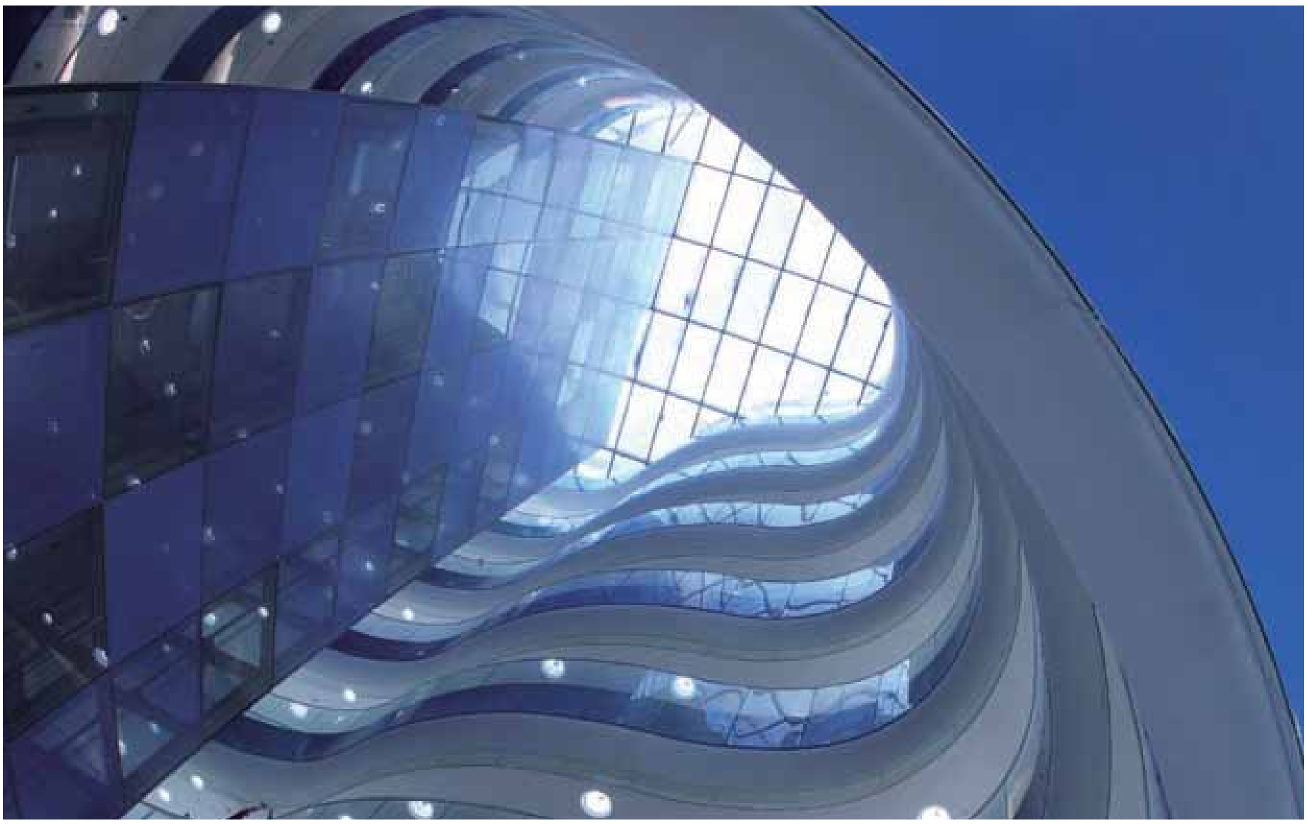
Site B of Shanghai Port International Cruise Terminal Project

(50% owned by the Group)

Located along the 880-metre stretch of the western bank of the Huangpu River, the Shanghai Port International Cruise Terminal is close to the Bund, in close proximity to two Shanghai Metro lines and directly across the river from the Oriental Pearl TV Tower. The Shanghai Port International Cruise Terminal is an integrated commercial area comprising a cruise terminal and business offices, including related structures and facilities, such as an international passenger transport terminal, a port administration building and office buildings. Covering an area of 20,000 square metres, and reaching 9 – 13 metres in depth, the international passenger transport terminal can hold 3 luxury cruisers at the same time. The terminal is designed with a turnover of one million people each year and will grow into the shipping and transportation hub in Shanghai in the future.

The Group has entered into a partnership with Shanghai International Port (Group) Co., Ltd. ("Shanghai Port"), and will develop together with the latter the parcel of land on which the Shanghai Port International Cruise Terminal is located. The parcel of land is split into two parts for two different projects, one on Site A, and the other on Site B, connecting to each other closely and together making up the whole of Shanghai Port International Cruise Terminal. Site A is intended for the International Passenger Transport Terminal and the Port Administration Building, while Site B is reserved for related structure groups such as the office buildings and musical art centre. The Group holds a 50% economic interest in the Site B developments.

The Group has built eleven office buildings (buildings originally intended for serviced apartment and an art gallery have been changed into office buildings) on Site B. The six office buildings on the front are individual buildings which integrate functions and sights with an area of 15,000 to 22,000 square metres, each has an independent naming right, great to be used as headquarters or regional headquarters of international enterprise. The high-rise buildings and the multi-storey building at the back integrate functions and commerce to meet the needs of various commercial companies. The semi-underground business centre

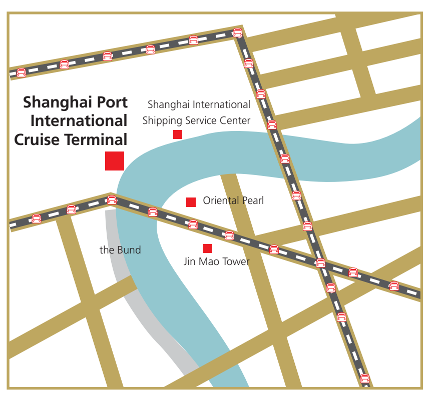


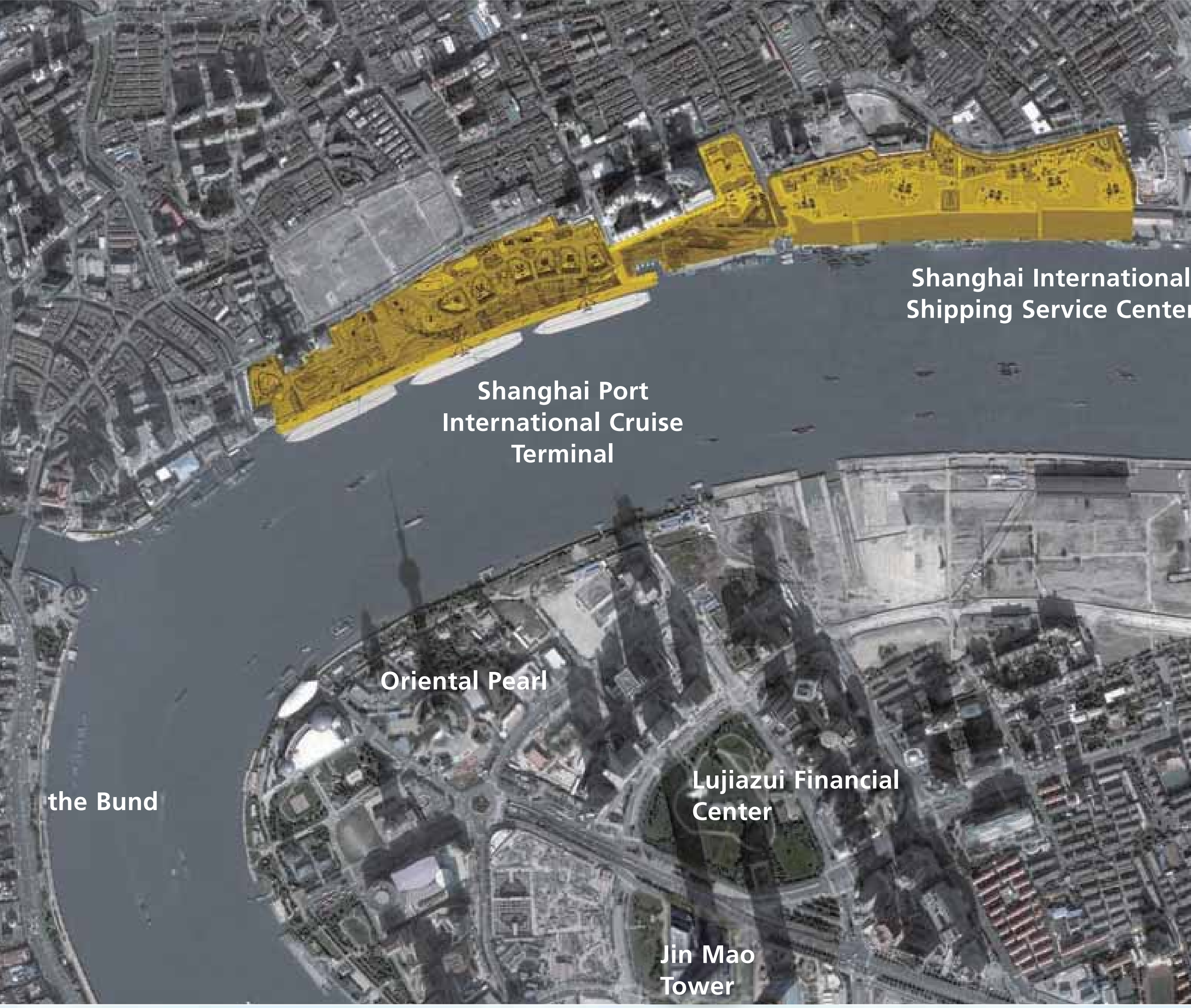
will become a hub of world fashions and trends and will be developed into a stylish shopping street, whilst a number of leisure squares will be a spot defining high quality life and entertainment in Shanghai.

Site B of Shanghai Port International Cruise Terminal Project occupies a total area of approximately 85,089 square metres. Upon completion, Site B will comprise a total gross floor area of approximately 302,080 square metres. Construction works commenced in May 2004, and the entire project is expected to be completed in 2011.

As at 31 December 2010, nine out of eleven office buildings in this project with an area of approximately 137,365 square metres had been sold, whilst the construction of the remaining two office buildings had been basically completed and the sale of them was under active negotiation.

Site map





"We seize opportunities to build "Shanghai Port International Cruise Terminal" and "Shanghai International Shipping Service Center" into the new landmarks in Shanghai in the future."

Upon completion of Shanghai Port International Cruise Terminal and Shanghai International Shipping Service Center, these two projects will form a 2-kilometre-long waterfront high-end commercial complex, connecting the Bund's traditional financial district to the west and overlooking the Lujiazui Financial and Trade Zone to the south across the Huangpu River. These districts will form a "golden delta" within Shanghai's central business district (CBD), which will serve as a major area for Shanghai's international shipping centre.

Business Review – Property Development Segment – Projects under Development and Completed Projects

Zhuhai Every Garden Project

(100% owned by the Group)

Situated on the north side of Zhuhai Qinglv Avenue. As an innovative residential project in Zhuhai, Zhuhai Every Garden enjoys a broad view of the ocean. While sitting near the beautiful sea coast and peaceful mountains, the project is also equipped with a complete range of living facilities. One can enjoy both the prosperity of the city and a gracious quiet lifestyle at the same time.

The project has a site area of approximately 43,499 square metres, and comprises 13 apartment buildings ranging from 11 to 31 floors in height, with a total gross floor area of approximately 137,225 square metres. The Group has constructed approximately 728 apartment units, 80% of which have floor areas ranging between 80 and 170 square metres each, and the remaining units have floor areas of approximately 200 square metres each. The project also includes commercial offices, a club house and approximately 573 underground parking spaces. The Group holds 100% interest in the project.

The construction of the project commenced in June 2006, and was completed in the second half of 2008.

As at 31 December 2010, the Group accumulatively sold 741 units, with a floor area of approximately 103,321 square metres and accounting for 99% of the total floor area of the residential units available for sale, of which, 9,770 square metres were sold during the Year. Currently, the project has been almost sold out.

Business Review – Property Development Segment – Reserved Projects

Yunnan Lijiang Projects

(100% owned by the Group)

Lijiang (Yunnan Province) is known for its rich tourism resources, particularly its three world-class heritages: the Ancient Town of Lijiang, the Three Parallel Rivers and the Dongba culture. The Ancient Town of Lijiang was conferred as one of the sightseeing spots for the first batch of "National Tourism Postcards" (國家旅遊名片) in the "Boao International Tourism Forum" in December 2007.

In March 2008, the Group acquired two pieces of high-quality land, located respectively at the former site of World Heritage Park in the Ancient Town of Lijiang (at the northern outskirt of Lijiang City and the northern end of the Shangri-La Street) and at Ganhaizi in Yulong County (up on Yulong Snow Mountain, next to the Yulong Golf Course). According to the preliminary development plan, the two pieces of land will be developed and constructed in the following two projects.

JIN MAO WORLD HERITAGE PARK REDEVELOPMENT PROJECT

This project is located at the former site of Lijiang World Heritage Park, with a land area of approximately 333,330 square metres. The project is set to be an integrated commercial project, which consists of at least one 5-star resort hotel, and aims to combine the Naxi culture with international design concepts, building the most characteristic high-end resort hotel and low-density residential properties in China. The estimated total gross floor area is approximately 215,000 square metres.

LIJIANG JIN MAO MANSION PROJECT (formerly known as JIN MAO YULONG SNOW MOUNTAIN RESORT HOTEL PROJECT)

Situated at Ganhaizi in Lijiang Yulong Snow Mountain, a national 5A level scenic spot and adjacent to the Yulong Snow Mountain Golf Course, this project will occupy a total site area of 54,241



square metres. Meanwhile, the Group is in active process of purchasing a piece of land at the southeast of such land with an area of approximately 53,360 square metres. At present, the transfer procedures for the portion of land occupying an area of approximately 11,334 square metres have been completed, whereas the transfer procedures for the remaining portion are in process. The Group plans to develop this project into a super five-star luxury hotel and low-density residential properties targeting high-end tourists both locally and abroad, with an estimate total gross floor area of approximately 43,060 square metres.

Both projects will be managed and operated in linkage with international brands, with a view to achieving scale effect and creating synergy. Currently, the project is under the stage of preparatory design. The whole project will be developed in phases and launched in stages.

Business Review – Property Development Segment – Reserved Projects

Changsha Meixi Lake Project

(100% owned by the Group)

The development area of the project, with an aggregate area of 11,452 mu, is located in the core region of the Dahexi Pilot Zone, Changsha City, Hunan Province, the PRC, 6 kilometres from the city center. According to the plan "Future Hexi, the Central City" formulated by the local government, the project, to be designed as the most competitive high-end international commercial and innovation centre, as well as an ecological new residential town with scenic landscape in the central region, will feature concepts of ecology, energy conservation, innovation and technology.

On 26 January 2011, the Group entered into an agreement with the Management Committee of Dahexi Pilot Zone in Changsha and other related parties, confirming that the Group has become the investor in the project for developing Meixi Lake International Service and Technology Innovation City, by which the Group would be in charge of land requisition, compensation and resettlement, all preliminary municipal infrastructure and urban public facilities, and other related subsequent developments within the area, and would endeavour to develop into a "two-type community" model district. The development area of the project, with an aggregate area of 11,452 mu, has a favourable geographical location with a sound ecological environment, which is located in the core region of the Dahexi Pilot Zone, Changsha City, Hunan Province, the PRC, 6 kilometres from the city center. According to the plan "Future Hexi, the Central City" formulated by the local government, the project, to be designed as the most competitive high-end international commercial and innovation centre, as well as an ecological new residential town with scenic landscape in the central region, will feature concepts of ecology, energy conservation, innovation and technology. According to the bidding notice, the filing procedure for the completion of tier-one land development of the project is expected to be fully completed in June 2016, whilst the bidding, auction or listing-for-sale procedures for the land in the project will be completed in June 2017.

Property Related Business

The Company, through its superior property management companies, renders the highest standard of property management services to its customers including the provision of services for Sinochem Tower, Beijing Chemsunny World Trade Centre and Jin Mao Tower. During the Period under Review, the Group's property management business had a smooth and steady performance. The consolidated property service business of the Group further strengthened the operation of our integrated value chain of property development, and improved the brand advantage and the asset value of the Group. Looking ahead, the Group expects that the property management business will bring more direct and indirect benefits to the Group.

The Observation Deck on the 88th floor of Jin Mao Tower, being one of the first Four A scenic spots in China, is a very popular tourist attraction in Shanghai. Visitors may gain an unprecedented experience of high speed travelling in one of the two super high-speed elevators there. Moving at 9.1 metres per second, it only takes the elevators 45 seconds to send passengers to the 88th floor from the basement. During the Period under Review, the Group broadened its market channels and stepped up its efforts. Despite the challenges arising from its neighbouring competitors, the Observation Deck on the 88th floor successfully drew over 1.82 million visitors during the Year, and brought relatively stable revenue to the Group.

Situated on the first floor of the annex building to the Jin Mao Tower is the Jin Mao Concert Hall, one of Shanghai's high standard culture and art centres, where regular music salon series are held, and performances are given by both well-known artists and musicians from China and other countries. The elegant atmosphere the Concert Hall produces also enhances Jin Mao Tower's reputation and quality.

The Group is also engaged in other businesses such as building decoration, automobile services, international yacht services and advertising, mainly to provide supporting services to its existing operations. For example, the renovation costs of the Group's newly constructed hotels are greatly reduced under the strict control of its construction and decoration subsidiaries; the Group's advertising subsidiaries may offer better promotion and advertising services in respect of the Group's operation of properties and hotels. The Group will also regularly review the profitability of such businesses, and the synergy generated between major businesses, so as to produce more direct and indirect benefits for the Group.


2010
登金茂 瞰世博
EXPO
109

Management Discussion and Analysis – Financial Review

I. REVIEW ON OVERALL RESULTS OF THE COMPANY

For the year ended 31 December 2010, profit attributable to owners of the parent amounted to HK$1,713.6 million, representing an increase of 46% compared with HK$1,174.4 million in 2009. Excluding the effect of fair value gains on investment properties, net of deferred tax, the profit attributable to owners of the parent would be HK$1,067.3 million, representing an increase of 2% compared with HK$1,047.5 million in 2009.

II. REVENUE

For the year ended 31 December 2010, the revenue of the Group was HK$6,348.0 million (2009: HK$6,320.9 million), which was basically the same as last year.

Revenue by business segments

	For the year ended 31 December				
	2010		2009		
	HK$ million	**Percentage of the total revenue (%)**	HK$ million	Percentage of the total revenue (%)	Year-on-year change (%)
Property development	**2,924.7**	**46**	3,535.3	56	-17
Property leasing	**859.6**	**14**	868.9	14	-1
Hotel operations	**2,007.4**	**32**	1,576.7	25	27
Others	**556.3**	**8**	340.0	5	64
Total	**6,348.0**	**100**	6,320.9	100	–

In 2010, revenue from property development decreased by 17% over that of 2009 to approximately HK$2,924.7 million and accounted for 46% of the total revenue, which was mainly attributable to less sales of the units of Site B of Shanghai Port International Cruise Terminal Project during the year by the Group to external parties as compared to that of last year. Revenue from property leasing remained basically the same as that of last year and accounted for 14% of the total revenue. Revenue from hotel operations increased by 27% over that of 2009 and accounted for 32% of the total revenue, which was primarily attributable to the substantial growth of results of a number of hotels under the Group. Others (primarily including the property-related revenues arising from the observation deck on the 88th floor of Jin Mao Tower, property management and building decoration) accounted for 8% of the total revenue, representing an increase of 64% over that of last year, which was mainly because of the substantial growth of the Group's decoration business and the business of the observation deck on the 88th floor of Jin Mao Tower.

III. COST OF SALES AND GROSS PROFIT MARGIN

Cost of sales of the Group for the year ended 31 December 2010 was approximately HK$3,045.1 million (2009: HK$3,021.7 million) and the overall gross profit margin of the Group in 2010 was 52%, which was the same as that of last year.

The gross profit margin of property development remained basically the same as that of 2009; the increase in gross profit margin of property leasing was mainly driven by higher rental levels of office premises and lower operating costs this year; and the increase in gross profit margin of hotel operations from that of 2009 was mainly due to the significant increase in revenue from hotel operations. Gross profits margin of other business sectors decreased over that of last year, mainly because of the dilution of the overall gross profit margin of other business segments as a result of the growth of the decoration business with low margin.

Gross profit margin by business segments

	For the year ended 31 December	
	2010	2009
	Gross profit margin (%)	Gross profit margin (%)
Overall	**52**	52
Property development	**45**	46
Property leasing	**90**	84
Hotel operations	**54**	48
Others	**23**	39

IV. OTHER INCOME AND GAINS

Other income and gains of the Group for the year ended 31 December 2010 increased by 162% from HK$485.6 million in the same period of 2009 to approximately HK$1,274.4 million. The increase was mainly due to the fair value gains on investment properties held by the Group of HK$861.8 million, representing an increase of 409% as compared with the fair value gains on investment properties of HK$169.2 million in 2009.

V. SELLING AND MARKETING EXPENSES

Selling and marketing expenses of the Group for the year ended 31 December 2010 increased by 5% to HK$266.7 million, from HK$254.7 million in the same period in 2009, mainly because of the increase in selling and marketing expenses. Selling and marketing expenses comprise primarily the advertising expenses, commissions paid to the relevant sales agencies and other expenses in relation to market promotion incurred in the Group's daily operations. Selling and marketing expenses accounted for 4% (2009: 4%) of the Group's total revenue.

VI. ADMINISTRATIVE EXPENSES

Administrative expenses of the Group for the year ended 31 December 2010 amounted to HK$640.7 million, representing an increase of 16% from HK$552.5 million in the same period in 2009. The increase was mainly attributable to the increase in labour costs and office expenses. Administrative expenses mainly comprise staff costs, consultancy fees, entertainment expenses, general office expenses and depreciation expenses. Administrative expenses accounted for 10% (2009: 9%) of the Group's total revenue.

VII. FINANCE COST

Finance cost of the Group for the year ended 31 December 2010 was HK$606.2 million, representing an increase of 21% from HK$500.0 million in 2009. The increase in finance cost was mainly attributable to the increase in interests due to increase in loans during the year.

VIII. TAX

The Group had a tax charge of HK$931.7 million for the year ended 31 December 2010, representing an increase of 25% from HK$742.5 million in 2009. The increase in tax charge was primarily attributable to the increase in profit before tax during the year. The Group's effective income tax rate for 2010 was 30% (2009: 30%).

IX. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the year ended 31 December 2010, profit attributable to owners of the parent amounted to HK$1,713.6 million, representing an increase of 46% compared with HK$1,174.4 million in 2009. Profit attributable to owners of the parent excluding fair value gains on investment properties, net of deferred tax, amounted to HK$1,067.3 million, an increase of 2% compared with HK$1,047.5 million in 2009.

Basic earnings per share for the year were HK18.70 cents, an increase of 36% compared with HK13.71 cents in 2009. The increase in basic earnings per share was primarily attributable to the substantial increase in the profit attributable to shareholders for the year. Basic earnings per share excluding fair value gains on investment properties, net of deferred tax, was HK11.65 cents (2009: HK12.22 cents).

In October 2010, the Group issued perpetual convertible securities in the amount of US$600 million, resulting in a dilution of earnings per share. Upon dilution, earnings per share of the Company amounted to HK18.00 cents (2009: HK13.71 cents).

Comparison of profit attributable to owners of the parent before and after fair value gains on investment properties, net of deferred tax

	For the year ended 31 December		Year-on-year
	2010 (HK$ million)	2009 (HK$ million)	change (%)
Profit attributable to owners of the parent	**1,713.6**	1,174.4	46
Less: fair value gains on investment properties, net of deferred tax	**(646.3)**	(126.9)	409
Profit attributable to owners of the parent excluding fair value gains on investment properties, net of deferred tax	**1,067.3**	1,047.5	2
Basic earnings per share (in HK cents)	**18.70**	13.71	36
Basic earnings per share excluding fair value gains on investment properties, net of deferred tax (HK cents)	**11.65**	12.22	-5

X. INVESTMENT PROPERTIES

As at 31 December 2010, investment properties of the Group comprise the Central and West Towers of Beijing Chemsunny World Trade Centre, Jin Mao Tower (the leased portion) and Sinochem Tower. Investment properties increased from HK$11,539.7 million as at 31 December 2009 to HK$12,773.6 million as at 31 December 2010. The increase was mainly due to the appreciation of investment properties.

XI. PROPERTIES UNDER DEVELOPMENT

As at 31 December 2010, the non-current portion of properties under development comprised property development costs for Beijing Guangqu Jin Mao Palace Project, Shanghai International Shipping Service Center, Shanghai Dongtan Jin Mao Noble Manor Project, Jin Mao World Heritage Park Redevelopment Project, and Lijiang Jin Mao Mansion Project, whereas the current portion of properties under development comprised property development costs for Site B of Shanghai Port International Cruise Terminal Project.

The increase in properties under development (current and non-current) from HK$11,301.3 million as at 31 December 2009 to HK$13,641.6 million as at 31 December 2010 was mainly attributable to the acquisition of the Western Site of Shanghai Port International Cruise Terminal Project and the costs incurred for other properties under development, which were partially offset by the transfer as a result of the completion of the units in Site B of Shanghai Port International Cruise Terminal Project.

XII. PROPERTIES HELD FOR SALE

As at 31 December 2010, properties held for sale included the unsold portion of Zhuhai Every Garden Project, East Tower of the Beijing Chemsunny World Trade Centre and the unsold portion of parking spaces, as well as Block No.1 of Shanghai Port International Cruise Terminal.

The increase in properties held for sale from HK$470.5 million as at 31 December 2009 to HK$1,021.2 million as at 31 December 2010, was mainly attributable to the transfer of Block No.1 of Shanghai Port International Cruise Terminal after completion, which was partially offset by the sales of the units in Site B of Shanghai Port International Cruise Terminal Project and Zhuhai Every Garden Project.

XIII. TRADE RECEIVABLES

As at 31 December 2010, trade receivables were HK$99.5 million, representing a decrease of 56% from HK$227.4 million as at 31 December 2009. The decrease in trade receivables was primarily due to the receivables from the sales of the units in Zhuhai Every Garden Project and Site B of Shanghai Port International Cruise Terminal Project, as well as the recovery of trade receivables from trading companies.

XIV. TRADE AND BILLS PAYABLES

As at 31 December 2010, trade and bills payables were HK$787.7 million, representing an increase of 10% from HK$719.3 million as at 31 December 2009. The increase in trade and bills payables was primarily due to the increase in construction cost payable for the development of Beijing Guangqu Jin Mao Palace Project and Shanghai International Shipping Service Center Project.

XV. INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 31 December 2010, interest-bearing bank and other borrowings (including current and non-current) were HK$18,235.2 million, representing an increase of 10% over HK$16,512.1 million as at 31 December 2009. The increase in interest-bearing bank and other borrowings was primarily due to the entrustment loans provided to subsidiaries of the Group by the Group and non-controlling shareholders of its subsidiaries through financial institutions, as well as the external loans used for new project development.

Analysis of interest-bearing bank and other borrowings

	As at 31 December		Year-on-year
	2010	2009	change
	(HK$ million)	(HK$ million)	(%)
Interest-bearing bank and other borrowings (including current and non-current)	**18,235.2**	16,512.1	10
Less: entrustment loans	**(2,120.9)**	(5,074.8)	-58
Loans pledged by bank deposits of the Group	**(358.8)**	(364.6)	-2
Interest-bearing bank and other borrowings, net of entrustment loans	**15,755.5**	11,072.7	42

XVI. GEARING RATIO

The Group monitors its capital on the basis of the net debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings less restricted bank balances, pledged deposits and cash and cash equivalents. Adjusted capital comprises all components of equity as well as the amounts due to related parties. The Group aims to maintain the net debt-to-adjusted capital ratio at a reasonable level. The net debt-to-adjusted capital ratio as at 31 December 2010 and 31 December 2009 were as follows:

	As at 31 December	
	2010	2009
	(HK$ million)	(HK$ million)
Interest-bearing bank and other borrowings (including current and non-current)	**18,235.2**	16,512.1
Less: cash and cash equivalents	**(11,229.5)**	(3,523.3)
restricted deposits and pledged deposits	**(2,092.2)**	(4,279.2)
Net debt	**4,913.5**	8,709.6
Total equity	**26,719.2**	17,946.9
Add: amounts due to related parties	**1,144.8**	71.0
Adjusted capital	**27,864.0**	18,017.9
Net debt-to-adjusted capital ratio	**18%**	48%

XVII. LIQUIDITY AND CAPITAL RESOURCES

The Group's primary uses of cash are to pay for capital expenditure, construction costs, land costs (principally the payment of land grant fees and relocation costs), infrastructure costs, consulting fees paid to architects and designers and finance costs, as well as to service the Group's indebtedness, repay amounts due to and loans from related parties, and fund working capital and normal recurring expenses. The Group has financed its liquidity requirements primarily through internal resources, bank borrowings, issue of convertible securities and issue of new shares.

As at 31 December 2010, the Group had cash and cash equivalents of HK$11,229.5 million, mainly denominated in RMB, HK dollar and US dollar (as at 31 December 2009: HK$3,523.3 million).

As at 31 December 2010, the Group had total interest-bearing bank and other borrowings of HK$18,235.2 million compared to HK$16,512.1 million as at 31 December 2009. An analysis of the interest-bearing bank and other borrowings of the Group is set out as follows:

	As at 31 December	
	2010 (HK$ million)	2009 (HK$ million)
Within 1 year	**7,527.3**	10,642.2
In the second year	**2,398.6**	443.0
In the third to fifth years, inclusive	**5,554.0**	3,510.8
Over five years	**2,755.3**	1,916.1
Total	**18,235.2**	16,512.1

Interest-bearing bank and other borrowings of approximately HK$7,527.3 million repayable within one year shown under current liabilities include entrustment loans totalling approximately HK$2,120.9 million provided by the Group and non-controlling shareholders of its subsidiaries to subsidiaries of the Group through financial institutions. It is expected that such entrustment loans will be renewed upon their maturity dates. All of the Group's borrowings are denominated in RMB and USD and bear interest at floating rates. There is no material seasonal effect on the Group's borrowing requirements.

As at 31 December 2010, the Group had banking facilities of HK$27,350.3 million denominated in RMB and USD. The amount of banking facilities utilised was HK$17,060.0 million.

The Group's net cash inflow of HK$7,614.3 million for the year ended 31 December 2010 consisted of:

A net cash inflow of HK$937.3 million from operating activities, which was mainly attributable to the proceeds derived from the sales of properties, property rental and revenue from hotel operations, which was partially offset by the payment of construction costs, marketing expenses, administrative expenses, interests and tax charge.

A net cash inflow of HK$584.1 million from investing activities, which was mainly attributable to the recovery of pledged deposits by the Group, partially offset by the payment of project investment and purchase of fixed assets.

A net cash inflow of HK$6,092.9 million from financing activities, which was mainly attributable to the proceeds from issue of perpetual convertible securities of the Group, contribution from non-controlling shareholders, addition of bank loans and other borrowings, partially offset by repayments of bank and other borrowings and payment of dividends for 2009.

XVIII. PLEDGE OF ASSETS

As at 31 December 2010, the Group's interest-bearing bank and other borrowings were secured by the Group's hotel properties and buildings of HK$2,153.1 million, properties under development of HK$5,216.4 million, properties held for sale of HK$141.9 million, land use rights of HK$341.6 million, investment properties of HK$7,230.0 million and bank deposits of HK$2,086.8 million.

XIX. CONTINGENT LIABILITIES

As at 31 December 2010, the details of contingent liabilities of the Group are set out in note 39 to the financial statement.

XX. CAPITAL COMMITMENTS

The Group had the following capital commitments at the balance sheet date:

	As at 31 December	
	2010	2009
	(HK$ million)	(HK$ million)
Contracted, but not provided for capital expenditure in respect of land and buildings	**–**	–
Contracted, but not provided for capital expenditure in respect of properties under development	**1,759.8**	80.0
Total	**1,759.8**	80.0

XXI. MARKET RISK

The Group's assets are predominantly in the form of land use rights, properties under development, properties held for sale and investment properties. In the event of a severe downturn in the property market in Mainland China, these assets may not be readily realised.

XXII. INTEREST RATE RISK

The Group is exposed to interest rate risk resulting from fluctuations in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations. Increase in interest rates will increase the interest expenses relating to the Group's outstanding floating rate borrowings and increase the cost of new debt. Fluctuations in interest rates may also lead to significant fluctuations in the fair value of the Group's debt obligations. The Group does not currently use any derivative instruments to manage the interest rate risk.

XXIII. FOREIGN EXPOSURE RISK

Substantially all of the Group's revenue and costs are denominated in Renminbi. The Group reports its financial results in Hong Kong dollars. As a result, the Group is exposed to the risk of fluctuations in foreign exchange rates. The Group has not currently engaged in hedging to manage its currency risk. To the extent the Group decides to do so in the future, the Group cannot assure that any future hedging activities will protect the Group from fluctuations in exchange rates.

XXIV. EVENTS AFTER REPORTING PERIOD

Details of significant events of the Group after the reporting period are set out in note 46 to the financial statements.

Investor relations activities for 2010

January

Participated in the investors meeting held by Deutsche Bank in Beijing
Participated in the investors meeting held by DBS in Singapore/Hong Kong
Participated in the investors meeting held by UBS in Shanghai
Participated in the investors meeting held by Nomura in Hong Kong
Participated in the investors meeting held by HSBC in Hong Kong
Participated in non-deal related roadshow in Tokyo

March

Announced annual results for 2009
– Held press conference
– Held analysts meeting
Participated in non-deal related roadshow in Hong Kong

April

Participated in non-deal related roadshow in Singapore
Participated in non-deal roadshow in Australia and the US

May

Participated in the investors meeting held by Deutsche Bank in Singapore
Participated in the investors meeting held by Morgan Stanley in Hong Kong
Participated in the investors meeting held by CLSA in Shanghai

June

Participated in the investors meeting held by JP Morgan in Beijing
Participated in the investors meeting held by RBS in Hong Kong

July

Participated in the investors meeting held by CLSA in Hong Kong

August

Announced interim results for 2010
– Held press conference
– Held analysts meeting
Participated in non-deal related roadshow in Hong Kong
Participated in non-deal related roadshow in Singapore

September

Participated in the investors meeting held by UBS in Hong Kong

October

Participated in the investors meeting held by Deutsche Bank in Hong Kong
Participated in non-deal roadshow in Tokyo
Participated in the investors meeting held by Citi Bank in Macau

November

Participated in the investors meeting held by Goldman Sachs in Beijing
Participated in the investors meeting held by Merrill Lynch in Beijing
Participated in the investors meeting held by Morgan Stanley in Singapore
Participated in the investors meeting held by Shenyin Wanguo in Sanya
Participated in the investors meeting held by Samsung Securities in Guangzhou
Participated in the investors meeting held by Macquarie in Hong Kong

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication is essential for establishing sound interaction with its shareholders. The Company is committed to providing its existing and potential investors with accurate and timely information, and keeping a close two-way communication by various means, thereby enhancing the transparency of information disclosure. The Company attaches great importance to the communications with shareholders and public investors to ensure them to have a good channel for voicing their opinions and advices on the Company's performance. At the same time, the Company may also explain the operating conditions of the projects and their growth strategies.

The Company has maintained an effective two-way communication with its shareholders, and provides information to shareholders mainly through the following channels:

- The Company's annual report, interim report and circular – they are distributed to shareholders and investors pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on the Hong Kong Stock Exchange (the "Stock Exchange") and also analysts who are interested in the Company's performance;

- Annual general meeting – the Chairman and other senior management of the Company are present at the meeting, answering shareholders' inquiries and exchanging opinions with them;

- The Company's interim and final results announcement conference – announce the Company's interim or final results and respond to investors' and the media's inquiries;

- Disclosure of the Company's information on its own initiative – the Company will, through different means, including investors meetings, extraordinary shareholders' meetings, telephone conferences, press releases and media interviews etc., timely announce material information about the Company to the market, and timely respond to inquiries by investors and analysts;

- Periodic meetings with institutional investors and securities analysts on its own initiative – provide information in relation to the Company's latest business development to attract more attention from the market. The management of the Company regularly participates in internationally non-deal related roadshow activities held after the publication of annual reports and interim reports to respond to queries on the Company's growth strategies and market outlook. These measures provide overseas shareholders with an opportunity to discuss with the management of the Company.

- Arrange on-site visit and reverse roadshows for investors – to promote investors' understanding of the Company's development by arranging on-site visit of various projects of the Company as appropriate based on the development progress of each project and the on-site reception arrangements and enable them to have direct communication with the management.

In 2010, the Company's management participated in various investors meetings, including institutional investors' conferences and non-deal related international roadshows (including those in Hong Kong, Tokyo, Singapore, Australia and the US), to promote our exposure to international and Hong Kong investors. During the Year, the Company received more than 200 investors, and hosted over 100 investors to visit our project sites in Shanghai, Beijing, and Sanya.

FEEDBACK FROM INVESTORS

The Company regards investors' feedback as highly important. During the Year, the Company conducted several summaries and analyses on investors' and analysts' opinions to have an understanding of the effectiveness of our investor relations function in a timely manner. The Company will further improve the communication quality based on the investors' feedback to facilitate closer communications with investors and analysts in future.

MARKET RECOGNITION AND HONOURS

Franshion Properties' 2009 annual report was granted with four international awards, namely the silver prize under the category of "Real Estate Holding Enterprises", bronze price under the category of "Diversified Business", honorary prize under the category of "Hotel and Real Estate" and honorary prize under the category of "Real Estate Development/Service" in the 21st Galaxy Awards. The Company has also been accredited as one of China's Most Promising Companies for 2009 by The Asset, a world's renowned financial magazine, and has been granted with the "Titanium Awards for Investor Relations" by the same magazine. The efforts of the Company's investor relations team and the information disclosure of the Company are widely recognised in the industry.

PROSPECTS OF OUR INVESTOR RELATIONS WORK

The Company will continue to aggressively strengthen our investor relations efforts to facilitate closer communications with public investors and analysts. The Company is committed to full compliance with the disclosure obligations provided in the Listing Rules and other applicable laws and regulations. In terms of compliance, we will continue to deliver to the investors all over the world the Company's latest information and to enhance the Group's corporate governance standards and transparency, with a view to gaining more trust and support from investors.

CONTACT DETAILS FOR INVESTORS:

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Corporate Social Responsibility Report

I. SOCIAL AND COMMUNITY CONTRIBUTIONS

The Group strives to pursue sound corporate citizenship, to participate in social and community activities, and to improve the Group's and its employees' awareness of social responsibility through different channels and means. In addition, the Group is also committed to practicing the philosophy of "one who benefits from the society shall repay the society", so as to help establish a harmonious society.

The Group showed continuous enthusiasm in daily social and welfare activities, particularly the cultural and art education of children in China. Jin Mao Group, a company under the Group, organised a charity dinner with the special fund "Give Me Five". This fund is affiliated to China Children and Teenagers' Fund aiming at "life transformation through arts". A charity auction of over ten prestige collections as donated by various circles was carried out at the banquet, raising a total of RMB2.86 million which is to be used for developing youth and children-oriented cultural and art education.

The Group undertook aggressive investments and promotions for improving the working conditions at its partners. In Beijing Jin Mao Palace Project, in order to resolve the issue of extreme temperatures at the migrant workers' quarters, corresponding air conditioning equipments were installed at every worker dormitory and thus the working environment of these migrant workers was effectively improved. The Group was also active in organising migrant worker care activities and arranged a number of staff visits to the living quarters of migrant workers and primary schools to carry out donations within the year.

II. ENVIRONMENTAL PROTECTION

The Group always emphasises environmental protection. Apart from complying with environmental protection law and provisions promulgated by the central, provincial and municipal governments of the PRC, we also strive to incorporate the environmental protection concept into all stages of implementation of our projects. In designing stage, we integrate essential environmental protection control system into the design of the relevant project; while in implementation stage, the Group will only employ high-quality, experienced and highly qualified contractors that are believed to strictly comply with the environmental protection regulations to undertake the work, and will also appoint an independent third party advisor to monitor the compliance with environment, society, sanitation and safety regulations. When a project is completed, the Group shall obtain relevant reports approved by environmental authorities before transferring that project to the clients.

The Group's Ritz-Carlton, Sanya was awarded the "Golden Leaf Grade Green Hotel" (金葉級綠色飯店) certificate and the honorary title of "China's Top Ten Green Hotels" (中國十大綠色客房酒店). The "Green Hotel" (綠色飯店) award aims to commend hotels with outstanding contributions in the aspects of energy and resources saving, environmental protection and food hygiene and is the highest certificate awarded by the National Green Hotel Committee and China Hotel Association. Besides, Grand Hyatt Shanghai was named "New Leader Among Green Business Hotels in Asia" (亞洲新領軍綠色商務酒店) in the Third International Hotel Investment Summit held by Asia Hotel Forum.

III. GREEN INDUSTRY CHAIN

The Group was successful in organising the "Energy Saving, Emission Reduction and Environmental Protection" forum with its strategic suppliers during the year. The forum aimed at promoting and implementing social responsibilities of energy saving and emission reduction throughout the Group's supply chain, putting energy saving and emission reduction into practice from the selection of strategic suppliers to all projects managed by the Group and enabling the mutual sharing of excellent experiences, consequently building an environmental-friendly and quality supply chain.

The Group will include "environmental protection" in its corporate strategy and take up the social responsibilities of "environmental protection, energy saving and emission reduction", putting the "green" concept into effect from project development to daily operation. For example, in terms of project development, the Group is required to construct "green buildings" to promote the development of environmental protection in the real estate industry. In terms of daily operation, the Group has to put "green projects" into practice in order to drive the implementation of day-to-day energy saving and emission reduction.

The social responsibility of "environmental protection" will become an important indicator for assessment in the selection of strategic suppliers. In other words, suppliers will be requested to meet environmental requirements throughout their project, product, production and service processes and to introduce the "green" logo of their industries. As for daily operation, the Group will conduct 3-4 "environmental protection" seminars next year, such as the "environmental cleaning and maintenance of hard surfaces", the "cleaning and maintenance of central air conditioning" and the "cleaning and maintenance of cooking areas". These topical trainings and subsequent trackings will improve the professional knowledge and practices of front-line staff and fully promote the concept of "environmental protection" while prolonging the usage life of products, effectively saving resources and eliminating waste and thus better fulfilling the social responsibility of "environmental protection".

Going forward, the Group will hold special forums on "environmental protection" on a regular basis at which experts, scholars and organisations in the industry will be invited to participate and to discuss the development of "environmental protection" in the industry so as to take up the social responsibilities of "environmental protection, energy saving and emission reduction" in a better way.

IV. EMPLOYEE DEVELOPMENT

As at 31 December 2010, the Group had 4,958 employees, mainly staff working in Mainland China. The Group always views human resources as its foundation for development. Accordingly, it is committed to grooming its staff and helping them to achieve their full potential, so as to ensure an ability to complete their relevant works. For this purpose, we create a sound working environment and provide competitive salaries and other benefits, including retirement plan, medical insurance plan, accident insurance plan, unemployment insurance plan and housing grants. The Group will periodically review its salary level according to market standard.

The Group encourages its staff to take further studies, subsidises them to participate in external courses and conferences that are related to their works, and provides internal trainings to improve their skills. The Group provides a series of training courses, covering leadership skills, business strategies and technical skills. The Group has also designed systematic training plans for its newly recruited staff, to enable them to understand the Company's corporate culture and perform their duties without delay. Management staff can also participate in seminars presided over by experts, which will improve their abilities in human resource management and leadership techniques, thereby ensuring them a better technique in human resource management, and enabling them to lead their teams and fulfil their goals efficiently.

The Group focuses on its staff's safety and health. Apart from purchasing medical and accident insurance plans for them, the Group also organises its staff to go through health screening periodically and provides them with sports premises and facilities, to strengthen their body. The Group also held several recreational activities, including singing contest, staff basketball game and staff soccer game, which were well received by its staff.

The Group pays great attention to ensure that its staff has a happy and harmonious family life and thus regular activities are organised for its staff and their families to participate. During the reporting period, the Group organised a series of activities including the 11th Youth Fitness Summer Camp and the seminar "Transformation from Natural to Wise Parents" (從自然型父母向智慧型家長轉變), which effectively promoted the cohesion between its staff and their families.

Profile of Directors and Senior Management


Mr. LUO Dongjiang


Mr. HE Cao

DIRECTORS

Mr. LUO Dongjiang
Chairman and non-executive Director
Mr. LUO, who was born in August 1954, joined the Company in September 2009 to act as the Chairman and non-executive Director of the Company. Mr. LUO was appointed as the Vice President of Sinochem Group in November 1998. He resigned his position as the Vice President of Sinochem Group subsequently due to his appointment as the General Manager of Sinochem International Corporation, and was re-designated as the Vice President of Sinochem Group in July 2001. During his work with Sinochem Group for more than 20 years, Mr. LUO had served as the General Manager of the Planning Department of Sinochem Group, the General Manager of the Sinochem International Rubber Company, the Executive Deputy General Manager of China Foreign Economy and Trade Trust & Investment Co., Ltd., the General Manager of Sinochem Asia Group, the Chairman of Sinochem South Korea Corporation, the General Manager of the Business Development Department of Sinochem Group, the General Manager of Sinochem International Corporation, the Chairman of Sino-Ocean Land Holdings Limited, the Chairman of Beijing Chemsunny Property Company Limited, a director of China Jin Mao (Group) Co., Ltd., the Vice Chairman and non-executive director of Sino-Ocean Land Holdings Ltd. and the Chairman of Sinochem International Corporation, etc., from which he has accumulated extensive experience in business management. During his appointment as the General Manager of Sinochem International Corporation, Mr. LUO had successfully made the listing of that company's A shares on the Shanghai Stock Exchange. Currently, Mr. LUO is a member of the Party Committee, Head of Discipline Inspection Group, Secretary of the directly affiliated Party Committee and General Counsel of Sinochem Group and Chairman of the Supervisory Committee of Sinochem Corporation. Mr. LUO obtained a Bachelor's Degree in Economics from Xiamen University in 1982.

Mr. HE Cao
Vice Chairman and Chief Executive Officer
Mr. HE, who was born in September 1955, joined the Company in February 2009, and served as the Chairman and non-executive Director of the Company until 17 September 2009. He was re-designated as the executive Director of the Company, Vice Chairman and Chief Executive Officer of the Company on 18 September 2009. Mr. HE joined Sinochem Group in 1979 and had held a number of senior positions in finance management, corporate governance and investment enterprises of Sinochem Group before he was appointed as Assistant President in 2002. Since 2002, Mr. HE has been the President, Vice Chairman and Chairman of the board of directors of China Jin Mao (Group) Company Limited, successfully operating Shanghai Jinmao Tower and grasping the development opportunities in the industry. Mr. HE has led the investment, acquisition and development of luxurious five-star hotels and properties in a host of first-tier cities and premium resorts. Through the establishment of strategic partnership with internationally-renowned hotel management agencies, Mr. HE has developed Jin Mao Group into a prestigious high-end commercial real estate developer and operator in China. Mr. HE has over 20 years of experience in corporate governance, hotel and property investment, development and operation. Mr. HE graduated from Jilin Finance and Trade College in 1979 and studied economics at Renmin University of China from 1983 to 1986. Mr. HE obtained a Master's degree in business administration from China Europe International Business School (CEIBS) in 2004. Mr. HE was awarded with the title of senior economist for international business in 2010. Mr. HE has been a delegate of the 12th and 13th session of the People's Congress of Shanghai Municipality since 2003 and was awarded as the Model Worker of Shanghai in 2007.

Ms. LI Xuehua

Mr. WANG Hongjun

Mr. HE Binwu

Ms. LI Xuehua
Vice Chairman and non-executive Director

Ms. LI, who was born in January 1958, joined the Company in December 2005 and served as an executive Director and Chief Executive Officer of the Company and Director of certain of its subsidiaries until 17 September 2009. Since 18 September 2009, Ms. LI has been the Vice Chairman and non-executive Director of the Company and has ceased to act as the Director of the subsidiaries of the Company. Currently, Ms. LI is the General Manager of Sinochem Hong Kong (Group) Co., Ltd. She joined Sinochem Group in October 2004 as Deputy General Manager of Sinochem Kingsway Capital Inc., and was the executive Director of Sinochem Kingsway Asset Management Limited. She was also the Director of Sino-Ocean Land Holdings Limited from July 2006 to March 2007. Prior to joining Sinochem Group, Ms. LI had held various senior financial management positions in China National Machinery Import and Export Corporation. Ms. LI has over 20 years of experience in corporate finance management. Ms. LI earned a diploma certificate from Jingqiao University of China in 1987 and a Master's degree from University of International Business and Economics in 1997.

Mr. WANG Hongjun
Non-executive Director

Mr. WANG, who was born in November 1964, joined the Company in March 2007 and has been a non-executive Director of the Company since then. He joined Sinochem Group in June 1995 and has been the General Manager of the strategic planning department of Sinochem Group since 2004. Currently, he is the non-executive Director of Sinochem Ningbo Ltd., Sinochem Qingdao Industrial Co., Ltd., Sinochem International Tendering Co., Ltd., China Foreign Economy and Trade Trust & Investment Co., Ltd., China New Technology Development and Trade Co., Ltd. and Sinochem Japan Co., Ltd. He has over 10 years of experience in corporate management. Mr. WANG earned a Bachelor's degree from Shenyang Institute of Construction and Engineering in 1985, a Master's degree in Economics from Renmin University of China in 1991 and a Master's degree in executive business administration from China Europe International Business School (CEIBS) in 2003.

Mr. HE Binwu
Executive Director and Vice President

Mr. HE, who was born in November 1948, has been the executive Director and the Vice President of the Company since June 2004 (date of incorporation of the Company). He has served as the Director and Deputy General Manager of Franshion Company Limited since 1987. He joined Shanghai Pudong Jinxin Real Estate Development Co., Ltd. in January 1995 and has been the Director and General Manager since then. He is currently also the Managing Director of Shanghai Port International Cruise Terminal Development Co., Ltd. and Shanghai International Shipping Service Center Development Co., Ltd. He served as a non-executive Director of Sinochem Franshion Real Estate (Zhuhai) Co., Ltd. from July 2003 to September 2006. Mr. He has over 20 years of experience in the real estate development industry. He was honoured with the Shanghai Municipal Key Construction Projects Special Contributor's Award for 2006, 2007 and 2009. Mr. HE earned a diploma certificate from Shanghai Jiao Tong University in 1976.

Mr. JIANG Nan

Mr. LAU Hon Chuen, Ambrose

Mr. JIANG Nan
Executive Director and Chief Financial Officer

Mr. JIANG, who was born in April 1973, joined the Company in January 2006 as the Chief Financial Officer and has been involved in the day-to-day management of the Company since then. He has been an executive Director of the Company since March 2007. He is responsible for directing, managing and strategic planning of finance, capital market and investor relations of the Company. He joined Sinochem Group in August 1995 and worked in the Finance Department of Sinochem Group from 1995 to 2002. He was the Treasurer of Sinochem Hong Kong from August 2002 to January 2006 responsible for handling its financial management and investment affairs and operation of the overseas funds of Sinochem Group. He is currently an executive Director of Sinochem International Property & Hotel Management Co., Ltd. and Beijing Chemsunny Property Company Limited, and a non-executive Director of Shanghai Pudong Jinxin Real Estate Development Co., Ltd., Shanghai International Shipping Service Center Development Co., Ltd. and China Jin Mao (Group) Company Limited. He has over 15 years of experience in corporate finance and accounting management. Mr. JIANG earned a Bachelor's degree in finance from China Institute of Finance in 1995 and a Master's degree in finance from Central University of Finance and Economics in 2003. He obtained Accounting Qualification Certificate in 1999 and is now a member of The Association of International Accountants (AIA).

Mr. LAU Hon Chuen, Ambrose
Independent non-executive Director, G.B.S., J.P.

Mr. LAU, who was born in July 1947, has been an independent non-executive Director of the Company since March 2007. He is a Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries. Mr. LAU is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. He is also a Justice of the Peace. In 2001, Mr. LAU was awarded the "Gold Bauhinia Star" by the Hong Kong Government. Mr. LAU is currently an independent non-executive Director of the following listed companies: Brightoil Petroleum (Holdings) Limited, Glorious Sun Enterprises Ltd., Yuexiu Property Co., Ltd., GZI Transport Ltd., Qin Jia Yuan Media Services Co., Ltd., The Hong Kong Parkview Group Ltd. and Wing Hang Bank, Ltd.. He served as an independent non-executive Director of Beijing Enterprises Holdings Limited between 1997 and 2008. He is the Director of Bank of China Group Insurance Co., Ltd., BOC Group Life Assurance Co. Ltd., Nanyang Commercial Bank, Ltd., Chu & Lau Nominees Ltd., Sun Hon Investment & Finance Ltd., Wydoff Ltd., and Wytex Ltd. Mr. LAU also served as Chairman of the Central and Western District Board between 1988 and 1994, President of the Law Society of Hong Kong from 1992 to 1993, Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). Mr. LAU obtained a Bachelor of Laws degree from the University of London in 1969 and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public.

Professor SU Xijia

Professor LIU Hongyu

Professor SU Xijia
Independent non-executive Director

Professor SU, who was born in September 1954, has been an independent non-executive Director of the Company since March 2007. He has been an assistant professor since 1996 and later an associate professor in the Department of Accountancy of City University of Hong Kong. He joined China Europe International Business School (CEIBS) in July, 2010. Currently he is a professor of accounting in CEIBS. His research focuses on corporate governance and auditing practices of the listed companies in China. He has also been appointed as the Special Investigator by the CICPA since 2005. He has given lectures at CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, major commercial banks and various universities in China. He was Independent Director of Shenzhen SEG Co., Ltd and Shenzhen Topray Solar Co., Ltd. for the period of 2002-2008, and 2007-2010, respectively. He currently serves as an Independent Director of WorldUnion Property Consultancy (China) Limited and Liaoning Baike Ltd. Professor SU has over 20 years of experience in corporate governance and accounting practice. He worked as an audit assistant for Da Hua Certified Public Accountants Co., Ltd (now Ernst & Young Dahua Certified Public Accountants Co., Ltd.) in 1984 and worked in the Xiamen University Certified Public Accountants Co., Ltd. from 1987 to 1988. Professor SU earned a Bachelor's degree and a Master's degree in accounting from Xiamen University in 1982 and 1987, respectively. He obtained his PhD degree from Concordia University of Canada in 1996.

Professor LIU Hongyu
Independent non-executive Director

Professor LIU, who was born in October 1962, has been an independent non-executive Director of the Company since March 2007. He was a professor in the Department of Civil Engineering of Tsinghua University from June 1996 to April 2000 and since April 2000 he has been a professor in the Department of Construction Management of Tsinghua University. Since 1996, he has also been Director of the Institute of Real Estate Studies of Tsinghua University. His research focuses on real estate economics, real estate investment and finance, housing policies and land management. He has served as an independent Director of a Shenzhen Stock Exchange listed company, COFCO Property (Group) Co., Ltd. since April 2006, and an independent Director of a Shenzhen Stock Exchange listed company, China Merchants Property Development Co., Ltd. and a Shanghai Stock Exchange listed company, Beijing Shoukai Holdings Co., Ltd. (北京首開股份有限公司) from 2002 to 2008 and from 2002 to 2009, respectively. He is a vice Chairman of the China Institute of Real Estate Appraisers and Agents and a Director of Asian Real Estate Society. He is also an Hon. Professor of the University of Hong Kong and a senior Fellow of the Royal Institution of Chartered Surveyors of the United Kingdom. He has over 20 years of experience in real estate industry and construction engineering. Professor LIU earned a Bachelor's degree in structural engineering and a Master's degree in management engineering from Tsinghua University in 1985 and 1988, respectively. He is also a qualified real estate appraiser in the PRC.

Mr. NGAI Wai Fung

Dr. GAO Shibin

Mr. NGAI Wai Fung

Independent non-executive Director

Mr. NGAI, who was born in January 1962, has been an independent non-executive Director of the Company since May 2007. He has been an independent non-executive Director and a member or the Chairman of Audit Committee in each of Bawang International (Group) Holdings Limited, Bosideng International Holdings Limited, Biostime International Holdings Limited, China Railway Construction Corporation Limited, China Coal Energy Company Limited, Powerlong Real Estate Holdings Limited, Sany Heavy Equipment International Holdings Company Limited and SITC International Holdings Company, all of which are companies listed on the Hong Kong Stock Exchange. He is currently the managing director of MNCOR Consulting Limited and a Vice President of the Hong Kong Institute of Chartered Secretaries. Mr. NGAI is a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries, a member of the Association of Chartered Certified Accountants in the United Kingdom, and a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Hong Kong Institute of Directors and a member of the Hong Kong Securities Institute. He has over 18 years of senior management experience, most of which is in the areas of finance, accounting, company secretarial, internal control and regulatory compliance for issuers. Mr. NGAI graduated from University of Wolverhampton with an honour's degree in law and from Andrews University, Michigan with a Master's degree in Business Administration. He graduated from the Hong Kong Polytechnic University with a Master's degree in Corporate Finance. He is studying a doctorate degree (thesis stage) in Finance at Shanghai University of Finance and Economics.

Dr. GAO Shibin

Independent non-executive Director

Dr. GAO, who was born in March 1964, has been an independent non-executive Director of the Company since July 2007. Dr. GAO is Managing Director of Tishman Speyer and has been its General Manager of Beijing/Tianjin since October 2009. He served as Managing Director of China with Standard Chartered Asia Real Estate Fund Management Company from June 2008 to September 2009. Dr. GAO worked with Jones Lang LaSalle in its Beijing office from April 2003 to May 2008 and he was National Director before resignation, managing real estate transactions and advising institutional investors in relation to real estate investments, developments, asset purchases and disposals. He had worked as project manager, senior business manager and senior investment manager for several investment and management companies in the UK, Hong Kong and Canada between 1996 and 2003, and was involved in development, operation and management of real estate investments and in risk management of real estate portfolios. He has over 15 years of experience in real estate investment and management industry. Dr. GAO earned a Bachelor's degree in building engineering and a Master's degree in building economics and management from Tsinghua University in 1987 and 1989, respectively. He obtained his PhD degree in property development and management from the University of Manchester in 1998. Dr. GAO is a member of the Royal Institution of Chartered Surveyors and an assessor of the membership committee of this organisation.


Mr. LI Congrui


Mr. ZHANG Hui


Ms. LAN Haiqing


Mr. GAI Jiangao


Mr. LIAO Chi Chiun

OTHER SENIOR MANAGEMENT

Mr. LI Congrui

Mr. LI, who was born in March 1971, has been the Vice President of the Company since April 2009. Mr. LI joined Sinochem Group in 1997, and has held in various senior management positions in Shanghai Orient Terminal Co., Ltd. and Sinochem International Industrial Corp. Since 2003 and prior to joining the Company, Mr. LI was a Director and General Manager of Zhoushan State Oil Reserve Base Company Limited (舟山國家石油儲備基地有限責任公司). Mr. LI has accumulated rich experience in appraisal and analysis on project investment, investment decisions, corporate governance, project management and large project construction. He is also familiar with corporate governance in strategies management, organisation management, procedures management and human resources. Mr. LI obtained a Bachelor's degree from the petroleum department of China University of Geosciences (Wuhan) in 1994. He received a Master's degree in petroleum development from the Research Institute of Petroleum Exploration & Development in 1997 and a Master's degree in business administration from China Europe International Business School (CEIBS) in 2007.

Mr. ZHANG Hui

Mr. ZHANG, who was born in October 1970, has been the Vice President of the Company since January 2010. Mr. ZHANG joined Sinochem Group in 2002 and had held a number of senior positions in Shanghai Orient Terminal Co., Ltd. Since 2005, he has been the Director and General Manager of Shanghai Orient Terminal Co., Ltd. Prior to joining Sinochem Group, Mr. ZHANG worked in Shanghai Offshore Petroleum Bureau of China Petrochemical Corporation from 1995 to 2002. Mr. ZHANG has 15 years of experience in large project development, planning, analysis and assessment of investment projects, management of construction projects and corporate governance. Mr. ZHANG graduated from China University of Geosciences with a Bachelor's degree in reservoir engineering in 1995 and obtained a Master's degree in business administration from China Europe International Business School (CEIBS) in 2008.

Ms. LAN Haiqing

Ms. LAN, who was born in July 1966, has been the Vice President of the Company since December 2007. Ms. LAN has served as the Chairman and General Manager of Wangfujing Hotel Management Co., Ltd. since February 2005 and January 2002, respectively. From May 1997 to December 2001, she was the General Manager of Golden Beach Hotel, Qingdao. She has over 20 years of hotel management experience. Ms. LAN has accumulated rich experience in the research, development and analysis of real estate integrated projects, investment and corporate governance. Ms. LAN graduated from Ocean University of China in 1988 and obtained a postgraduate diploma from Les Roches School of Hospitality Management in Switzerland in June 2000.

Mr. GAI Jiangao

Mr. GAI, who was born in November 1974, has been the Vice President of the Company since January 2007. Mr. GAI joined Sinochem Group in July 2000, in charge of litigation matters and legal matters in real estate industry, and served as Deputy General Manager of the Legal Department from 2005 to January 2007. Prior to joining Sinochem Group, he worked in Rong Bao Zhai, responsible for risk control and auction of artistic products from July 1997 to June 2000. He has over 10 years of experience in corporate legal affairs. Mr. GAI earned an LLB degree from the Capital University of Economics and Business in 1997. He obtained a Master's degree in business administration from Guanghua School of Management, Peking University in 2010. He qualified as a PRC lawyer in March 2000, as in-house legal counsel in January 2003, and has been an associated member of Hong Kong Institute of Chartered Secretaries since July 2008.

Mr. LIAO Chi Chiun

Mr. LIAO, who was born in January 1968, has been the Chief Accountant of the Company, Qualified Accountant and Company Secretary since March 2007. Before joining the Company, he served as an accountant of S E A Holdings Ltd between 1997 and 2006. He has over 10 years of experience in Hong Kong and PRC accounting practice relating to property leasing and developments. Mr. LIAO earned a BA (Hons) Accounting degree from De Montfort University, England in 1995. He is a fellow member of the Association of Chartered Certified Accountants and also an associate member of the HKICPA.

CODE ON CORPORATE GOVERNANCE

Since its establishment, the Company has committed to enhancing its corporate governance levels. The Company has adopted its own code on corporate governance practice which sets out all code provisions, except as described below, and most of the recommended best practices set out in the Code on Corporate Governance Practices ("Corporate Governance Code") in Appendix 14 of the Listing Rules. The Company will continue to improve its corporate governance practices focusing on maintenance and enhancement of a quality board, sound internal control and high transparency to shareholders, so as to increase the confidence of shareholders in the Company. The Company believes that good corporate governance is crucial to maintaining its long-term healthy development and is vital for the interests of its shareholders.

Code provision A.4.2 of the Corporate Governance Code stipulates that a Director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after the appointment, while the Articles of Association of the Company provides that such a Director may be elected by the shareholders at the first annual general meeting after the appointment. There exists minor difference between the practices of the Company and that of the Corporate Governance Code, and the Company believes that the election by the shareholders at the first annual general meeting after the appointment of the Directors who fill casual vacancy will not affect adversely the normal operations of the Company.

In 2010, the Company complied with all provisions of its own code on corporate governance.

BOARD OF DIRECTORS

The Board is accountable to the shareholders and is responsible for the Group's overall strategy, internal control and risk management. In order to discharge its responsibilities, the Board has established and adhered to clear operating policies and procedures, reporting hierarchy and delegated authority. The management is authorised to handle the daily operation of the Group.

The Board is responsible for managing the overall business of the Company and overseeing the functions performed by the subordinate committees. In particular, the internal control practices are mainly reflected in the following areas:

- management and control of the Group's assets, liabilities, revenues and expenditure as well as proposing changes in areas critical to the Group's performance;

- strategic capital investments and new projects, which are subject to stringent project approval process, purchasing and tendering procedures and diligent assessment of its implementation upon completion;

- financial and operational performance, which is subject to overall strategic planning as well as the implementation and maintenance of the monitoring system for financial and operational performance;

- management of relationship among parties who have interests in the Company, which is conducted through ongoing communication with partners, governments, customers and other parties who have interests in the business of the Company; and

- risk management, which is conducted through ongoing verification on the review reports from the Audit and Risk Management Department to identify, evaluate and appropriately manage the risks faced by the Company.

As of the date of this report, the Board consisted of the following 11 Directors:

Non-executive Directors
Mr. LUO Dongjiang (Chairman)
Ms. LI Xuehua (Vice Chairman)
Mr. WANG Hongjun

Executive Directors
Mr. HE Cao (Vice Chairman & Chief Executive Officer)
Mr. HE Binwu (Vice President)
Mr. JIANG Nan (Chief Financial Officer)

Independent Non-executive Directors
Mr. LAU Hon Chuen, Ambrose
Mr. SU Xijia
Mr. LIU Hongyu
Mr. NGAI Wai Fung
Mr. GAO Shibin

Mr. LUO Dongjiang was appointed by the Board as a non-executive Director and the Chairman as well as a member of the Remuneration and Nomination Committee and the Investment Committee of the Company on 18 September 2009 and was re-elected by shareholders at the first annual general meeting after the appointment, which was held on 25 June 2010.

Biographical details of the Directors are set out on pages 72 to 76 of this annual report. The Board members have no financial, business, family or other material/relevant relationships with each other. The Company has arranged appropriate insurance coverage in respect of legal actions against its Directors and reviews the coverage of the insurance every year.

The Board has a balanced composition. Each Director possesses the knowledge, experience and expertise required for the business operation and development of the Group. All Directors are aware that they are severally and collectively accountable to the shareholders. They also fulfil their duties and responsibilities diligently to make contribution to the outstanding results of the Group.

The current non-executive Directors are independent from the Company's daily management but they provide the Company with a wide range of expertise and experience. Their participation in Board and committee meetings brings independent judgment on issues relating to the Group's strategies, performance, conflicts of interest and management procedures, to ensure adequate check and balance are provided and the interests of all shareholders are taken into account. The Board believes that the balance between executive and non-executive Directors is reasonable and adequate to safeguard the interests of shareholders, other related parties and the Group.

The Company has five independent non-executive Directors, at least one of whom has appropriate financial management expertise, in compliance with the Listing Rules. Each independent non-executive Director has confirmed his independence to the Company, and the Company has believed and confirmed these Directors' independence under the guidelines set out in Rule 3.13 of the Listing Rules.

The Directors have access to appropriate business documents and information about the Company on a timely basis. The Directors have free access to the management for enquires and to obtain further information when required. All Directors and Board committees also have recourse to external legal counsels and other professionals for independent advice at the Company's expense as and when the need arises.

BOARD MEETINGS

The Board meets regularly and Board meetings are held at least four times a year to review the financial performance of the Company, significant issues and other matters that require decisions of the Board.

The Company always makes proper arrangements to give all Directors the opportunity to present matters for discussion in the agenda of each Board meeting. All Directors are given an agenda and relevant documents prior to each Board meeting.

The Board office of the Company assists in preparing agenda for Board meetings and ensures that all applicable rules and regulations regarding the meetings are followed.

Apart from consents obtained through circulation of written resolutions to all Board members, the Board met 9 times and entered into five Board written resolutions separately in respect of other special matters during the Period under Review, at which the Directors considered and approved significant matters including the discloseable and connected transaction relating to the acquisition of 50% equity interests of Shanghai Yin Hui by the Company, the connected transaction of Shanghai Port International Cruise Terminal Project, the PCS offering, the tendering proposal of Changsha Meixi Lake Project, the offshore financing of loans, the 2009 annual results report and the 2010 interim results report of the Company. Individual attendance of each Director at such Board meetings during 2010 is set out below:

Position	Name	Meetings Attended	Attendance Rate
Non-executive Director	Mr. LUO Dongjiang	8/8*	100%
Non-executive Director	Ms. LI Xuehua	6/8*	75%
Non-executive Director	Mr. WANG Hongjun	6/8*	75%
Executive Director	Mr. HE Cao	9/9	100%
Executive Director	Mr. HE Binwu	9/9	100%
Executive Director	Mr. JIANG Nan	9/9	100%
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	9/9	100%
Independent non-executive Director	Mr. SU Xijia	9/9	100%
Independent non-executive Director	Mr. LIU Hongyu	9/9	100%
Independent non-executive Director	Mr. NGAI Wai Fung	9/9	100%
Independent non-executive Director	Mr. GAO Shibin	9/9	100%

* Due to conflict of interest, Mr. LUO Dongjiang, Ms. LI Xuehua and Mr. WANG Hongjun abstained from discussion and voting on the resolution regarding the acquisition of Shanghai Yin Hui at the Board meeting held on 18 May 2010 and therefore were not included in the quorum.

The Directors are given clear information both at meetings and at regular intervals so that they can maintain effective control over strategic, financial, operational, compliance and corporate governance issues. They also have unrestricted access to independent professional advice and the advice and services from the company secretary to ensure compliance with all procedures of the Board meetings. The company secretary keeps detailed minutes of each meeting of the Board and the Board committees, which are available to all Directors for review anytime.

The Company continuously updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance with the requirements by the Directors, and to maintain good corporate governance practices.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman and Chief Executive Officer are held by different persons.

Mr. LUO Dongjiang was appointed as a non-executive Director and the Chairman of the Company by the Board with effect on 18 September 2009 and was re-elected by the shareholders at the first annual general meeting after the appointment, which was held on 25 June 2010. Mr. HE Cao was appointed as a non-executive Director and the Chairman of the Company by the Board on 13 February 2009 and subsequently resigned on 17 September 2009. He was re-designated as the Chief Executive Officer and the Vice Chairman of the Company on 18 September 2009.

There is a clear division of these two positions of Chairman and Chief Executive Officer of the Company to ensure a balance of power and authority. The Chairman of the Company is responsible for managing and providing leadership to the Board in terms of formulating overall strategies, business directions and policies of the Company. The Chairman of the Company also makes effective plans for Board meetings and ensures the Board act in the best interests of the Company and its shareholders. The Chief Executive Officer of the Company is responsible for the daily operation of the Company, formulation and execution of policies of the Company, and is accountable to the Board for the overall operation of the Company. The Chief Executive Officer also advises the Board on any significant developments and issues.

RULES FOR NOMINATION, APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company has a set of formal, prudent and transparent procedures for the appointment and succession of Directors. According to the Articles of Association of the Company, a Director shall be appointed or removed by an ordinary resolution at the general meeting; the Board has the right to appoint any Director to fill a casual vacancy or appoint a new member to the Board, subject to re-election by the shareholders at the first annual general meeting immediately after the appointment. All Directors (including executive and non-executive Directors) of the Company, are appointed for a term of three years. A Director may be re-elected at the general meeting after expiration of its term.

According to the Articles of Association of the Company, a Director shall be recommended by the Board or be nominated by any shareholder (other than the person to be nominated) of the Company who is entitled to exercise voting rights at a general meeting during the period from the date of dispatch of the notice of the meeting to 7 days before the date of the general meeting. The Remuneration and Nomination Committee of the Company may also provide advice to the Board in respect of the nomination. Qualifications and competence of the nominees should be taken into consideration during nomination.

RESPONSIBILITIES OF DIRECTORS

Each Director is required to keep abreast of his responsibilities as a Director and of the operation and business activities of the Company. Non-executive Directors have the same duties of care and skills as executive Directors.

The non-executive Directors of the Company possess sufficient experience and talent and fully participate in the Board to fulfil the functions specified in the provisions A.5.2(a) to (d) of the Code on Corporate Governance.

RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for the preparation of financial statements of each financial year, which give a true and fair view of the operating results and financial status of the Company. In preparing the financial statements, the Directors of the Company have selected and applied appropriate accounting policies, and have made prudent and reasonable judgments.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors Report" on page 104.

THE BOARD COMMITTEES

In order to review the special matters, the Company has established four Board Committees, namely the Remuneration and Nomination Committee, the Audit Committee, the Independent Board Committee and the Strategy and Investment Committee.

REMUNERATION AND NOMINATION COMMITTEE

As of the date of this report, the members of the Remuneration and Nomination Committee of the Company are Mr. LAU Hon Chuen, Ambrose, Mr. SU Xijia and Mr. LUO Dongjiang, all being non-executive Directors. The chairman of the Remuneration and Nomination Committee is Mr. LAU Hon Chuen, Ambrose.

The functions of the Remuneration and Nomination Committee include:

– to regularly review the size and composition of the Board based on the operation, scale of assets and shareholding structure of the Company, and make recommendations to the Board;

– to examine the standards and procedures for election of candidates for Directors and senior management and make recommendations; review the qualifications and abilities of candidates for directorship and management and make recommendations;

– to make recommendations to the Board on the remuneration policies and share option scheme and structure of Directors and senior management and on the establishment of formal and transparent procedures for developing such policies; and

– to determine the specific remuneration packages of all executive Directors and senior management, and make recommendations in respect of the remuneration of the non-executive Directors to the Board.

The Remuneration and Nomination Committee may seek professional advice if necessary and will be provided with sufficient resources to perform its duties.

In 2010, the Remuneration and Nomination Committee's appointment, determination of remuneration packages and approval of incentive proposals included the following:

– recommended the appointment of a deputy general manager taking into consideration of strengthening and consolidating the human resources and improving the governance structure of the Company and with reference to the experience and expertise of the candidates, and submit such recommendation to the Board for review and approval;

– approved the unlocking of 40% of the share options granted in May 2008 to the grantees by the Company according to the share option scheme passed at the extraordinary general meeting in 2007, and the performance review results of the grantees of share options and the Explanation on the Fulfillment of Conditions of Share Options of Franshion Properties for 2009 provided by the independent professional advisor; and

– determined the remuneration packages of Directors and senior management based on the results performance of the Company and with reference to the industry practices;

– re-formulated the Code on Governance of Remuneration and Nomination Committee.

The Remuneration and Nomination Committee held two meetings and entered into three written resolutions separately in 2010. The attendance of individual members at the meetings is set out below:

Position	Name	Meetings Attended	Attendance Rate
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	2/2	100%
Independent non-executive Director	Mr. SU Xijia	2/2	100%
Non-executive Director	Mr. LUO Dongjiang	2/2	100%

THE AUDIT COMMITTEE

The Audit Committee is responsible for communicating with management and internal and external auditors, as well as reviewing and overseeing the Company's financial reporting and audit procedures jointly with them. As of the date of this report, the members of the Audit Committee are Mr. SU Xijia, Mr. LIU Hongyu, Mr. WANG Hongjun and Mr. NGAI Wai Fung. The chairman of the Audit Committee is Mr. SU Xijia. All members of the Audit Committee have financial and/or legal backgrounds which enable them to precisely assess the financial conditions, compliance and risk exposure of the Company, as well as to impartially perform their duties and responsibilities.

The functions of the Audit Committee include:

– to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remunerations and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

– to discuss the nature and scope of audit and the relevant reporting responsibilities with external auditor before auditing, and to review and examine whether the external auditor is independent and objective and whether the audit procedures are effective according to applicable standards;

– to develop and implement policies on the engagement of external auditor for non-audit services;

– to monitor integrity of financial statements and accounts of the Company, the Company's annual report, half-year report and quarterly reports (if any), and to review significant opinions regarding financial reporting contained in them, to consider any material matters or unusual matters that are reflected or are required to be reflected in such reports and accounts, and to consider any matters proposed by the qualified accountant, compliance officer or auditor of the Company as appropriate;

– to review the internal control and risk management systems of the Company, to ensure that the management has performed its duties in establishing an effective internal control system, and examine the material investigation findings and management's responses in respect of internal control matters;

– to review the Company's financial and accounting policies and practices, to review the external auditor's management letter, to respond to any queries raised by the management and the Board, and to report to the Board as necessary; and

– to establish an employee direct reporting system across the Company, and to conduct investigations on unusual conditions if it considers necessary and appropriate and report to the Board as necessary.

During 2010, financial reporting and internal control reviews undertaken by the Audit Committee include the following:

– reviewed the completeness and accuracy of the 2009 Annual Report, the 2010 Interim Report and formal announcements relating to the Group's financial performance;

– reviewed the work report for internal control of the Company for 2009;

– reviewed the means of communication between external auditor and the internal audit department; and

– re-formulated the Code on Governance of Audit Committee.

The Audit Committee held four meetings in 2010. The attendance of individual members at Audit Committee meetings is set out below:

Position	Name	Meetings Attended	Attendance Rate
Independent non-executive Director	Mr. SU Xijia	4/4	100%
Independent non-executive Director	Mr. LIU Hongyu	4/4	100%
Non-executive Director	Mr. WANG Hongjun	4/4	100%
Independent non-executive Director	Mr. NGAI Wai Fung	4/4	100%

The Chief Financial Officer, the qualified accountant and the auditor also attended three of all these meetings which reviewed the Company's 2009 Annual Report, 2010 Interim Report and whether the information relating to the financial performance of the Group duly disclosed is complete and accurate.

INDEPENDENT BOARD COMMITTEE

As of the date of this report, the members of the Independent Board Committee of the Company are Mr. LAU Hon Chuen, Ambrose, Mr. GAO Shibin, Mr. NGAI Wai Fung, Mr. LIU Hongyu and Mr. SU Xijia. The chairman of the Independent Board Committee is Mr. LAU Hon Chuen, Ambrose. All members are independent non-executive Directors.

The functions of the Independent Board Committee include:

– to discuss whether the Company should exercise the separate options granted by Sinochem Group to the Company pursuant to the Non-Competition Undertaking dated 26 July 2007, and to discuss any property redevelopment business in connection with the Non-Competition Undertaking or properties held by Sinochem Group, and the new business opportunities or property redevelopment opportunities of which the Company is notified by Sinochem Group in writing;

– to formulate and implement policies in relation to the appointment of an independent financial adviser or other professional advisers regarding the exercise of options and pursuance of new opportunities;

– for connected transactions and transactions subject to independent shareholders' approval under the Listing Rules, or spin-off listing arrangements subject to approval under the Listing Rules, to examine whether the terms thereunder are fair and reasonable, and in the interest of the issuer and its shareholders as a whole, and to make recommendations to the Board; and

– to review continuing connected transactions every year and make confirmation in the annual reports and accounts of the Company.

The Independent Board Committee held three meetings and entered into one written resolution separately in 2010 to consider an outstanding Shimao Investment independent option granted by Sinochem Group to the Company, to review Shimao Investment independent option on the timing of interim and annual reporting of the Company since the 2010 interim report, and make relevant disclosure in the interim and annual reports, to confirm various continuing connected transactions of the Company for 2009 and its list, and to re-formulate the Code on Governance of Independent Board Committee. The attendance of individual members at the meetings is set out below:

Position	Name	Meetings Attended	Attendance Rate
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	3/3	100%
Independent non-executive Director	Mr. SU Xijia	3/3	100%
Independent non-executive Director	Mr. GAO Shibin	3/3	100%
Independent non-executive Director	Mr. NGAI Wai Fung	2/3	66.7%
Independent non-executive Director	Mr. LIU Hongyu	3/3	100%

STRATEGY AND INVESTMENT COMMITTEE

As of the date of this report, the members of the Strategy and Investment Committee of the Company are Mr. HE Cao, Mr. LUO Dongjiang, Mr. HE Binwu, Mr. JIANG Nan and Mr. GAO Shibin. The chairman of the Investment Committee is Mr. HE Cao.

The functions of the Strategy and Investment Committee include:

– to formulate and adjust the long term investment plans, budget and growth strategies of the Company, supervise the implementation of strategies and report to the Board;

– to review the investment of new projects within the annual investment budget approved by the Board and file with the Board; and

– to review the investment in new projects that exceeds the annual investment budget approved by the Board and submit to the Board for approval.

The Investment Committee held four meetings and entered into one written resolution separately in 2010, to consider the tendering proposal regarding Changsha Meixi Lake Project and propose to the Board for approval, to resolve that the name of the Investment Committee be changed to the Strategy and Investment Committee, and to re-formulate the Code on Governance of the Strategy and Investment Committee. The attendance of each individual member at the meetings is set out below:

Position	Name	Meetings Attended	Attendance Rate
Executive Director	Mr. HE Cao	4/4	100%
Non-executive Director	Mr. LUO Dongjiang	4/4	100%
Executive Director	Mr. HE Binwu	4/4	100%
Executive Director	Mr. JIANG Nan	4/4	100%
Independent non-executive Director	Mr. GAO Shibin	4/4	100%

EXTERNAL AUDITORS

During the Year, the remuneration paid/payable to the Company's auditors, Ernst & Young amounted to a total of HK$4,573,000, of which HK$3,700,000 was for audit service fees of the Group's financial statements, HK$700,000 was for review service fees of the Group's interim financial statements and HK$173,000 for non-audit services fees (tax compliance services fees).

In addition, the remuneration paid/payable to some subsidiaries' auditors amounted to HK$2,832,000, all of which was for audit services fees.

INTERNAL CONTROL

The Board takes full responsibilities for maintaining sound and effective internal controls to safeguard the Company's assets and shareholders' interests. The Directors confirm that the Company, through its Internal Control Department, conducts regular checks on office procedures, practices and systems to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations. The regular reviews also cover all material controls, including financial, operational and compliance supervision and risk management functions of the Company.

The Directors of the Company all consider that the Group's existing internal control systems are effective.

PRICE-SENSITIVE INFORMATION

The Company has taken every precaution in handling price-sensitive information, for which the Company has formulated an effective system and measures of confidentiality. Personnel who have access to price-sensitive information must ensure that such information is kept confidential, and should not divulge such sensitive information of the Company in any manner. Consultants and intermediaries hired by the Company have all entered into confidentiality agreements with the Company.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Stock Exchange's Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiries of all Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 December 2010.

All the employees of the Group shall comply with "Administrative Rules for Securities Transactions by the Employees of Franshion Properties" formulated by the Company with reference to the requirements set out in Appendix 10 to the Listing Rules in their dealings in the securities of the Company.

RIGHTS OF SHAREHOLDERS

Shareholders have the right to raise questions and make suggestions on the business of the Company. All shareholders shall have equal rights according to their respective shareholding and assume corresponding obligations. Shareholders are entitled to get access to and participate in the material matters of the Company as prescribed by laws, administrative decrees and the Articles of Association of the Company.

GENERAL MEETING

The Company maintains and facilitates exchange and communication between shareholders and the Board through a number of communication means, including general meetings, announcements and circulars to shareholders. The Company held an annual general meeting on 25 June 2010 to review and approve the audited financial statements, directors' report and the auditor's report for the year ended 31 December 2009, and to review and approve the re-election of Mr. LUO Dongjiang as a non-executive Director of the Company; the Company held an extraordinary general meeting on 25 June 2010 to review and approve the discloseable and connected transaction relating to the acquisition of 50% equity interests of Shanghai Yin Hui; the Company approved the connected transaction regarding the disposal of Block No.2 and part of Block No.11 of Shanghai Port International Cruise Terminal Project to connected persons by means of independent shareholders' written consent on 29 June 2010.

Report of the Directors

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and the principal activities of its subsidiaries are development of and investment in real estate projects, focusing on commercial property development, hotel operations and property leasing. Details of the subsidiaries of the Company are set out in note 20 to the financial statements.

RESULTS AND DIVIDENDS

Details of the Group's results for the year ended 31 December 2010 are set out in the consolidated income statement on page 105 of this annual report.

The Board recommended the payment of a final dividend of HK2.5 cents per share for the year ended 31 December 2010. The proposed final dividend shall be subject to approval of shareholders in the forthcoming annual general meeting. No interim dividend was paid for the period ended 30 June 2010. This recommendation has been accounted for in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

SHARE CAPITAL AND SHARE OPTIONS

As at 31 December 2010, the authorised share capital of the Company was 20,000,000,000 ordinary shares and the total issued share capital was 9,161,489,489 ordinary shares.

On 12 October 2010, the convertible securities due in 2015 convertible into fully-paid ordinary shares of the Company with an aggregate principal amount of US$600 million were offered to no fewer than six investors. Based on an initial conversion price of HK$2.83, such convertible securities can be converted into 1,644,763,250 shares. Assuming full conversion of such convertible securities, the issued share capital of the Company will be increased to 10,806,252,739 ordinary shares. The net proceeds from the issue of these convertible securities by the Company amounting to approximately US$591 million (after deducting expenses) were mainly used to finance the new and existing projects (including construction costs and land costs) and as general working capital.

Details of movement in the Company's share capital and share options during the Year are set out in notes 34 and 35 to the financial statements.

RESERVES

Movements in reserves of the Company and of the Group during the Year are set out in note 36 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), amounted to HK$425,668,000, of which HK$229,037,000 has been proposed as a final dividend for the Year. In addition, the Company's share premium account, in the amount of HK$6,109,789,000 may be distributed in the form of fully paid bonus shares.

MAJOR SUPPLIERS AND CUSTOMERS

Sales to major customers and purchases from major suppliers of the Group in the Year are set out below:

	For the year ended 31 December 2010
	Percentage of total turnover (%)
Five largest customers	42
The largest customer	27
	Percentage of total purchase (%)
Five largest suppliers	64
The largest supplier	27

The above five largest customers and suppliers of the Group are independent third parties. None of the Directors of the Company or any of their associates or any shareholders who, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital had any interest in the Group's five largest customers or five largest suppliers.

BANK AND OTHER BORROWINGS

Particulars of the bank and other borrowings of the Company and of the Group as at 31 December 2010 are set out in note 30 to the financial statements.

CHARITABLE CONTRIBUTIONS

During the Year, no charitable donations were made by the Group.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the Year are set out in notes 14 and 17 to the financial statements, respectively.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling shareholders' interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 184 of this annual report. This summary does not form part of the audited financial statements.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the current Directors and senior management of the Company are set out on pages 72 to 77 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2010, none of the Directors had a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' remuneration is determined by reference to Directors' duties and responsibilities, individual performance and the results of the Group.

During the year ended 31 December 2010, details of the remuneration of the Directors of the Company and five highest paid individuals of the Group are set out in notes 8 and 9 to the financial statements. There was no arrangement under which a Director waived or agreed to waive any remuneration during the Year.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or its controlling shareholder or any of their respective subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at 31 December 2010 or at any time during the Year. The Company did not provide any loans to the Directors or the management personnel of the Company during the Year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Sinochem Group is the ultimate controlling shareholder of the Company. The contracts of significance entered into between Sinochem Group and its subsidiaries, Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong") and the Company or its subsidiaries are mainly agreements of continuing connected transactions conducted between them, and the Non-Competition Undertaking between Sinochem Group and the Company dated 26 July 2007, as detailed in sections headed "Continuing connected transactions" and "Compliance with non-competition agreement" below.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

Sinochem Group has provided its written confirmation in respect of Sinochem Group and its subsidiaries' (other than those which form part of the Group) compliance with its obligations under the Non-competition Undertaking during 2010.

EMPLOYEES AND REMUNERATION POLICIES

For details regarding the employees and remuneration policies of the Group, please refer to the section headed "Corporate Governance Report" on page 88 and the section headed "Corporate Social Responsibility Report – Employee Development" on page 70 of this Annual Report, respectively.

RETIREMENT SCHEME

The Group contributes on a monthly basis to various defined contribution retirement benefit schemes (the "Retirement Schemes") administrated and organised by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all retired employees under these schemes and the Group has no further obligation for post-retirement benefits to the employees beyond the contributions made.

The Group also participates in a mandatory provident fund scheme (the "MPF Scheme") required by the government of Hong Kong, which is a defined contribution retirement benefit scheme. Contributions to these schemes are expenses as incurred.

Neither the Retirement Schemes nor the MPF Scheme has any requirement concerning forfeited contributions.

Contributions to the Retirement benefit Schemes for the year ended 31 December 2010 were HK$56,155,000.

MANAGEMENT CONTRACT

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

SHARE OPTION SCHEME

On 22 November 2007, the Company adopted a share option scheme (the "Scheme"), the purpose of which is to enhance the commitment of the participants to the Company and encourage them to pursue the objectives of the Company.

According to the terms of the Scheme of the Company, the Board shall at its absolute discretion grant to any participant a certain number of options at a subscription price at any time within 10 years after the adoption date of the Scheme. Participants, i.e. recipients of the options granted, include any existing executive or non-executive Directors of any member of the Group and any senior management, key technical and professional personnel, managers and employees of any member of the Group, but do not include any independent non-executive Directors of the Company.

The number of shares to be issued at any time upon exercise of all options granted under the Scheme and other share option schemes of the Company shall not in aggregate exceed 10 percent of the then issued share capital of the Company.

Unless approval of shareholders is obtained in a general meeting, if the total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) to a participant in any 12-month period in aggregate exceeds 1 percent of the issued share capital of the Company, no further grant of options shall be given to such participant. Upon acceptance of the grant, the grantee undertakes that he/she will, at the request of the Company, pay an amount which is equivalent to the nominal value of HK$1 (to be determined on the date when the offer of the grant is accepted) to the Company as a consideration for acceptance of the offer of the grant of the option.

More details of the Scheme are set out in note 35 to the financial statements.

GRANT AND EXERCISE OF OPTIONS DURING THE PERIOD

On 5 May 2008, 5,550,000 share options were granted to eligible participants at the exercise price of HK$3.37 for each share of the Company to be issued, being the average closing price of the shares on the Stock Exchange for the five consecutive trading days immediately preceding the grant date in respect of such options. Such options shall take effect the earliest after two years from the date on which the grantees are granted with the options.

On 30 April 2010, the Remuneration and Nomination Committee of the Board of the Company approved the unlocking of 40% of the share options granted in May 2008 to the grantees by the Company according to the Scheme passed at the extraordinary general meeting held on 22 November 2007, the performance review results of the grantee of share options and the Explanation on the Fulfillment of Conditions of Share Options of Franshion Properties for 2009 provided by the independent professional advisor.

During the Year, no share options were exercised under the Scheme. The following share options were outstanding under the Scheme during the year ended 31 December 2010:

	Number of share options									
Name or category of participants	As at 1 January 2010	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	As at 31 December 2010	Date of grant of share options	Exercise period of share options (both days inclusive)	Exercise price of share options HK$	Closing price of the shares immediately preceding the grant date HK$
Directors										
Mr. PAN Zhengyi[note 1]	487,451	–	–	–	194,980	292,471	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
Ms. LI Lun [note 2]	487,451	–	–	–	487,451	–	5 May 2008	–	3.37	3.36
Mr. WANG Hongjun	415,532	–	–	–	–	415,532	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
Ms. LI Xuehua	487,451	–	–	–	–	487,451	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
Mr. HE Binwu	487,451	–	–	–	–	487,451	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
Mr. JIANG Nan	421,525	–	–	–	–	421,525	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
	2,786,861	–	–		(682,431)	2,104,430				
Employee in aggregate	2,682,977	–	–		(310,051)	2,372,926	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
Total	5,469,838	–	–		(992,482)	4,477,356				

Note 1: Mr. PAN Zhengyi resigned as a non-executive Director and the Chairman of the Company and a member of the Remuneration and Nomination Committee and the Investment Committee of the Company on 13 February 2009. His 40% options in his capacity as grantee took effect on 5 May 2010 and such outstanding options lapsed on 4 November 2010. The remaining 60% of such options granted are still valid as at the date of this annual report.

Note 2: Ms. LI Lun resigned as a Director of the Company and retired on 28 July 2009. Her options expired on 28 January 2010.

Note 3: The number of share options was adjusted with effect on 18 March 2009 when the Rights Issue became unconditional. Further details of the Rights Issue are set out in note 34 to the financial statements.

The remaining 60% of such share options will vest in two batches with 30% and 30% of them vesting at the third and forth anniversary of the date following the date of grant, respectively. Accordingly, grantees have to remain in service of the Group for at least a period of four years from the date of grant in order to exercise the share options granted to them in full. In addition, the share options will only be vested if the pre-set results performance targets of the Group, the division of the grantee and the grantee are achieved. Otherwise, the share options shall lapse.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS IN SHARES OR UNDERLYING SHARES OF THE COMPANY

Save as disclosed below, as at 31 December 2010, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required, pursuant to the Model Code as set out in the Listing Rules, to be notified to the Company and the Stock Exchange.

Name	Capacity	Number of shares held	Number of underlying shares held (Note 1)	As at 31 December 2010
WANG Hongjun	Beneficial owner	–	415,532(L)	0.0048%
LI Xuehua	Beneficial owner	–	487,451(L)	0.0056%
HE Binwu	Beneficial owner	400,000(L)	487,451(L)	0.0102%
JIANG Nan	Beneficial owner	–	421,525(L)	0.0048%

(L) Denotes long positions.

Note 1: Represents the underlying shares subject to share options which are unlisted physically settled equity derivatives.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors of the Company, as at 31 December 2010, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares, or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and the Stock Exchange:

Name of the substantial shareholder	Long/short positions	Capacity/nature of Interests	Number of ordinary shares	Approximate percentage of the issued share capital
Sinochem Hong Kong	Long position	Beneficial owner	5,759,881,259	62.87%
Sinochem Corporation	Long position	Interest of controlled corporation (note 1)	5,759,881,259	62.87%
Sinochem Group	Long position	Interest of controlled corporation (note 1)	5,759,881,259	62.87%
JPMorgan Chase & Co	Long position	Beneficiary owner	7,488,000	0.08%
		Investment manager	101,346,000	1.11%
		Approved lending agent	442,473,429	4.83%
	Short position	Beneficiary owner	2,741,270	0.03%
Earn Max Enterprises Limited	Long position	Beneficiary owner	548,254,417	5.98%
Warburg Pincus Private Equity X, L.P.	Long position	Interest of controlled corporation (note 2)	548,254,417	5.98%
Warburg Pincus X, L.P.	Long position	Interest of controlled corporation (note 2)	548,254,417	5.98%
Warburg Pincus X, LLC	Long position	Interest of controlled corporation (note 2)	548,254,417	5.98%
Warburg Pincus Partners LLC	Long position	Interest of controlled corporation (note 2)	548,254,417	5.98%
Warburg Pincus & Co.	Long position	Interest of controlled corporation (note 2)	548,254,417	5.98%

Note 1: Sinochem Group holds 98% equity interests in Sinochem Corporation, which in-turn holds the entire equity interests in Sinochem Hong Kong. For the purpose of the SFO, Sinochem Group and Sinochem Corporation are both deemed to be interested in the shares beneficially owned by Sinochem Hong Kong.

Note 2: Earn Max Enterprises Limited is 96.90% controlled by Warburg Pincus Private Equity X, L.P., which is ultimately wholly controlled by Warburg Pincus & Co. through Warburg Pincus Partners LLC, Warburg Pincus X, LLC and Warburg Pincus X, L.P., all being directly or indirectly wholly controlled by Warburg Pincus & Co.. For the purpose of the SFO, each of Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus X, LLC, Warburg Pincus X, L.P. and Warburg Pincus Private Equity X, L.P. is deemed to be interested in the shares beneficially owned by Earn Max Enterprises Limited.

Save as disclosed above, as at 31 December 2010, the Directors of the Company were not aware of any person (other than the Directors or chief executives of the Company) had interest or short position in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and the Stock Exchange.

CONTINUING CONNECTED TRANSACTIONS

During the Period under Review, the Company entered into non-exempt continuing connected transactions, including:

I. Non-exempt (exempt from independent shareholders' approval requirements) continuing connected transactions:

(1) Lease of relevant units in Jin Mao Tower from the Group by five subsidiaries of Sinochem Group (transactions under items 1A to 1E below);

II. Non-exempt (approved by independent shareholders) continuing connected transactions:

(2) Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group by Sinochem Group and its eight subsidiaries (transactions under items 2A to 2I below);

(3) Lease of relevant units in Sinochem Tower from the Group by twelve subsidiaries of Sinochem Group (transactions under items 3A to 3M below);

(4) Entrustment loan framework agreement between the Company and members of the Group;

(5) Financial services framework agreement between the Company and Sinochem Group Finance Co., Ltd. ("Sinochem Finance").

For these continuing connected transactions, the Company confirmed that it has complied with the requirements under Chapter 14A of the Listing Rules. Set out below is a summary of all these transactions:

The approved annual transaction limits and actual transacted amounts of the continuing connected transactions of the Company for the year 2010 are set out below:

I. Non-exempt (exempt from independent shareholders' approval requirements) continuing connected transactions

Connected person	Nature of transaction	Effective period	Currency	Transaction amount in 2010	Approved cap for 2010
1. Five subsidiaries of Sinochem Group	Lease of relevant units in Jin Mao Tower from the Group		RMB	Sum for items 1A-1E: 54,535,131	Aggregate annual cap for items 1A-1E: 71,500,000
1A International Far Eastern Leasing Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2006 to 2011	RMB	18,860,338	
1B Sinochem International (Holdings) Co., Ltd	Lease of relevant units in Jin Mao Tower from the Group	2007 to 2012	RMB	28,530,040	
1C Manulife-Sinochem Life Insurance Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2007 to 2014	RMB	5,780,884	
1D Shanghai Donghong Industrial Limited	Lease of relevant units in Jin Mao Tower from the Group	2006 to 2011	RMB	893,013	
1E Shanghai Sinochem-Stolt Shipping Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2009 to 2012	RMB	470,856	

II. *Non-exempt (approved by independent shareholders) continuing connected transactions:*

Connected person		Nature of transaction	Effective period	Currency	Transaction amount in 2010	Approved cap for 2010
2.	Sinochem Group and its eight subsidiaries	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group		RMB	Sum for items 2A-2I and 3A-3M: 176,377,781	Aggregate annual cap for items 2A-2I and 3A-3M: 246,000,000
2A	Sinochem Group	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2012	RMB	7,222,206	
2B	Sinochem Corporation	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2011	RMB	70,491,457	
2C	Sinochem Fertilizer Company Limited	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2011	RMB	18,134,811	
2D	Sinochem International Oil Company	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2011	RMB	16,320,427	
2E	Sinochem International Industrial Company	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2011	RMB	879,353	
2F	Sinochem Petroleum Exploration and Production Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2011	RMB	15,106,747	
2G	China Foreign Economy and Trade & Investment Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2011	RMB	10,049,258	
2H	International Far Eastern Leasing Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2011	RMB	1,203,397	
2I	Sinochem Finance	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2008 to 2011	RMB	8,107,433	
3.	Sinochem Group and its twelve subsidiaries	Lease of relevant units in Sinochem Tower from the Group				
3A	Sinochem Group	Lease of relevant units in Sinochem Tower from the Group	2007 to 2013	RMB	514,929	
3B	Sinochem Corporation	Lease of relevant units in Sinochem Tower from the Group	2007 to 2013	RMB	1,529,667	
3C	Sinochem International Tendering Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2007 to 2013	RMB	7,870,943	
3D	Sinochem Plastics Company	Lease of relevant units in Sinochem Tower from the Group	2007 to 2013	RMB	5,216,282	
3E	China National Seed Group Corp.	Lease of relevant units in Sinochem Tower from the Group	2007 to 2011	RMB	4,273,631	
3F	CNSGC-DEKALB Seed Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2007 to 2010	RMB	69,773	
3G	Manulife-Sinochem Life Insurance Co., Ltd. Beijing Branch	Lease of relevant units in Sinochem Tower from the Group	2009 to 2011	RMB	3,623,506	
3H	Sinochem International Information Corporation	Lease of relevant units in Sinochem Tower from the Group	2007 to 2010	RMB	1,029,855	
3I	Sinochem International (Holdings) Co., Ltd., Beijing Branch	Lease of relevant units in Sinochem Tower from the Group	2007 to 2010	RMB	3,423,349	
3J	Sinochem Quanzhou Petroleum Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2008 to 2010	RMB	759,299	
3K	Sinochem Guangdong Company	Lease of relevant units in Sinochem Tower from the Group	2008 to 2010	RMB	441,649	
3L	Sinochem International Oil Company	Lease of relevant units in Sinochem Tower from the Group	2010 to 2012	RMB	21,410	
3M	China Foreign Economy and Trade & Investment Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2010 to 2012	RMB	88,399	
4.	Shanghai International Shipping Service Center	Provision of entrustment loan by the Group under the entrustment loan framework agreement	2008 to 2010	RMB	350,000,000	5,000,000,000

I. *Non-exempt (exempt from independent shareholders' approval requirements) continuing connected transactions*

1. *Lease of relevant units in Jin Mao Tower from the Group by five subsidiaries of Sinochem Group*

The five subsidiaries of Sinochem Group entered into lease agreements with Jin Mao Group, a wholly-owned subsidiary of the Company. Pursuant to the said lease agreements, the five subsidiaries of Sinochem Group leased the relevant units in Jin Mao Tower (located in 88 Shiji Dadao, Shanghai) from the Jin Mao Group for office uses, and paid Jin Mao Group the monthly rental, property management fees (if any), and other sundry charges actually incurred, including but not limited to parking space rentals, parking fees, electricity, telephone tariffs, overtime air conditioning fees, maintenance and catering.

Sinochem Group is the ultimate controlling shareholder of the Company and therefore a connected person of the Company. Pursuant to the Listing Rules, the ongoing transactions between Jin Mao Group and Sinochem Group and its subsidiaries under the lease agreements constitute continuing connected transactions of the Group. The continuing connected transactions have been aggregated in accordance with Rule 14A.25 of the Listing Rules as they have all been entered into by Jin Mao Group and members of Sinochem Group.

Save for the above standard terms of the lease agreements, set out below are the major terms of the lease agreements and the continuing connected transactions contemplated thereunder as at 31 December 2010:

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/ month)	Date of lease agreement	Term of lease agreement
1A International Far Eastern Leasing Co., Ltd.	(1) Units 01, 02, 04, 08, 09, 33/F, Units 01, 02, 03, 04, 07, 08, 09, 10, 35/F, Units 04, 05, 06, 09, 10, 36/F, Jin Mao Tower	Office	Monthly rental from 1 August 2009 to 30 June 2011: 1,084,375.09; monthly rental from 1 July 2011 to 31 July 2011: 156,815.05	–	Date of lease agreement: 29 November 2006; renewed upon expiry	From 24 December 2006 to 31 July 2009; term renewed from 1 August 2009 to 31 July 2011
	(2) Unit 05, 33/F, Jin Mao Tower	Office	Monthly rental from 1 January 2010 to 30 June 2011: 52,112.50; monthly rental from 1 July 2011 to 31 July 2011: 7,058.88	–	1 January 2010	From 1 January 2010 to 31 July 2011
	(3) Unit 06-07, 33/F, Jin Mao Tower	Office	Monthly rental from 1 August 2009 to 31 July 2011: 154,264.00	–	1 August 2009	From 1 August 2009 to 31 July 2011
1B Sinochem International (Holdings) Co., Ltd.	(1) Units 01-09 of 18/F, Units 01-08 of 19/F, Unit 09 of 21/F, Unit 09 of 22/F, Unit 09 of 24/F, Units 05, 06, 07 and 09 of 25/F, and Units 01, 02B, 03-10 of 26/F, Jin Mao Tower	Office	1,533,649.60 under original lease agreement; 2,184,719.51 after renewal	–	30 November 2007; renewed upon expiry	From 1 December 2007 to 30 November 2010; term renewed from 1 December 2010 to 30 November 2012
	(2) Unit 09 of 20/F, Unit 10 of 25/F, Unit 02A of 26/F, Block 3, Jin Mao Tower		539,642 under original lease agreement; 79,987.6 after renewal	–	30 November 2007; renewed upon expiry	From 1 April 2008 to 30 November 2010; term renewed: From 1 December 2010 to 30 November 2012

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
1C Manulife-Sinochem Life Insurance Co., Ltd. Beijing Branch	(1) Units 01-03, 08, and 10, 21/F, Block 3, Jin Mao Tower	Office	4,110,176.60 under original lease agreement; Unit 10 of 21/F, Block 3: 6,897.8 after renewal; Units 01-03 and 08: 345,844.8 after renewal	–	30 November 2007; renewed upon expiry	From 1 December 2007 to 30 November 2010; term renewed for Unit 10 of 21/F, Block 3: From 1 December 2010 to 31 March 2014; term renewed for Units 01-03 and 08: From 1 December 2010 to 31 March 2011
	(2) Unit 04A, 21/F, Block 3, Jin Mao Tower		57,283.20 under original lease agreement; 50,122.8 after renewal	–	8 April 2008; renewed upon expiry	From 1 May 2008 to 30 November 2010; term renewed from 1 December 2010 to 31 March 2011
	(3) Units 01-09, 6/F, Zone 1, Jin Mao Tower		618,642.1	–	29 November 2010	From 1 April 2011 to 31 March 2014
1D Shanghai Donghong Industrial Limited	(1) Units 07 and 08, 36/F, Block 4, Jin Mao Tower	Office	140,255.50	–	Date of lease agreement for Room 3607: 1 June 2006; date of lease agreement for Room 3608: 21 May 2007: lease agreements for both Units 3607 and 3608 were renewed on 31 July 2009	Term of lease agreement for Unit 3607: from 2 June 2006 to 31 July 2009; term of lease agreement for Unit 3608: from 1 April 2007 to 31 July 2009; term renewed for Units 3607 and 3608: From 1 August 2009 to 31 July 2011
1E Shanghai Sinochem-Stolt Shipping Co., Ltd.	Unit 05A, 26/F, Zone 3, Jin Mao Tower	Office	38,216.20 under original lease agreement; 34,088.85 after renewal	–	30 April 2009; renewed upon expiry	From 1 May 2009 to 30 November 2010; term renewed from 1 December 2010 to 30 November 2012

Details of the 2010 annual caps for and actual amount transacted of those continuing connected transactions under each lease agreement above, please refer to the table on page 92.

In order to regulate the leasehold relationship between the Company and Sinochem Group, the Company entered into a framework agreement for lease of properties (Jin Mao) with Sinochem Group in respect of the lease of relevant units in Jin Mao Tower on 31 July 2009 and such framework agreement was approved by the Board of the Company. The continuing transactions under such framework agreement and the specific lease contracts constitute continuing connected transactions of the Company. Under the Listing Rules, the entering into of such agreement and the annual transaction caps for the continuing connected transactions thereunder are subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirements.

Such Framework Agreement is valid for a term of 10 years from 31 July 2009. Under the framework agreement for lease of properties:

(1) All existing individual lease agreements that have been entered into between the Company and/or its subsidiaries and Sinochem Group and/or its relevant associates in respect of the relevant units of the Jin Mao Tower in Shanghai, the PRC shall be included in and regulated by the framework agreement;

(2) Based on its demand for office premises, Sinochem Group and/or its associates may at their own option increase the lease area in existing units or increase the number of units leased by not more than 10% (if available) of the total gross floor area currently being leased under the framework agreement in each of the two years from 2010 to 2011, and any such future individual lease agreement to be entered into after the signing of the framework agreement shall also be included in and regulated by the framework agreement;

(3) All continuing connected transactions under the individual lease agreements will be aggregated and subject to the aggregate annual caps. The proposed aggregate annual caps for the three consecutive years ended 31 December 2011 are of RMB61,800,000, RMB71,500,000 and RMB82,600,000, respectively. The original aggregate annual caps for the existing individual lease agreements will no longer apply upon the entering into of the framework agreement.

II. NON-EXEMPT (APPROVED BY INDEPENDENT SHAREHOLDERS) CONTINUING CONNECTED TRANSACTIONS:

2. Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group by Sinochem Group and its eight subsidiaries

Sinochem Group and its eight subsidiaries entered into lease agreements with Beijing Chemsunny Property Company Ltd. ("Chemsunny Property"), a wholly-owned subsidiary of the Company, respectively. Pursuant to the said lease agreements, Sinochem Group and its eight subsidiaries leased the relevant units in Beijing Chemsunny World Trade Centre (located in No. 28, Fuxingmen Nei Street, Beijing) for office uses, and paid Chemsunny Property and Beijing Century Chemsunny Property Management Co., Ltd. ("Chemsunny Property Management "), the designated property management company, the monthly rentals, property management fees and other sundry charges, including but not limited to parking space rentals, parking fees, electricity, telephone tariffs, overtime air conditioning fees, maintenance and catering.

Pursuant to the Listing Rules, the ongoing transactions between Chemsunny Property and Sinochem Group and its subsidiaries under the lease agreements constitute continuing connected transactions of the Group. The continuing connected transactions have been aggregated in accordance with Rule 14A.25 of the Listing Rules as they have all been entered into by Chemsunny Property and members of Sinochem Group.

Save for the above standard terms of the lease agreements, set out below are the major terms of the lease agreements and the continuing connected transactions contemplated thereunder as at 31 December 2010:

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/ month)	Date of lease agreement	Term of lease agreement
2A Sinochem Group (renewal lessee: 2B Sinochem Corporation)	F7 Level, F11 Level, F12 Level, Rooms C503/505-506, F5 Level and Room 101, Basement 1, Beijing Chemsunny World Trade Centre	Office	4,417,901 under original lease agreement; 4,726,737 after renewal	446,310 under original lease agreement; 496,375 after renewal	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed from 1 January 2010 to 31 December 2011
	Rooms C003-004, G Level, Beijing Chemsunny World Trade Centre	Exhibition	572,010	28,600	30 June 2009	From 1 August 2009 to 31 July 2012

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
2C Sinochem Fertilizer Company Limited	F10 Level and Room C502, F5 Level, Beijing Chemsunny World Trade Centre	Office	1,297,296 under original lease agreement; 1,424,397 after renewal	144,144 under original lease agreement; 155,598 after renewal	8 June 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; term renewed from 1 January 2010 to 31 December 2011
2D Sinochem International Oil Company	F9 Level, Beijing Chemsunny World Trade Centre	Office	1,184,885 under original lease agreement; 1,173,705 after renewal	136,717 under original lease agreement; 135,428 after renewal	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; term renewed from 1 January 2010 to 31 December 2011
2E Sinochem International Industrial Company	F9 Level, Beijing Chemsunny World Trade Centre	Office	62,363	7,195	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; term renewed from 1 January 2010 to 31 December 2011
2F Sinochem Petroleum Exploration and Production Co., Ltd.	F8 Level, Beijing Chemsunny World Trade Centre	Office	1,207,585 under original lease agreement; 1,252,545 after renewal	144,910 under original lease agreement; 149,125 after renewal	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; term renewed from 1 January 2010 to 31 December 2011
2G China Foreign Economy and Trade & Investment Co., Ltd.	Rooms C601-606, F6 Level and Rooms C102-103, F1 Level, Beijing Chemsunny World Trade Centre	Office	653,600 under original lease agreement; 972,509 after renewal	85,252 under original lease agreement; 121,538 after renewal	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; term renewed from 1 January 2010 to 31 December 2011
2H International Far Eastern Leasing Co., Ltd.	Rooms C608, F6 Level, Beijing Chemsunny World Trade Centre	Office	68,452 under original lease agreement; 101,343 after renewal	8,928 under original lease agreement; 13,219 after renewal	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; term renewed from 1 January 2010 to 31 December 2011
2I Sinochem Finance	Rooms C306-308, F3 Level, Beijing Chemsunny World Trade Centre	Office	597,225	55,990	16 May 2008; renewed upon expiry	From 1 June 2008 to 31 May 2011

Details of the 2010 annual caps for and actual amount transacted of those continuing connected transactions under each lease agreement above, please refer to the table on page 93.

To regulate the leasing relationship between the Company and the Sinochem Group, the Company and Sinochem Group entered into a framework agreement for lease of properties on 31 December 2008. In particular, the lease agreements of Sinochem Group and its seventeen subsidiaries for the lease of Beijing Chemsunny World Trade Centre of the Company were included into and regulated by this framework agreement. For details of this framework agreement, please refer to the disclosure in "3. Lease of relevant units in Sinochem Tower from the Group by twelve subsidiaries of Sinochem Group" below.

3. ***Lease of relevant units in Beijing Sinochem Tower from the Group by twelve subsidiaries of Sinochem Group***

The twelve subsidiaries of Sinochem Group entered into lease agreements with Sinochem International Property & Hotels Management Co., Ltd. ("Sinochem Property Management"), a wholly-owned subsidiary of the Company. Pursuant to the said lease agreements, twelve subsidiaries of Sinochem Group leased the relevant units in Sinochem Tower (located in No. A2 Fuxingmen Wai Street, Beijing) for office uses, and paid Sinochem Property Management and Chemsunny Property Management, the designated property management company, the relevant monthly rentals, property management fees and other sundry charges, including but not limited to parking space rentals, parking fees, electricity, telephone tariffs, overtime air conditioning fees, maintenance and catering.

Pursuant to the Listing Rules, the ongoing transactions between Sinochem Property Management and Sinochem Group and its subsidiaries under the lease agreements constitute continuing connected transactions of the Group. The continuing connected transactions have been aggregated in accordance with Rule 14A.25 of the Listing Rules since they have all been entered into by Sinochem Property Management and members of Sinochem Group.

Save for the above standard terms of the lease agreements, set out below are the major terms of the lease agreements and the continuing connected transactions contemplated thereunder as at 31 December 2010:

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
3A Sinochem Group (renewal lessee: 3B Sinochem Corporation)	Southeast Office, 4/F, Rooms 308-309 of 3/F, North Wing, Sinochem Tower	Office	155,608	29,240	22 October 2009	From 13 October 2009 to 12 October 2011
3C Sinochem International Tendering Co., Ltd	19/F, 20/F & 21/F, Sinochem Tower	Office	512,613 under original lease agreement; 598,404 after renewal	100,671 under original lease agreement; 102,081 after renewal	8 November 2007; renewed upon expiry	From 1 November 2007 to 31 October 2010; term renewed from 1 November 2010 to 31 October 2013
3D Sinochem Plastics Company	7/F & Room 629 of 6/F, Sinochem Tower	Office	7/F: 147,728 under original lease agreement; Room 326 of 3/F: 4,978 under original lease agreement; 339,961 after renewal	7/F: 33,557 under original lease agreement; Room 326 of 3/F: 1,193 under original lease agreement; 61,041 after renewal	22 October 2007; renewed upon expiry	7/F: From 1 October 2007 to 30 September 2010; Room 326 of 3/F: From 1 December 2007 to 30 September 2010; term renewed: From 1 October 2010 to 30 September 2013
3E China National Seed Group Corp.	Room 1400 of 14/F & Room 1501 of 15/F, Sinochem Tower	Office	232,335 under original lease agreement; 263,880 after renewal	46,682 under original lease agreement; 47,335 after renewal	6 November 2007; renewed upon expiry	From 16 October 2007 to 15 October 2010; term renewed from 16 October 2010 to 15 October 2013
	Room 1401 of 14/F, Sinochem Tower	Office	53,956	9,679	10 November 2010	From 16 December 2010 to 15 October 2013

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/ month)	Date of lease agreement	Term of lease agreement
3F CNSGC-DEKALB Seed Co., Ltd.	Room 611 of 6/F, Sinochem Tower	Office	19,435	3,430	29 October 2007; tenancy surrendered upon expiry	From 16 December 2007 to 15 March 2010; tenancy surrendered upon expiry
3G Manulife-Sinochem Life Insurance Co., Ltd., Beijing Branch	4/F, Sinochem Tower	Office	176,197 under original lease agreement; 244,474 after renewal	44,863 under original lease agreement; 44,967 after renewal	16 February 2006; renewed upon expiry	From 20 February 2006 to 19 February 2009; term renewed from 20 February 2009 to 19 February 2011
3H Sinochem International Information Corporation	Room 1701 of 17/F, Sinochem Tower	Office	47,321 under original lease agreement; 100,321 after renewal	9,508 under original lease agreement; 17,013 after renewal	14 November 2007; renewed upon expiry	From 16 October 2007 to 15 October 2010; term renewed from 18 November 2010 to 17 November 2013
3I Sinochem International (Holdings) Co., Ltd., Beijing Branch	18/F Sinochem Tower	Office	167,014 under original lease agreement; 194,774 after renewal	33,557 under original lease agreement; 34,027 after renewal	29 November 2007; renewed upon expiry	From 1 October 2007 to 30 September 2010; term renewed from 1 October 2010 to 30 September 2013
3J Sinochem Quanzhou Petroleum Co., Ltd.	Southeast of South Wing, 17/F, Sinochem Tower	Office	49,468 under original lease agreement; 55,147 after renewal	8,389 under original lease agreement; 8,507 after renewal	31 December 2008; renewed upon expiry	From 1 January 2009 to 31 December 2010; term renewed from 1 January 2011 to 31 December 2012
3K Sinochem Guangdong Company	Room 608 of 6/F, Sinochem Tower	Office	28,497 under original lease agreement; 31,389 after renewal	6,152 under original lease agreement; 5,898 after renewal	29 November 2007; renewed upon expiry	From 1 January 2008 to 31 December 2010; term renewed from 1 January 2011 to 31 December 2013
3L Sinochem International Oil Company	Room B304 of B3, Sinochem Tower	Office	1,784	–	22 December 2009	From 1 January 2010 to 31 December 2012
3M China Foreign Economy and Trade & Investment Co., Ltd.	Rooms 810/812 of 8/F, Sinochem Tower	Office	5,644	1,134	9 October 2010	From 17 October 2010 to 16 October 2012

Details of the 2010 annual caps for and actual amount transacted of those continuing connected transactions under each lease agreement above, please refer to the table on page 93.

To regulate the leasing relationship between the Company and Sinochem Group, framework agreement for lease of properties was entered into by the Company and Sinochem Group on 31 December 2008 and was approved by the independent shareholders of the Company at the extraordinary general meeting held on 12 February 2009. The framework agreement is valid for 10 years from 1 January 2009. Pursuant to this framework agreement:

(1) The individual lease agreements that have been entered into by the Company and/or its subsidiaries and Sinochem Group and/or its relevant associates in respect of the relevant units in Beijing Chemsunny World Trade Centre and Sinochem Tower in Beijing, China (i.e., all lease agreements mentioned in no. 2) and 3) shall be included into and regulated by the framework agreement;

(2) Based on its demand for office premises, Sinochem Group and/or its associates may at their own option increase the lease area in existing units or increase the number of units leased by no more than 5% (if available) of the total gross floor area currently being leased under the framework agreement in each of the two years from 2010 to 2011, and after signing of the framework agreement, any such future individual lease agreement to be entered into shall also be included in and regulated by the Framework Agreement; and

(3) All continuing connected transactions under the individual lease agreements will be aggregated and subject to the aggregate annual caps. The proposed aggregate annual caps for the three consecutive years ended 31 December 2011 are RMB204 million, RMB246 million and RMB275 million, respectively. The original aggregate annual caps for existing individual lease agreements will no longer apply upon entering into of the framework agreement.

4. *Entrustment loan framework agreement*

In order to maximise the utilisation of the Group's working capital and to promote efficient allocation of resources between members of the Group, the Company and other members of the Group entered into a framework agreement on 31 December 2007 under normal commercial terms which are fair and reasonable, pursuant to which separate entrustment loan agreements can be made between members of the Group in accordance with the terms and conditions set out in the framework agreement. The framework agreement shall be valid for 3 years, effective from 1 January 2008.

Shanghai Port International Cruise Terminal Development Co., Ltd. ("Shanghai Terminal Co."), Shanghai International Shipping Service Center Development Co., Ltd. ("Shanghai International Shipping Service Center") (previously known as Shanghai Huigang Real Estate Development Co, Ltd) and Shanghai Pudong Jinxin Real Estate Development Co., Ltd. ("Shanghai Pudong Jinxin") were connected persons of the Company by virtue of merely being an associate of a connected person of a non-wholly owned subsidiary. Thus, entrustment loans provided by any member of the Group to the connected persons (including the provision of entrustment loans amongst the three connected persons themselves) would constitute financial assistance and continuing connected transaction.

However, pursuant to the Listing Rule changes which took effect on 3 June 2010, Shanghai Terminal Co., Shanghai International Shipping Service Center and Shanghai Pudong Jinxin are no longer connected persons of the Company.

The annual cap for the continuing connected transactions for the year ended 31 December 2010 was RMB5.0 billion, and the actual transaction amount incurred was RMB0.35 billion.

5. *Financial services framework agreement between the Company and Sinochem Finance*

The Company and Sinochem Finance entered into a financial services framework agreement on 4 December 2008 in relation to the other non-mandatory financial services such as deposit services provided by Sinochem Finance to the Group. The framework agreement shall be effective for three years from the date of its signing. Pursuant to such framework agreement, the Company may, based on its actual needs and willingness, use such financial services as deposits, loan services, entrustment loans, settlement services, guarantee services and internet banking to be provided by Sinochem Finance, and, under the financial services framework agreement, pay the relevant interests and service fees to or receive deposit interests from Sinochem Finance. The relevant fees and interests shall be determined pursuant to the standards as set by the People's Bank of China from time to time or market price.

Sinochem Finance is a wholly owned subsidiary of Sinochem Group, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Under the Listing Rules, the provision of deposit services to the Company by Sinochem Finance as contemplated under the financial services framework agreement constitutes a continuing connected transaction on the part of the Company.

It is expected that during the term of the financial services framework agreement, the maximum daily balance the Company deposits with Sinochem Finance (including interest accrued thereon, but excluding the additional amount of deposit generated as a result of the entrustment loan) shall be RMB1.13 billion, and the continuing connected transaction has not exceeded the annual cap for the year ended 31 December 2010.

CONNECTED TRANSACTIONS

During the Period under Review, the one-off non-exempt connected transactions conducted by the Company include:

1. *Acquisition of 50% equity interests in Shanghai Yin Hui*

As disclosed in the announcement of the Company dated 22 April 2008, the Independent Board Committee resolved to exercise the option under the non-competition undertaking to acquire from Sinochem Hong Kong its 50% equity interests in Shanghai Yin Hui.

On 18 May 2010, the Company and Sinochem Hong Kong entered into an acquisition agreement, pursuant to which the Company has agreed to acquire from Sinochem Hong Kong its 50% equity interests in Shanghai Yin Hui for a total consideration of US$136.1 million (being the USD equivalent of RMB928.8 million). In addition, the Company also agreed to assume the capital injection commitment from Sinochem Hong Kong.

As Sinochem Hong Kong is a connected person of the Company by reason of it being a substantial shareholder of the Company, the transactions constitute connected transactions of the Company. In addition, such transactions also constitute discloseable transactions under Chapter 14 of the Listing Rules. The transactions are thus subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. An extraordinary general meeting was held on 25 June 2010 to approve the above transactions.

On 3 September 2010, the Company and Sinochem Hong Kong agreed that the conditions precedent under the above acquisition agreement were fulfilled and the transactions were completed by both parties in accordance with the terms of the acquisition agreement.

2. *Disposal of Block No.2 and part of Block No.11 of Shanghai Port International Cruise Terminal Project to Shanghai Real Estate (Group) Co., Ltd. ("Shanghai Real Estate")*

On 30 June 2010, the Company, Shanghai Terminal Co. and Shanghai Real Estate entered into a tripartite agreement, pursuant to which in line with each party's economic interest in Site B of Shanghai Port International Cruise Terminal Project, the Company and Shanghai Real Estate shall each purchase properties from Shanghai Terminal Co. with approximately equal gross floor area at the same pricing basis, i.e. Block No.1 of Shanghai Port International Cruise Terminal shall be purchased by the Company and Block No.2 and part of Block No.11 of Shanghai Port International Cruise Terminal shall be purchased by Shanghai Real Estate. The consideration for Block No.2 with a saleable area of 16,463 square metres was RMB518 million and the consideration for part of Block No.11 with an area of approximately 4,148 square metres was RMB83 million.

Shanghai Real Estate is a substantial shareholder of Shanghai Pudong Jinxin, a non-wholly owned subsidiary of the Company, and is therefore a connected person of the Company. The said transaction thus constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company has received a waiver pursuant to Rule 14A.43 of the Listing Rules, whereby the written shareholders' approval from Sinochem Hong Kong shall be accepted in lieu of convening a general meeting for the approval of such transaction.

Such transaction was completed on 30 June 2010.

For these one-off connected transactions, the Company confirmed that it has complied with the requirements under Chapter 14A of the Listing Rules

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In the opinion of the independent non-executive Directors of the Company, the continuing connected transactions for the year ended 31 December 2010 were entered into by the Group:

- in the ordinary and usual course of its business;
- on normal commercial terms; and
- in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board of Directors has received a letter from the auditors, expressing that these connected transactions:

- have received the approval of the Board of Directors;
- have been entered into in accordance with the terms of the relevant agreements governing such continuing connected transactions;
- have been entered into in accordance with the pricing policies of the Company; and
- have not exceeded the relevant caps for the financial year ended 31 December 2010.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period under Review, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF THE OPTION OVER SHIMAO INVESTMENT BY THE INDEPENDENT BOARD COMMITTEE

A meeting was held by the Independent Board Committee comprising all independent non-executive Directors of the Company on 17 March 2011 to review its decision made on 18 August 2010 not to exercise, for the time being, the option to acquire Sinochem Group's 15% interest in China Shimao Investment Company Limited ("Shimao Investment").

After careful review of the relevant information of Shimao Investment and taking into account the fact that Sinochem Group is only a financial investor and owns minority and passive interest in Shimao Investment, and the Company has completed the acquisition of Jin Mao Group and Shanghai Yin Hui in 2009 and 2010, respectively, and is currently devoting its capital, manpower and resources to increasing its land reserves and implementing its property development projects, the exercise of the option over Shimao Investment in the short term would be a challenge to the Company's operational capacity in all aspects. All the independent non-executive Directors considered that the exercise of the option over Shimao Investment currently is not compatible with the Company's prudent investment policy, and is not in the best interests of the Company and the shareholders as a whole.

The Independent Board Committee unanimously resolved still not to exercise, at the point of time of the meeting, the option to acquire Sinochem Group's 15% interest in Shimao Investment. As disclosed in the prospectus and the announcement dated 9 April 2010 of the Company, the Independent Board Committee would continue to review the option over Shimao Investment, and relevant disclosure will be made in the interim and annual reports of the Company.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the auditors of the Company the accounting principles and practices adopted by the Company, and discussed with them the audit, internal control and financial reporting matters of the Company, including review of the financial statements for the Year.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as the acquisition of 50% equity interest in Shanghai Yin Hui, details of which have been disclosed in this annual report, the Company did not engage in any material acquisitions or disposals during the Period under Review.

MATERIAL LITIGATION

For the year ended 31 December 2010, the Company was not subject to any material litigation that could have an adverse impact on the Company.

EVENTS AFTER REPORTING PERIOD

Details of significant events of the Group after the reporting period are set out in note 46 to the financial statements.

AUDITORS

The financial statements of the Group have been audited by Ernst & Young, who has offered itself for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint the firm as the auditors of the Company.

On Behalf of the Board
Chairman
LUO Dongjiang

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INDEPENDENT AUDITORS' REPORT

To the shareholders of Franshion Properties (China) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Franshion Properties (China) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 105 to 183, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

17 March 2011

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	**6,348,001**	6,320,902
Cost of sales		**(3,045,079)**	(3,021,689)
Gross profit		**3,302,922**	3,299,213
Other income and gains	5	**1,274,375**	485,560
Selling and marketing expenses		**(266,686)**	(254,734)
Administrative expenses		**(640,683)**	(552,500)
Other expenses		**(3,107)**	(3,068)
Finance costs	7	**(606,196)**	(499,963)
Share of profits and losses of jointly-controlled entities		**2,900**	(927)
PROFIT BEFORE TAX	6	**3,063,525**	2,473,581
Income tax expense	10	**(931,714)**	(742,484)
PROFIT FOR THE YEAR		**2,131,811**	1,731,097
Attributable to:			
Owners of the parent	11	**1,713,616**	1,174,408
Non-controlling interests		**418,195**	556,689
		2,131,811	1,731,097
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13	**HK cents**	HK cents
Basic		**18.70**	13.71
Diluted		**18.00**	13.71

Details of the dividends proposed for the year are disclosed in note 12 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Note	**2010 HK$'000**	2009 HK$'000
PROFIT FOR THE YEAR		**2,131,811**	1,731,097
OTHER COMPREHENSIVE INCOME/(LOSS)			
Exchange differences on translation of foreign operations		**770,182**	(5,891)
Reclassification adjustments for gains included in consolidated income statement in relation to de-registration of subsidiaries		**(38,088)**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**732,094**	(5,891)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,863,905**	**1,725,206**
Attributable to:			
Owners of the parent	11	**2,344,704**	1,175,304
Non-controlling interests		**519,201**	549,902
		2,863,905	1,725,206

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**6,805,168**	6,683,415
Properties under development	15	**12,590,620**	8,700,008
Investment properties	17	**12,773,590**	11,539,660
Prepaid land lease payments	18	**1,681,584**	1,624,887
Intangible assets	19	**25,124**	27,928
Investments in jointly-controlled entities	21	**33,816**	118,944
Prepayment for investment	22	**1,551,287**	–
Deferred tax assets	32	**178,588**	80,983
Pledged deposits	27	**–**	249,876
Total non-current assets		**35,639,777**	29,025,701
CURRENT ASSETS			
Properties under development	15	**1,050,968**	2,601,271
Properties held for sale	16	**1,021,153**	470,451
Inventories	23	**35,196**	35,352
Trade receivables	24	**99,497**	227,413
Prepayments, deposits and other receivables	25	**173,935**	178,252
Due from related parties	26	**12,936**	4,252
Tax recoverable		**–**	47,242
Restricted bank balances	27	**5,390**	2,892
Pledged deposits	27	**2,086,791**	4,026,411
Cash and cash equivalents	27	**11,229,509**	3,523,274
Total current assets		**15,715,375**	11,116,810
CURRENT LIABILITIES			
Trade payables	28	**787,747**	719,348
Other payables and accruals	29	**1,441,866**	2,546,325
Interest-bearing bank and other borrowings	30	**7,527,366**	10,642,243
Due to related parties	26	**86,227**	71,024
Tax payable		**220,605**	102,297
Provision for land appreciation tax	31	**822,594**	571,175
Total current liabilities		**10,886,405**	14,652,412
NET CURRENT ASSETS/(LIABILITIES)		**4,828,970**	(3,535,602)
TOTAL ASSETS LESS CURRENT LIABILITIES		**40,468,747**	25,490,099
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**10,707,871**	5,869,814
Due to related parties	26	**1,058,523**	–
Deferred tax liabilities	32	**1,983,152**	1,673,419
Total non-current liabilities		**13,749,546**	7,543,233
Net assets		**26,719,201**	17,946,866

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	34	**9,161,489**	9,161,489
Perpetual convertible securities	33	**4,588,000**	–
Reserves	36(a)	**9,145,970**	7,029,119
Proposed final dividends	12	**229,037**	229,037
		23,124,496	16,419,645
Non-controlling interests		**3,594,705**	1,527,221
Total equity		**26,719,201**	17,946,866

He Cao
Director

Jiang Nan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

		Attributable to owners of the parent											
	Notes	Issued capital HK$'000 (note 34)	Share premium account HK$'000 (note 34)	Perpetual convertible securities HK$'000 (note 33)	Capital reserve HK$'000 (note 36)	PRC statutory surplus reserve HK$'000 (note 36)	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000 (note 35)	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2009		6,493,627	3,680,115	–	(1,413,734)	209,010	1,283,005	1,014	613,005	174,003	11,040,045	2,884,097	13,924,142
Profit for the year		–	–	–	–	–	–	–	1,174,408	–	1,174,408	556,689	1,731,097
Other comprehensive income for the year:													
Exchange differences on translation for foreign operations		–	–	–	–	–	896	–	–	–	896	(6,787)	(5,891)
Total comprehensive income for the year		–	–	–	–	–	896	–	1,174,408	–	1,175,304	549,902	1,725,206
Rights issue of shares	34	1,626,857	1,089,994	–	–	–	–	–	–	–	2,716,851	–	2,716,851
Issue of new shares	34	461,340	701,237	–	–	–	–	–	–	–	1,162,577	–	1,162,577
Share issue expenses	34	–	(22,375)	–	–	–	–	–	–	–	(22,375)	–	(22,375)
Final 2008 dividend declared		–	–	–	–	–	–	–	–	(174,003)	(174,003)	–	(174,003)
Equity-settled share option arrangements	35	–	–	–	–	–	–	1,484	–	–	1,484	–	1,484
Acquisition of non-controlling interests		579,665	660,818	–	(722,222)	–	–	–	–	–	518,261	(1,849,637)	(1,331,376)
Forfeiture of dividends from non-controlling shareholders		–	–	–	1,501	–	–	–	–	–	1,501	–	1,501
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	138,470	138,470
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(195,611)	(195,611)
Proposed final 2009 dividend	12	–	–	–	–	–	–	–	(229,037)	229,037	–	–	–
Transfer from retained profits		–	–	–	–	57,559	–	–	(57,559)	–	–	–	–
At 31 December 2009 and 1 January 2010		9,161,489	6,109,789*	–	(2,134,455)*	266,569*	1,283,901*	2,498*	1,500,817*	229,037	16,419,645	1,527,221	17,946,866
Profit for the year		–	–	–	–	–	–	–	1,713,616	–	1,713,616	418,195	2,131,811
Other comprehensive income for the year:													
Exchange differences on translation for foreign operations		–	–	–	–	–	669,176	–	–	–	669,176	101,006	770,182
Gain on de-registration of subsidiaries		–	–	–	321	(310)	(38,099)	–	–	–	(38,088)	–	(38,088)
Total comprehensive income for the year		–	–	–	321	(310)	631,077	–	1,713,616	–	2,344,704	519,201	2,863,905
Issue of perpetual convertible securities	33	–	–	4,655,166	–	–	–	–	–	–	4,655,166	–	4,655,166
Perpetual convertible securities issue expenses	33	–	–	(67,166)	–	–	–	–	–	–	(67,166)	–	(67,166)
Final 2009 dividend declared		–	–	–	–	–	–	–	–	(229,037)	(229,037)	–	(229,037)
Acquisition of a subsidiary	37	–	–	–	–	–	–	–	–	–	–	1,064,968	1,064,968
Equity-settled share option arrangements	35	–	–	–	–	–	–	1,184	–	–	1,184	–	1,184
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	777,115	777,115
Dividends declared to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(293,800)	(293,800)
Proposed final 2010 dividend	12	–	–	–	–	–	–	–	(229,037)	229,037	–	–	–
Transfer from retained profits		–	–	–	–	23,914	–	–	(23,914)	–	–	–	–
At 31 December 2010		9,161,489	6,109,789*	4,588,000	(2,134,134)*	290,173*	1,914,978*	3,682*	2,961,482*	229,037	23,124,496	3,594,705	26,719,201

* These reserve accounts comprise the consolidated reserves of HK$9,145,970,000 (2009: HK$7,029,119,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,063,525**	2,473,581
Adjustments for:			
Finance costs	7	**606,196**	499,963
Share of profits and losses of jointly-controlled entities	21	**(2,900)**	927
Interest income	5	**(239,638)**	(174,784)
Other investment income	5	**(9,426)**	–
Gain on disposal of a jointly-controlled entity	5	**(776)**	–
Gain on de-registration of subsidiaries	5	**(65,418)**	–
Exemption of tax	5	**–**	(109,405)
Loss on disposal of items of property, plant and equipment	6	**948**	286
Impairment of trade receivables	6	**2,159**	–
Fair value gains on investment properties	5	**(861,756)**	(169,151)
Depreciation	6,14	**210,619**	217,253
Recognition of prepaid land lease payments	6,18	**46,583**	47,154
Amortisation of intangible assets	6,19	**9,702**	4,704
Equity-settled share option expense	35	**1,184**	1,484
		2,761,002	2,792,012
Decrease/(increase) in properties under development		**335,925**	(5,947,870)
(Increase)/decrease in properties held for sale		**(550,702)**	1,948,723
Decrease in inventories		**156**	1,218
Decrease/(increase) in trade receivables		**125,727**	(101,227)
Decrease in prepayments, deposits and other receivables		**8,603**	17,204
(Increase)/decrease in amounts due from related parties		**(5,687)**	6,437
Increase/(decrease) in trade payables		**79,045**	(181,530)
Decrease in other payables and accruals		**(1,355,770)**	(1,514,593)
Increase in amounts due to related parties		**15,203**	11,934
Effect of exchange rate changes, net		**272,142**	–
Cash generated from/(used in) operations		**1,685,644**	(2,967,692)
Interest received		**242,523**	174,784
Interest paid		**(614,266)**	(500,626)
PRC corporate income tax paid		**(363,549)**	(507,251)
Land appreciation tax paid		**(22,509)**	(28,844)
Net cash flows from/(used in) operating activities		**927,843**	(3,829,629)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Net cash flows from/(used in) operating activities		**927,843**	(3,829,629)
CASH FLOWS FROM INVESTING ACTIVITIES			
Other investment income received from unlisted investments		**9,426**	–
Purchase of items of property, plant and equipment		**(117,672)**	(178,477)
Additions to investment properties	17	**(11,055)**	(3,775)
Additions to prepaid land lease payments	18	**(4,616)**	(613)
Additions to intangible assets	19	**(6,018)**	(1,478)
Increase in time deposits with original maturity of over three months when acquired		**(31,765)**	–
Acquisition of non-controlling interests		**–**	(1,331,376)
Proceeds from disposal of items of property, plant and equipment		**1,362**	315
Acquisition of a subsidiary	37	**30,579**	–
Prepayment for investment	22	**(1,551,287)**	–
Decrease/(increase) in pledged deposits		**2,189,496**	(2,979,204)
(Increase)/decrease in restricted bank deposits		**(2,498)**	14,277
Repayment of amounts due from jointly-controlled entities		**8,410**	3,360
Proceed from disposal of a jointly-controlled entity		**79,167**	–
Net cash flows from/(used in) investing activities		**593,529**	(4,476,971)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares	34	**–**	1,162,577
Proceeds from rights issue	34	**–**	80,908
Share issue expenses	34	**–**	(22,375)
Proceeds from issue of perpetual convertible securities	33	**4,655,166**	–
Perpetual convertible securities issue expenses	33	**(67,166)**	–
Capital contribution from non-controlling shareholders		**777,115**	138,470
New bank and other borrowings		**15,726,078**	22,262,853
Repayment of an amount due to the immediate holding company		**–**	(80,529)
Repayment of bank and other borrowings		**(14,769,291)**	(16,384,767)
Dividends paid		**(229,037)**	(174,003)
Dividends paid to non-controlling shareholders		**–**	(195,611)
Net cash flows from financing activities		**6,092,865**	6,787,523
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**7,614,237**	(1,519,077)
Cash and cash equivalents at beginning of year		**3,523,274**	5,046,807
Effect of foreign exchange rate changes, net		**60,233**	(4,456)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**11,197,744**	3,523,274
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**5,393,402**	2,374,324
Non-pledged time deposits with original maturity of less than three months when acquired		**5,804,342**	1,148,950
		11,197,744	3,523,274
Non-pledged time deposits with original maturity of over three months when acquired		**31,765**	–
Cash and cash equivalents as stated in the statement of financial position	27	**11,229,509**	3,523,274

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,074**	1,654
Investments in subsidiaries	20	**18,696,000**	14,464,644
Total non-current assets		**18,697,074**	14,466,298
CURRENT ASSETS			
Due from subsidiaries	20	**857,560**	–
Prepayments, deposits and other receivables	25	**21,802**	6,929
Due from related parties	26	**–**	1,824
Cash and cash equivalents	27	**3,987,810**	1,222,661
Total current assets		**4,867,172**	1,231,414
CURRENT LIABILITIES			
Other payables and accruals	29	**12,847**	14,327
Due to related parties	26	**6,685**	–
Interest-bearing bank and other borrowings	30	**389,159**	–
Total current liabilities		**408,691**	14,327
NET CURRENT ASSETS		**4,458,481**	1,217,087
TOTAL ASSETS LESS CURRENT LIABILITIES		**23,155,555**	15,683,385
NON-CURRENT LIABILITIES			
Due to subsidiaries	20	**4,606,538**	–
Due to related parties	26	**1,058,523**	–
Interest-bearing bank and other borrowings	30	**1,789,866**	–
Total non-current liabilities		**7,454,927**	–
Net assets		**15,700,628**	15,683,385
EQUITY			
Issued capital	34	**9,161,489**	9,161,489
Reserves	36(b)	**6,310,102**	6,292,859
Proposed final dividends	12	**229,037**	229,037
Total equity		**15,700,628**	15,683,385

He Cao
Director

Jiang Nan
Director

1. CORPORATE INFORMATION

Franshion Properties (China) Limited (the "Company") is a limited liability company incorporated in Hong Kong on 2 June 2004 under the Hong Kong Companies Ordinance. The registered office of the Company is located at Rooms 4702-03, 47/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 August 2007.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- property development
- property leasing
- hotel operations
- provision of property management, design and decoration services

In the opinion of the directors, the immediate holding company of the Company is Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong"), a company incorporated in Hong Kong, and the ultimate holding company of the Company is Sinochem Group, a company established in the People's Republic of China (the "PRC") and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission in the PRC.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows,* HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates,* HKAS 28 *Investments in Associates and* HKAS 31 *Interests in Joint Ventures.*

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

The Group has reassessed its leases in Mainland China, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in Mainland China remained as operating leases.

(c) HK Interpretation 5: *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

HK Interpretation 5 requires that a loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement.

The Group has reassessed the terms of the loan agreements and the classification of loans remained unchanged.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of HKFRSs – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
HKFRS 7 Amendments	*Amendments to* HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation - Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principle of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKFRS 3 *Business Combinations*: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Group has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

When an investment in a jointly-controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Business combinations from 1 January 2010 (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, properties held for sale, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Hotel properties	1.7% – 2.8%
Leasehold improvements	18%
Buildings	2% – 5%
Furniture, fixtures and office equipment	3.8% – 33.3%
Motor vehicles	8.3% – 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 5 to 10 years.

Club membership

Purchased club membership is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 20 to 40 years.

Operating leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the end of the reporting period are classified under current assets. On completion, the properties are transferred to properties held for sale.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, restricted bank balances, pledged deposits, trade and other receivables, amounts due from related parties and prepayment for investment.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification is as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to the related parties and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Revenue recognition

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

(a) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured;

(b) hotel and other service income, in the period in which such services are rendered;

(c) rental income, on a time proportion basis over lease terms, except for contingent rental income which is recognised when it arises, where premiums received to terminate leases are recognised in the income statement when they arise;

(d) from the rendering of property management services, in the period in which such the services are rendered;

(e) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(f) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(g) dividend income, when the shareholders' right to receive payment has been established.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 35 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Pension scheme

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 5.364% and 6.372% has been applied to the expenditure on the individual assets.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of all subsidiaries and jointly-controlled entities operating in Mainland China is Renminbi ("RMB"). As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of all subsidiaries and jointly-controlled entities operating in Mainland China are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of all subsidiaries and jointly-controlled entities operating in Mainland China which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intended for sale after completion. Upon completion of construction, properties under development are transferred to completed properties held for sale and are stated at cost. Properties under construction are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation after completion.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

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

Allowance for trade and other receivables

The provision policy for impairment of trade and other receivables of the Group is based on the ongoing evaluation of the collectability, aged analysis of the outstanding receivables and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were deteriorated, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of trade receivables and other receivables at 31 December 2010 are HK$99,497,000 (2009: HK$227,413,000) and HK$75,160,000 (2009: HK$107,570,000), respectively. Further details are given in notes 24 and 25 to the financial statements.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

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

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

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2010 was HK$12,773,590,000 (2009: HK$11,539,660,000). Further details are given in note 17 to the financial statements.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details, including a sensitivity analysis of key assumptions, are given in note 45 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2010 was HK$16,664,000 (2009: HK$9,420,000). Further details are given in note 32 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to completed properties held for sale upon completion. An apportionment of these costs will be recognised in the income statements upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a particular phase are recorded as the cost of such phase. Common costs are allocated to individual phases based on the estimated saleable area of the entire development project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years. The carrying amount of properties under development at 31 December 2010 was HK$13,641,588,000 (2009: HK$11,301,279,000).

PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision of income taxes to be made. Where the final tax outcome of these matters are different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise. The carrying amount of income tax payable at 31 December 2010 was HK$220,605,000 (2009: HK$102,297,000).

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision of LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the local tax authorities upon the completion of the Group's property development projects. The Group has not finalised its LAT tax returns and payments with the local tax authorities for its property development projects. When the final outcome is determined it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period which LAT is ascertained. The carrying amount of provision for LAT at 31 December 2010 was HK$822,594,000 (2009: HK$571,175,000).

Estimation of net realisable value for properties held for sale and inventories

Properties held for sale and inventories are stated at the lower of cost and net realisable value. The net realisable value is assessed with reference to market conditions and prices existing at the end of the reporting period and is determined by the Group having taken suitable external advice and in the light of recent market transactions. The carrying amount of properties held for sale and inventories at 31 December 2010 were HK$1,021,153,000 (2009: HK$470,451,000) and HK$35,196,000 (2009: HK$35,352,000), respectively.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the products and services they provide and has four reportable operating segments are as follows:

(a) the property development segment develops and sells properties;

(b) the property leasing segment leases office and commercial premises;

(c) the hotel operations segment provides hotel accommodation services; and

(d) the "others" segment mainly comprises the provision of property management, design and decoration services, the operation of an observation deck, the trading of goods, and the provision of export agency services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, other investment income and finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, restricted bank balances, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings and related interest payables, amounts due to related parties, tax payable, provision for land appreciation tax, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The Group's operations are mainly conducted in Mainland China. The management considered there is one reportable geographic segment as all revenues from external customers are generated in Mainland China and the Group's significant non-current assets are located in Mainland China.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2010	Property development HK$'000	Property leasing HK$'000	Hotel operations HK$'000	Others HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	2,924,687	859,634	2,007,364	556,316	6,348,001
Intersegment sales	10,691	1,762	26	72,004	84,483
	2,935,378	861,396	2,007,390	628,320	6,432,484
Reconciliation:					
Elimination of intersegment sales					(84,483)
Total revenue					6,348,001
Segment results	1,359,573	1,643,419	513,820	75,708	3,592,520
Reconciliation:					
Elimination of intersegment results					(1,581)
Interest income					239,638
Other investment income					9,426
Corporate and other unallocated expenses					(170,282)
Finance costs					(606,196)
Profit before tax					3,063,525
Segment assets	17,348,506	12,961,498	8,491,288	640,112	39,441,404
Reconciliation:					
Elimination of intersegment assets					(5,977,264)
Corporate and other unallocated assets					17,891,012
Total assets					51,355,152
Segment liabilities	3,864,397	231,927	2,260,258	262,969	6,619,551
Reconciliation:					
Elimination of intersegment liabilities					(5,919,912)
Corporate and other unallocated liabilities					23,936,312
Total liabilities					24,635,951
Other segment information:					
Share of profits and losses of jointly-controlled entities	–	–	–	2,900	2,900
Depreciation and amortisation	1,637	10,890	203,814	3,980	220,321
Recognition of prepaid land lease payments	–	–	46,583	–	46,583
Loss on disposal of items of property, plant and equipment	–	298	618	32	948
Impairment of trade receivables	–	–	1,934	225	2,159
Fair value gains on investment properties, net	–	861,756	–	–	861,756
Investments in jointly-controlled entities	–	–	–	33,816	33,816
Capital expenditure*	16,661	14,628	36,338	708	68,335

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, prepaid land lease payments and investment properties.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2009	Property development HK$'000	Property leasing HK$'000	Hotel operations HK$'000	Others HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	3,535,311	868,898	1,576,743	339,950	6,320,902
Intersegment sales	–	2,583	–	132,678	135,261
	3,535,311	871,481	1,576,743	472,628	6,456,163
Reconciliation:					
Elimination of intersegment sales					(135,261)
Total revenue					6,320,902
Segment results	1,597,511	956,157	241,749	168,903	2,964,320
Reconciliation:					
Elimination of intersegment results					(30,246)
Interest income					174,784
Unallocated gains					579
Corporate and other unallocated expenses					(135,893)
Finance costs					(499,963)
Profit before tax					2,473,581
Segment assets	15,677,851	14,222,355	8,587,923	751,995	39,240,124
Reconciliation:					
Elimination of intersegment assets					(9,148,927)
Corporate and other unallocated assets					10,051,314
Total assets					40,142,511
Segment liabilities	7,488,841	1,653,489	2,435,696	665,012	12,243,038
Reconciliation:					
Elimination of intersegment liabilities					(9,108,067)
Corporate and other unallocated liabilities					19,060,674
Total liabilities					22,195,645
Other segment information:					
Share of profits and losses of jointly-controlled entities	–	–	–	(927)	(927)
Depreciation and amortisation	1,359	5,491	191,587	23,570	222,007
Recognition of prepaid land lease payments	–	–	47,154	–	47,154
Loss on disposal of items of property, plant and equipment	10	87	–	189	286
Fair value gains on investment properties, net	–	169,151	–	–	169,151
Investments in jointly-controlled entities	–	–	–	118,944	118,944
Capital expenditure*	1,550	5,069	175,246	1,697	183,562

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, prepaid land lease payments and investment properties.

4. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

During the year, there was one customer (including a group of entities which are known to be under common control with that customer) accounted for 10% or more of the Group's revenue and its revenue amounted to HK$1,686,793,000. In 2009, there were three customers (including a group of entities which are known to be under common control with one of those customers) individually accounted for 10% or more of the Group's revenue and their respective revenues amounted to HK$1,328,386,000, HK$1,115,887,000 and HK$902,247,000.

The sales to the above customers were included in the property development segment.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the gross proceeds from the sale of properties, net of business tax; income from hotel operations, property management and related services rendered, net of business tax; gross rental income, received and receivable from investment properties, net of business tax; an appropriate proportion of contract revenue of service contracts; and the net invoiced value of goods sold, after allowances for returns and trade discounts, during the year.

An analysis of the revenue, other income and gains is as follows:

	Note	2010 HK$'000	2009 HK$'000
Revenue			
Sale of properties		**2,924,687**	3,535,311
Gross rental income		**859,634**	868,898
Hotel operations		**2,007,364**	1,576,743
Others		**556,316**	339,950
		6,348,001	6,320,902
Other income			
Bank interest income		**239,638**	174,784
Other investment income		**9,426**	–
Exemption of tax*		**–**	109,405
		249,064	284,189
Gains			
Fair value gains on investment properties	17	**861,756**	169,151
Foreign exchange differences, net		**30,052**	748
Gain on de-registration of subsidiaries		**65,418**	–
Gain on disposal of a jointly-controlled entity		**776**	–
Others		**67,309**	31,472
		1,025,311	201,371
		1,274,375	485,560

* In June 2009, a subsidiary of the Group obtained approval from the local tax bureau for a 50% reduction in the urban real estate tax for the three years ended 31 December 2008.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2010 HK$'000	2009 HK$'000
Cost of properties sold		**1,601,918**	1,913,653
Cost of services provided		**1,443,161**	1,108,036
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**84,923**	77,867
Depreciation	14	**210,619**	217,303
Less: Amount capitalised		**–**	(50)
		210,619	217,253
Amortisation of items of intangible assets	19	**9,702**	4,704
Minimum lease payments under operating leases in respect of land and buildings		**6,881**	6,310
Recognition of prepaid land lease payments	18	**46,583**	47,154
Auditors' remuneration		**3,700**	3,500
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and salaries		**573,382**	498,365
Equity-settled share option expense	35	**1,184**	1,484
Pension scheme contributions		**56,155**	55,279
Less: Amount capitalised		**(1,366)**	(7,683)
Net pension scheme contributions*		**54,789**	47,596
		629,355	547,445
Loss on disposal of items of property, plant and equipment**		**948**	286
Impairment of trade receivables**		**2,159**	–

* At 31 December 2010, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2009: Nil).

** These items are included in "Other expenses" on the face of the consolidated income statement.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Interest on bank loans and debenture wholly repayable within five years	**667,619**	535,948
Interest on bank loans wholly repayable over five years	**207,873**	108,409
Interest on an amount due to a fellow subsidiary	**48,456**	43,036
Interest on an amount due to the immediate holding company	**8,267**	16,468
Total interest expense	**932,215**	703,861
Less: Interest capitalised	**(326,019)**	(203,898)
	606,196	499,963

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Fees	**1,200**	2,092
Other emoluments:		
Salaries, allowances and benefits in kind	**3,969**	4,536
Performance related bonuses*	**3,555**	4,993
Equity-settled share option expense	**479**	748
Pension scheme contributions	**144**	268
	8,147	10,545
	9,347	12,637

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

In prior year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 35 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2010 HK$'000	2009 HK$'000
Mr. Lau Hon Chuen, Ambrose	**240**	240
Mr. Su Xijia	**240**	240
Mr. Liu Hongyu	**240**	240
Mr. Ngai Wai Fung	**240**	240
Mr. Gao Shibin	**240**	240
	1,200	1,200

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2010						
Executive directors:						
Mr. He Cao	–	1,386	1,159	–	72	2,617
Mr. He Binwu	–	1,358	1,592	129	–	3,079
Mr. Jiang Nan	–	1,225	804	111	72	2,212
	–	3,969	3,555	240	144	7,908
Non-executive directors:						
Mr. Luo Dongjiang	–	–	–	–	–	–
Ms. Li Xuehua	–	–	–	129	–	129
Mr. Wang Hongjun	–	–	–	110	–	110
	–	–	–	239	–	239
	–	3,969	3,555	479	144	8,147

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and non-executive directors (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2009						
Executive directors:						
Mr. He Cao	892	399	936	–	85	2,312
Mr. He Binwu	–	1,466	1,893	131	–	3,490
Mr. Jiang Nan	–	1,265	778	113	105	2,261
	892	3,130	3,607	244	190	8,063
Non-executive directors:						
Mr. Luo Dongjiang	–	–	–	–	–	–
Ms. Li Xuehua	–	1,406	1,386	131	78	3,001
Mr. Pan Zhengyi#	–	–	–	131	–	131
Ms. Li Lun@	–	–	–	131	–	131
Mr. Wang Hongjun	–	–	–	111	–	111
	–	1,406	1,386	504	78	3,374
	892	4,536	4,993	748	268	11,437

Mr. Pan Zhengyi resigned as a non-executive director and the Chairman of the Company on 13 February 2009.

@ Ms. Li Lun resigned as a non-executive director of the Company on 28 July 2009.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2009: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2009: one) non-director, highest paid employees for the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,162**	902
Performance related bonuses	**2,175**	1,466
Equity-settled share option expense	**–**	113
Pension scheme contributions	**–**	30
	4,337	2,511

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2010	2009
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1
	2	1

In prior year, share options were granted to a non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 35 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the prior year is included in the above non-director, highest paid employees' remuneration disclosures.

10. INCOME TAX

	2010	2009
	HK$'000	HK$'000
Current		
PRC corporate income tax		
Charge for the year	**527,574**	548,540
Overprovision in prior years	**(19,378)**	–
	508,196	548,540
PRC land appreciation tax (note 31)	**263,793**	166,513
	771,989	715,053
Deferred (note 32)	**159,725**	27,431
Total tax charge for the year	**931,714**	742,484

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2009: Nil).

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2009: 25%) on the taxable profits of the Group's PRC subsidiaries.

10. INCOME TAX (Continued)

PRC corporate income tax (Continued)

Pursuant to the relevant PRC income tax rules and regulations, preferential corporate income tax rates have been granted to certain of the Group's PRC subsidiaries which were established and located in Shanghai Pudong New Area and Shenzhen Special Economic Zone, respectively. These companies are subject to a preferential rate of 22% in 2010 (2009: 20%), followed by tax rates gradually increased to 25% in the following two years towards 2012. Certain of the Group's subsidiaries in the PRC, which were established and located in Hainan Special Economic Zone and Zhuhai Special Economic Zone, respectively, are subject to corporate income tax at a preferential rate of 22% and are entitled to full exemption from such tax for the first profitable year and a 50% reduction in the following two years.

PRC land appreciation tax ("LAT")

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including borrowing costs and all property development expenditures.

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2010

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(34,915)		3,098,440		3,063,525	
Tax at the statutory income tax rate	(5,761)	16.5	774,610	25.0	768,849	25.1
Lower tax rates for specific provinces or enacted by local authority	–	–	(63,232)	(2.0)	(63,232)	(2.1)
Effect of withholding tax at 5% on the profit of a subsidiary established in the PRC distributed to the parent	–	–	14,344	0.5	14,344	0.5
Adjustments in respect of current tax of previous periods	–	–	(19,378)	(0.6)	(19,378)	(0.6)
Profits and losses attributable to jointly-controlled entities	–	–	(638)	0.0	(638)	0.0
Income not subject to tax	(2,529)	7.2	(11,923)	(0.4)	(14,452)	(0.5)
Expenses not deductible for tax	8,290	(23.7)	6,582	0.1	14,872	0.4
Tax losses utilised from previous periods	–	–	(140)	0.0	(140)	0.0
Tax losses not recognised	–	–	33,526	1.1	33,526	1.1
LAT (note 31)	–	–	263,793	8.5	263,793	8.6
Tax effect of LAT	–	–	(65,830)	(2.1)	(65,830)	(2.1)
Tax charge at the Group's effective rate	–	–	931,714	30.1	931,714	30.4

10. INCOME TAX (Continued)

Group – 2009

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	109,057		2,364,524		2,473,581	
Tax at the statutory income tax rate	17,994	16.5	591,131	25.0	609,125	24.6
Lower tax rates for specific provinces or enacted by local authority	–	–	(87,623)	(3.7)	(87,623)	(3.5)
Effect of withholding tax at 5% on the profit of a subsidiary established in the PRC distributed to the parent	–	–	2,582	0.1	2,582	0.1
Effect on opening deferred tax of increase in rates	–	–	20,609	0.9	20,609	0.8
Profits and losses attributable to jointly-controlled entities	–	–	(143)	(0.0)	(143)	(0.0)
Income not subject to tax	(26,546)	(24.3)	(9,189)	(0.4)	(35,735)	(1.4)
Expenses not deductible for tax	8,552	7.8	54,498	2.3	63,050	2.5
Tax losses not recognised	–	–	58,282	2.5	58,282	2.4
LAT (note 31)	–	–	166,513	7.0	166,513	6.7
Tax effect of LAT	–	–	(55,085)	(2.3)	(55,085)	(2.2)
Others	–	–	909	0.0	909	0.0
Tax charge at the Group's effective rate	–	–	742,484	31.4	742,484	30.0

The share of tax attributable to jointly-controlled entities amounting to HK$1,021,000 (2009: HK$903,000) is included in "Share of profits and losses of jointly-control entities" in the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a loss of HK$48,704,000 (2009: HK$54,392,000) which has been dealt with in the financial statements of the Company (note 36(b)).

12. DIVIDEND

	2010	2009
	HK$'000	HK$'000
Proposed final – HK2.5 cents (2009: HK2.5 cents) per ordinary share	**229,037**	229,037

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 9,161,489,489 (2009: 8,567,519,709) in issue during the year.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of the Group's perpetual convertible securities into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2010 **HK$'000**	2009 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**1,713,616**	1,174,408

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**9,161,489,489**	8,567,519,709
Effect of dilution – weighted average number of ordinary shares:		
Perpetual convertible securities	**360,496,055**	–
	9,521,985,544	8,567,519,709

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel properties HK$'000	Leasehold improvements HK$'000	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2010							
At 31 December 2009 and at 1 January 2010:							
Cost	6,318,096	60,428	84,230	1,457,650	47,079	6,431	7,973,914
Accumulated depreciation and impairment	(667,025)	(53,123)	(2,744)	(544,670)	(22,937)	–	(1,290,499)
Net carrying amount	5,651,071	7,305	81,486	912,980	24,142	6,431	6,683,415
At 1 January 2010, net of accumulated depreciation and impairment	5,651,071	7,305	81,486	912,980	24,142	6,431	6,683,415
Additions	18,824	1,547	–	14,341	5,221	6,713	46,646
Disposals/write-off	(3)	–	–	(1,004)	(1,303)	–	(2,310)
Depreciation provided during the year	(98,428)	(1,056)	(4,667)	(101,846)	(4,622)	–	(210,619)
Transfer from investment properties (note 17)	–	–	60,252	–	–	–	60,252
Transfers	(217,623)	–	155,516	67,772	–	(5,665)	–
Exchange realignment	188,857	265	6,468	31,161	783	250	227,784
At 31 December 2010, net of accumulated depreciation and impairment	5,542,698	8,061	299,055	923,404	24,221	7,729	6,805,168
At 31 December 2010:							
Cost	6,303,374	64,108	335,374	1,588,927	49,361	7,729	8,348,873
Accumulated depreciation and impairment	(760,676)	(56,047)	(36,319)	(665,523)	(25,140)	–	(1,543,705)
Net carrying amount	5,542,698	8,061	299,055	923,404	24,221	7,729	6,805,168

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Hotel properties HK$'000	Leasehold improvements HK$'000	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2009							
At 1 January 2009:							
Cost	5,611,391	55,977	84,230	1,313,900	47,144	1,348,061	8,460,703
Accumulated depreciation and impairment	(539,491)	(52,673)	(405)	(465,324)	(18,940)	–	(1,076,833)
Net carrying amount	5,071,900	3,304	83,825	848,576	28,204	1,348,061	7,383,870
At 1 January 2009, net of accumulated depreciation and impairment	5,071,900	3,304	83,825	848,576	28,204	1,348,061	7,383,870
Additions	–	4,447	–	7,497	1,536	164,216	177,696
Disposals/write-off	–	–	–	(480)	(121)	–	(601)
Depreciation provided during the year	(127,410)	(451)	(2,337)	(81,631)	(5,474)	–	(217,303)
Transfer to intangible assets (note 19)	(16,015)	–	–	–	–	(5,029)	(21,044)
Transfer to prepaid land lease payments (note 18)	–	–	–	–	–	(222,884)	(222,884)
Transfer to properties under development (note 15)	–	–	–	–	–	(415,642)	(415,642)
Transfers	722,037	–	–	138,954	–	(860,991)	–
Exchange realignment	559	5	(2)	64	(3)	(1,300)	(677)
At 31 December 2009, net of accumulated depreciation and impairment	5,651,071	7,305	81,486	912,980	24,142	6,431	6,683,415
At 31 December 2009:							
Cost	6,318,096	60,428	84,230	1,457,650	47,079	6,431	7,973,914
Accumulated depreciation and impairment	(667,025)	(53,123)	(2,744)	(544,670)	(22,937)	–	(1,290,499)
Net carrying amount	5,651,071	7,305	81,486	912,980	24,142	6,431	6,683,415

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Motor vehicles HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
31 December 2010			
At 1 January 2010:			
Cost	**2,357**	**576**	**2,933**
Accumulated depreciation	**(960)**	**(319)**	**(1,279)**
Net carrying amount	**1,397**	**257**	**1,654**
At 1 January 2010, net of accumulated depreciation	**1,397**	**257**	**1,654**
Additions	**–**	**7**	**7**
Depreciation provided during the year	**(471)**	**(116)**	**(587)**
At 31 December 2010, net of accumulated depreciation	**926**	**148**	**1,074**
At 31 December 2010:			
Cost	**2,357**	**583**	**2,940**
Accumulated depreciation	**(1,431)**	**(435)**	**(1,866)**
Net carrying amount	**926**	**148**	**1,074**

	Motor vehicles HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
31 December 2009			
At 1 January 2009:			
Cost	2,357	529	2,886
Accumulated depreciation	(489)	(209)	(698)
Net carrying amount	1,868	320	2,188
At 1 January 2009, net of accumulated depreciation	1,868	320	2,188
Additions	–	47	47
Depreciation provided during the year	(471)	(110)	(581)
At 31 December 2009, net of accumulated depreciation	1,397	257	1,654
At 31 December 2009:			
Cost	2,357	576	2,933
Accumulated depreciation	(960)	(319)	(1,279)
Net carrying amount	1,397	257	1,654

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

All of the Group's hotel properties and buildings are situated in Mainland China.

At 31 December 2010, certain of the Group's hotel properties and buildings included in property, plant and equipment with net carrying amounts of approximately HK$2,051,670,000 (2009: HK$1,575,879,000) and HK$101,379,000 (2009: HK$69,843,000), respectively, were pledged to secure bank loans granted to the Group (note 30).

15. PROPERTIES UNDER DEVELOPMENT

		Group	
		2010	2009
	Notes	**HK$'000**	HK$'000
Carrying amount at 1 January		**11,301,279**	6,736,455
Acquisition of a subsidiary	37	**2,315,120**	–
Additions (including development costs, prepaid land lease payments and capitalised expenditure)		**1,747,484**	5,947,870
Transfer from construction in progress	14	**–**	415,642
Transfer to properties held for sale		**(2,083,409)**	(1,803,110)
Transfer to prepaid land lease payments	18	**(43,527)**	–
Exchange realignment		**404,641**	4,422
Carrying amount at 31 December		**13,641,588**	11,301,279
Current portion		**(1,050,968)**	(2,601,271)
Non-current portion		**12,590,620**	8,700,008

The Group's properties held for sale are situated in Mainland China and is held under the following lease terms.

	2010	2009
	HK$'000	HK$'000
Long term leases	**3,764,864**	–
Medium term leases	**9,876,724**	11,301,279
	13,641,588	11,301,279

At 31 December 2010, certain of the Group's properties included in properties under development with a net carrying amount of approximately HK$5,216,355,000 (2009: Nil) were pledged to secure bank loans granted to the Group (note 30).

16. PROPERTIES HELD FOR SALE

All the properties held for sale are stated at cost. The Group's properties held for sale are situated in Mainland China and is held under the following lease terms.

	2010 HK$'000	2009 HK$'000
Long term leases	**37,658**	–
Medium term leases	**983,495**	470,451
	1,021,153	470,451

At 31 December 2010, certain of the Group's properties included in properties held for sale with a net carrying amount of approximately HK$141,878,000 (2009: Nil) were pledged to secure bank loans granted to the Group (note 30).

17. INVESTMENT PROPERTIES

		Group	
	Notes	2010 HK$'000	2009 HK$'000
Carrying amount at 1 January		**11,539,660**	11,366,566
Additions		**11,055**	3,775
Net profit from a fair value adjustment	5	**861,756**	169,151
Transfer to owner-occupied properties	14	**(60,252)**	–
Exchange realignment		**421,371**	168
Carrying amount at 31 December		**12,773,590**	11,539,660

The Group's investment properties are situated in Mainland China and are held under medium term leases.

The Group's investment properties were revalued individually on 31 December 2010 by Knight Frank Petty Limited and CB Richard Ellis Limited, independent professionally qualified valuers, at HK$12,773,590 (2009: HK$11,539,660,000) on an open market, existing use basis. These investment properties are leased to third parties under operating leases, further summary details of which are included in note 40(a) to the financial statements.

At 31 December 2010, certain of the Group's investment properties with a carrying value of HK$7,229,972,000 (2009: HK$7,476,670,000) were pledged to secure bank loans granted to the Group and the debenture issued by the Group (note 30).

18. PREPAID LAND LEASE PAYMENTS

		Group	
	Notes	2010 HK$'000	2009 HK$'000
Carrying amount at 1 January		**1,670,539**	1,494,024
Additions		**4,616**	613
Transferred from properties under development	15	**43,527**	–
Transferred from property, plant and equipment	14	**–**	222,884
Recognised during the year		**(46,583)**	(47,154)
Exchange realignment		**57,986**	172
Carrying amount at 31 December		**1,730,085**	1,670,539
Current portion included in prepayments, deposits and other receivables	25	**(48,501)**	(45,652)
Non-current portion		**1,681,584**	1,624,887

The Group's leasehold land is situated in Mainland China and is held under the following lease terms.

	2010 HK$'000	2009 HK$'000
Long term leases	**390,240**	380,219
Medium term leases	**1,339,845**	1,290,320
	1,730,085	1,670,539

At 31 December 2010, certain of the Group's prepaid land lease payments with a net carrying amount of HK$341,631,000 (2009: HK$547,147,000) were pledged to secure certain bank loans granted to the Group (note 30).

19. INTANGIBLE ASSETS

Group

	Computer software HK$'000	Club membership HK$'000	Total HK$'000
31 December 2010			
Cost at 1 January 2010, net of accumulated amortisation and impairment	**22,358**	**5,570**	**27,928**
Additions	**6,018**	**–**	**6,018**
Amortisation provided during the year	**(9,470)**	**(232)**	**(9,702)**
Exchange realignment	**691**	**189**	**880**
At 31 December 2010	**19,597**	**5,527**	**25,124**
As 31 December 2010:			
Cost	**39,585**	**6,584**	**46,169**
Accumulated amortisation and impairment	**(19,988)**	**(1,057)**	**(21,045)**
Net carrying amount	**19,597**	**5,527**	**25,124**
31 December 2009			
As 1 January 2009:			
Cost	9,868	6,583	16,451
Accumulated amortisation and impairment	(5,469)	(890)	(6,359)
Net carrying amount	4,399	5,693	10,092
Cost at 1 January 2009, net of accumulated amortisation and impairment	4,399	5,693	10,092
Additions	1,478	–	1,478
Transferred from property, plant and equipment (note 14)	21,044	–	21,044
Amortisation provided during the year	(4,581)	(123)	(4,704)
Exchange realignment	18	–	18
At 31 December 2009	22,358	5,570	27,928
As 31 December 2009 and at 1 January 2010:			
Cost	32,412	6,583	38,995
Accumulated amortisation and impairment	(10,054)	(1,013)	(11,067)
Net carrying amount	22,358	5,570	27,928

20. INVESTMENTS IN SUBSIDIARIES

	Company 2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**18,696,000**	13,865,502
Due from subsidiaries	–	599,151
Due to subsidiaries	–	(9)
	18,696,000	14,464,644

The amounts due from subsidiaries included in the Company's current assets of HK$857,560,000 are unsecured, interest-free and are repayable on demand or within one year. The amounts due to subsidiaries included in the Company's non-current liabilities of HK$4,606,538,000 are unsecured, interest-free and are not repayable within one year.

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Pudong Jinxin Real Estate Development Co., Ltd.*	The PRC/ Mainland China	US$5,600,000	50%#	–	Investment holding
Shanghai Port International Cruise Terminal Development Co., Ltd. ("SPICT")*	The PRC/ Mainland China	RMB61,490,000	–	40.2%@	Property development
Shanghai International Shipping Service Center Co. Ltd. ("SISSC")*	The PRC/ Mainland China	RMB2,450,000,000	50%#	–	Property development
Sinochem Franshion Real Estate (Zhuhai) Co., Ltd.***	The PRC/ Mainland China	RMB490,000,000	100%	–	Property development
Sinochem Franshion Investment and Management (Beijing) Co., Ltd.***	The PRC/ Mainland China	US$415,000,000	100%	–	Property development
Shanghai Yin Hui Real Estate Development Co., Ltd. ("Shanghai Yin Hui")* (note)	The PRC/ Mainland China	RMB1,008,000,000	50%#	–	Property development
Sinochem Chentuo Development Co., Ltd.**	The PRC/ Mainland China	RMB100,000,000	100%	–	Property development and investment
Qingdao Franshion Development Co., Ltd.**	The PRC/ Mainland China	RMB100,000,000	100%	–	Property development and investment

20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Chemsunny Property Company Limited***	The PRC/ Mainland China	US$102,400,000	50%	50%	Property development and investment
Beijing Century Chemsunny Property Management Co. Ltd.*	The PRC/ Mainland China	RMB5,000,000	85%	15%	Property management
Sinochem International Property and Hotels Management Co. Ltd.***	The PRC/ Mainland China	RMB387,600,000	25%	75%	Property investment and management
Wangfujing Hotel Management Company Limited***	The PRC/ Mainland China	US$73,345,000	25%	75%	Hotel management
Sinochem Franshion (Shang Hai) Properties Management Company Limited***	The PRC/ Mainland China	US$8,000,000	100%	–	Investment holding
Sinochem Franshion Real Estate Co. Ltd.***	The PRC/ Mainland China	RMB150,000,000	100%	–	Investment holding
Zhuhai Kai Ming Consultancy Services Co. Ltd.**	The PRC/ Mainland China	RMB1,000,000	–	100%	Provision of consultancy services
China Jin Mao Group Co., Ltd.***	The PRC/ Mainland China	RMB2,635,000,000	–	100%	Hotel operation and property investment and management
Shanghai Jinhang International Trading Company Limited**	The PRC/ Mainland China	RMB10,000,000	–	100%	Trading of diversified products
Shanghai Jin Mao Jinsheng International Trading Company Limited**	The PRC/ Mainland China	RMB10,000,000	–	100%	Trading of diversified products
Shanghai Jin Mao Construction & Decoration Company Limited**	The PRC/ Mainland China	RMB10,000,000	–	100%	Provision of building decoration services
Beijing Jin Mao Real Estate Company Limited**	The PRC/ Mainland China	RMB900,000,000	–	100%	Hotel operation

20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jin Mao Sanya Resort Hotel Company Limited**	The PRC/ Mainland China	RMB300,000,000	–	60%	Hotel operation
Jin Mao Sanya Tourism Company Limited**	The PRC/ Mainland China	RMB500,000,000	–	100%	Hotel operation
Jin Mao Shenzhen Hotel Investment Company Limited**	The PRC/ Mainland China	RMB400,000,000	–	100%	Hotel operation
Jin Mao (Li Jiang) Zhi Ye Co., Ltd.**	The PRC/ Mainland China	RMB100,000,000	–	100%	Hotel operation
Jin Mao (Li Jiang) Hotel Investment Co., Ltd.**	The PRC/ Mainland China	RMB100,000,000	–	100%	Hotel operation
Kontix Investment Limited	Hong Kong	HK$10,000	–	100%	Investment holding
Wise Pine Limited	British Virgin Islands/ Hong Kong	US$1,000,000	100%	–	Investment holding
Franshion Capital Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding

Note: On 3 September 2010, the Company acquired a 50% equity interest in Shanghai Yin Hui from Sinochem Hong Kong. Further details of this acquisition are included in notes 37 and 42(b) to the financial statements.

The English names of certain of above companies represent the best efforts by management of the Company in directly translating the Chinese names of these companies as no English names have been registered or available.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

- * Registered as Sino-foreign joint ventures under the PRC law
- ** Registered as limited liability companies under the PRC law
- *** Registered as wholly-foreign-owned entities under the PRC law
- # The Group controls the boards of directors of those entities by virtue of its power to cast the majority of votes at meetings of the boards, and therefore has the power to exercise control over the entities operating and financial activities.
- @ The entity is being a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

21. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group 2010 HK$'000	Group 2009 HK$'000
Share of net assets	**33,816**	110,534
Due from jointly-controlled entities	**–**	8,410
	33,816	118,944

The amounts due from and to jointly-controlled entities are disclosed in note 26 to the financial statements.

Particulars of the jointly-controlled entities are as follows:

Name	Registered and paid-in capital	Place of registration	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Shanghai Jin Mao Jin Jiang Automobile Service Company Limited	RMB22,000,000	The PRC	50%	50%	50%	Lease of commercial vehicles
Shanghai Jin Mao Auto Hire Company Limited	RMB2,000,000	The PRC	45%	45%	45%	Lease of commercial vehicles
Suzhou Jin Mao Jin Jiang Foreign Affairs and Tourism Bus Co., Ltd.	RMB5,000,000	The PRC	49.5%	49.5%	49.5%	Lease of commercial vehicles
Shanghai Jin Mao International Cruising-Yacht Company Limited	RMB40,000,000	The PRC	23%	23%	23%	Provision of yacht services

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2010 HK$'000	2009 HK$'000
Share of the jointly-controlled entities' assets and liabilities		
Current assets	**7,802**	85,809
Non-current assets	**35,097**	53,519
Current liabilities	**(9,083)**	(28,794)
Net assets	**33,816**	110,534

21. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

	2010 HK$'000	2009 HK$'000
Share of the jointly-controlled entities' results		
Revenue	**34,199**	29,880
Other revenue	**313**	1,026
	34,512	30,906
Total expenses	**(30,591)**	(30,930)
Tax	**(1,021)**	(903)
Profit/(loss) after tax	**2,900**	(927)

22. PREPAYMENT FOR INVESTMENT

On 11 May 2010, the Company entered into a framework cooperation agreement with Qingdao Urban Construction Investment (Group) Co., Ltd. ("Qingdao Urban Investment Group") pursuant to which the Company and Qingdao Urban Investment Group intended to jointly develop Lanhai Xingang City project located in Qingdao, the PRC.

On 5 November 2010, Qingdao Franshion Properties Co., Ltd. ("Qingdao Franshion"), a direct wholly-owned subsidiary of the Company established for the purpose of operating Lanhai Xingang City project, and Qingdao Urban Investment Group entered into a capital increase agreement pursuant to which Qingdao Franshion agreed to inject RMB1 billion into Qingdao Lanhai Xingang City Properties Co., Ltd., a wholly-owned subsidiary of Qingdao Urban Investment Group, by way of capital injection to subscribe for its new registered capital. Upon the completion of the above subscription and capital injection, the registered capital of Lanhai Xingang City Properties will be increased to RMB2 billion and each of the Company (through Qingdao Franshion) and Qingdao Urban Investment Group will hold a 50% equity interest in Lanhai Xingang City Properties. Pursuant to the capital increase agreement, Qingdao Franshion also agreed to provide a shareholder's loan of RMB1.235 billion to Lanhai Xingang City Properties to finance the development of Lanhai Xingang City project. Correspondingly, Qingdao Urban Investment Group also agreed to convert an amount of RMB1.235 billion payable by Lanhai Xingang City Properties to a shareholder's loan to finance the development of Lanhai Xingang City project.

The acquisition transaction was not yet completed on 31 December 2010. The Group's advances made to Lanhai Xingang City Properties in respect of the aforementioned subscription and shareholder's loan aggregated to HK$1,551,287,000 (equivalent to RMB1,320,019,000) at 31 December 2010.

23. INVENTORIES

	Group	
	2010 HK$'000	2009 HK$'000
Raw materials	**9,233**	8,918
Consumables and tools	**3,364**	3,679
Hotel merchandise	**20,689**	21,210
Trading stock	**1,910**	1,545
	35,196	35,352

24. TRADE RECEIVABLES

	Group	
	2010	2009
	HK$'000	HK$'000
Trade receivables	**100,624**	227,784
Impairment	**(1,127)**	(371)
	99,497	227,413

Consideration in respect of properties sold is payable in accordance with the terms of the related sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of hotel, decoration and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within 1 month	**63,033**	149,785
1 to 3 months	**17,407**	48,370
4 to 6 months	**8,610**	18,432
Over 6 months	**10,447**	10,826
	99,497	227,413

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**371**	547
Impairment losses recognised (note 6)	**2,159**	304
Amount written off as uncollectible	**(1,433)**	(480)
Exchange realignment	**30**	–
	1,127	371

24. TRADE RECEIVABLES (Continued)

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**81,620**	214,133
Less than 1 month past due	**6,169**	3,416
1 to 3 months past due	**7,860**	3,847
Over 3 months past due	**3,848**	6,017
	99,497	227,413

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

At 31 December 2010, the Group's trade receivables included gross amounts due from contract customers of HK$35,442,000 (2009: HK$8,509,000), being the difference between the contract costs incurred for the rendering of services, plus recognised profits less recognised losses, of HK$356,692,000 (2009: HK$147,719,000), and the progress billing amount of HK$321,250,000 (2009: HK$139,210,000).

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**38,338**	22,969	**16,838**	6,200
Deposits	**11,936**	2,061	**705**	566
Other receivables	**75,160**	107,570	**4,259**	163
Prepaid land lease payments (note 18)	**48,501**	45,652	**–**	–
	173,935	178,252	**21,802**	6,929

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

26. BALANCES WITH RELATED PARTIES

An analysis of the balances with related parties is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Due from related parties:		
Ultimate holding company	**28**	3,730
Intermediate holding company	**4,262**	–
Fellow subsidiaries	**2,345**	522
Jointly-controlled entities	**6,301**	–
	12,936	4,252
Due to related parties:		
Ultimate holding company	**3,396**	26,039
Intermediate holding company	**18,799**	–
Immediate holding company	**1,065,208**	–
Fellow subsidiaries	**50,614**	44,985
Jointly-controlled entities	**6,733**	–
	1,144,750	71,024
– Current potion	**(86,227)**	(71,024)
– Non-current potion	**1,058,523**	–

	Company	
	2010	2009
	HK$'000	HK$'000
Due from related parties:		
Fellow subsidiaries	**–**	273
Jointly-controlled entities	**–**	1,551
	–	1,824
Due to related parties:		
Immediate holding company	**1,065,208**	–
Current potion	**(6,685)**	–
Non-current potion	**1,058,523**	–

Note:

Except for an amount due to the immediate holding company arising from the acquisition of Shanghai Yin Hui (note 37) of HK$1,058,523,000 (2009: Nil) which is unsecured, interest bearing at three-month LIBOR plus 2% and is repayable at any time not later than 31 December 2012, all the balance are unsecured, interest-free and are repayable on demand.

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2010	2009	2010	2009
	Note	HK$'000	HK$'000	HK$'000	HK$'000
Cash and bank balances		**5,393,402**	2,374,324	**24,154**	91,914
Time deposits		**7,928,288**	5,428,129	**3,963,656**	1,130,747
		13,321,690	7,802,453	**3,987,810**	1,222,661
Less:					
Pledged time deposits:					
Pledged for long term bank loans	30(b)	**–**	(249,876)	**–**	–
Pledged for short term bank loans	30(b)	**(2,086,791)**	(4,026,411)	**–**	–
Restricted bank balances		**(5,390)**	(2,892)	**–**	–
		(2,092,181)	(4,279,179)	**–**	–
Cash and cash equivalents		**11,229,509**	3,523,274	**3,987,810**	1,222,661

At 31 December 2010, the cash and bank balances of the Group denominated in RMB amounted to HK$5,295,567,000 (2009: HK$1,736,357,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

28. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoiced date, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within 1 year or on demand	**729,877**	313,752
1 to 2 years	**35,474**	340,344
2 to 3 years	**20,333**	3,151
Over 3 years	**2,063**	62,101
	787,747	719,348

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

29. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Other payables	**750,330**	741,824	**2,668**	1,977
Receipt in advance	**350,526**	1,764,940	**–**	–
Accruals	**47,210**	39,561	**10,179**	12,350
Dividend payable to non-controlling shareholders	**293,800**	–	**–**	–
	1,441,866	2,546,325	**12,847**	14,327

Other payables are non-interest-bearing with an average term of not more than one year.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2010			2009		
Group	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans, secured	**1.34-6.37**	**2011**	**2,068,394**	1.46-7.47	2010	3,735,443
Bank loans, unsecured	**1.75-6.37**	**2011**	**4,320,203**	4.13-7.47	2010	4,860,088
Other loans, unsecured*	**4.59**	**2011**	**235,040**	3.99-4.37	2010	1,476,540
Current portion of long term bank loans, secured	**4.86-5.94**	**2011**	**903,729**	4.86-5.35	2010	570,172
			7,527,366			10,642,243
Non-current						
Bank loans, secured	**4.86-5.94**	**2012-2019**	**7,507,765**	4.86-5.35	2011-2019	4,506,854
Bank loans, unsecured	**1.67-2.09**	**2013**	**1,789,866**	–	–	–
Other loans, unsecured*	**4.86**	**2012**	**235,040**	4.86	2012	227,160
Debenture, secured	**4.22**	**2012**	**1,175,200**	4.22	2012	1,135,800
			10,707,871			5,869,814
			18,235,237			16,512,057

* The balance represents an amount due to a fellow subsidiary of the Company.

	2010			2009		
Company	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans, unsecured	**1.75**	**2011**	**389,159**	–	–	–
Non-current						
Bank loans, unsecured	**1.67-2.09**	**2013**	**1,789,866**	–	–	–
			2,179,025			–

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank loans repayable:				
Within one year	**7,292,326**	9,165,703	**389,159**	–
In the second year	**988,344**	442,962	**–**	–
In the third to fifth years, inclusive	**5,554,031**	2,147,797	**1,789,866**	–
Beyond five years	**2,755,256**	1,916,095	**–**	–
	16,589,957	13,672,557	**2,179,025**	–
Other borrowings repayable:				
Within one year	**235,040**	1,476,540	**–**	–
In the second year	**1,410,240**	–	**–**	–
In the third to fifth years, inclusive	**–**	1,362,960	**–**	–
	1,645,280	2,839,500	**–**	–
	18,235,237	16,512,057	**2,179,025**	–

Notes:

(a) The Group's loan facilities amounting to HK$27,350,334,000 (2009: HK$21,798,187,000), of which HK$17,060,037,000 (2009: HK$15,376,257,000) had been utilised as at the end of the reporting period, are secured by the Group's hotel properties, buildings, properties under development, properties held for sale, investment properties, prepaid land lease payments and time deposits.

(b) Certain of the Group's bank loans and the debenture are secured by:

(i) mortgages over certain of the Group's hotel properties and buildings, which had an aggregate net carrying value at the end of the reporting period of approximately HK$2,153,049,000 (2009: HK$1,645,722,000) (note 14);

(ii) mortgages over certain of the Group's properties under development, which had an aggregate carrying amount at the end of the reporting period of HK$5,216,355,000 (2009: Nil) (note 15);

(iii) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying amount at the end of the reporting period of HK$141,878,000 (2009: Nil) (note 16);

(iv) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of approximately HK$7,229,972,000 (2009: HK$7,476,670,000) (note 17);

(v) mortgages over certain of the Group's prepaid land lease payments, which had an aggregate carrying amount at the end of the reporting period of HK$341,631,000 (2009: HK$547,147,000) (note 18);

(vi) the pledge of certain of the Group's time deposits amounting to approximately HK$2,086,791,000 (2009: HK$4,276,287,000) (note 27); and

(vii) the pledge of bank deposits of certain non-controlling shareholders of the Group's subsidiaries amounting to approximately HK$411,320,000 (2009: HK$1,163,059,000).

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(c) On 20 April 2002, a subsidiary of the Group issued a guaranteed debenture with a principal amount of RMB1,000,000,000 (the "Ten-year Debenture") at an issue price equal to the face value of the debenture. The Ten-year Debenture bears interest at a fixed rate of 4.22% and will become mature on 28 April 2012.

The fair value of the Ten-year Debenture, amounting to approximately HK$1,187,540,000 (2009: HK$1,135,800,000), was determined based on open market prices.

(d) Except for the secured bank loans amounting to approximately HK$2,537,867,000 (2009: HK$357,574,000) which are denominated in United States dollars, all borrowings are denominated in RMB.

31. PROVISION FOR LAND APPRECIATION TAX

Group

	HK$'000
At 1 January 2009	418,390
Charge to the income statement during the year (note 10)	166,513
Payment during the year	(13,876)
Exchange realignment	148
At 31 December 2009 and 1 January 2010	**571,175**
Charge to the income statement during the year (note 10)	**263,793**
Payment during the year	**(22,509)**
Transfer from tax recoverable	**(14,983)**
Exchange realignment	**25,118**
At 31 December 2010	**822,594**

PRC land appreciation tax

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption for the sale of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Effective from 4 December 1995 in Shanghai and Beijing and from 8 May 1995 in Zhuhai, the local tax bureau requires the prepayment of LAT on the pre-sale and sale proceeds of property development. According to the relevant tax notices issued by local tax authorities, the Group is required to pay LAT in advance at 1% to 2% on the sales and pre-sale proceeds of the Group's properties.

The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects. The tax authorities might disagree with the basis on which the provision for LAT is calculated.

32. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Revaluation of investment properties HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Total HK$'000
At 1 January 2009	1,435,290	236,131	1,671,421
Deferred tax charged to the income statement during the year (note 10)	42,287	28,730	71,017
Exchange realignment	42	28	70
Gross deferred tax liabilities at 31 December 2009 and 1 January 2010	**1,477,619**	**264,889**	**1,742,508**
Deferred tax charged to the income statement during the year (note 10)	**216,760**	**35,143**	**251,903**
Exchange realignment	**56,490**	**10,037**	**66,527**
Gross deferred tax liabilities at 31 December 2010	**1,750,869**	**310,069**	**2,060,938**

32. DEFERRED TAX (Continued)

Deferred tax assets

Group

	Provision for LAT HK$'000	Losses available for offsetting against future taxable profits HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Others HK$'000	Total HK$'000
At 1 January 2009	60,995	37,436	–	8,011	106,442
Deferred tax credited/(charged) to the income statement during the year (note 10)	63,339	(27,990)	1,124	7,113	43,586
Exchange realignment	62	(26)	1	7	44
Gross deferred tax assets at 31 December 2009 and 1 January 2010	**124,396**	**9,420**	**1,125**	**15,131**	**150,072**
Acquisition of a subsidiary (note 37)	**–**	**6,512**	**–**	**–**	**6,512**
Deferred tax credited/(charged) to the income statement during the year (note 10)	**64,309**	**272**	**(1,137)**	**28,734**	**92,178**
Exchange realignment	**5,922**	**460**	**12**	**1,218**	**7,612**
Gross deferred tax assets at 31 December 2010	**194,627**	**16,664**	**–**	**45,083**	**256,374**

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

	2010 HK$'000	2009 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**178,588**	80,983
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(1,983,152)**	(1,673,419)
	(1,804,564)	(1,592,436)

32. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and jointly-controlled entities established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2010, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and jointly-controlled entities established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and jointly-controlled entities will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and jointly-controlled entities in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$2,259,368,000 at 31 December 2010 (2009: HK$1,530,393,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

33. PERPETUAL CONVERTIBLE SECURITIES

On 12 October 2010, Franshion Capital Limited, a direct wholly-owned subsidiary of the Company, issued perpetual convertible securities with a nominal value of US$600 million (equivalent to HK$4,655,166,000). There was no movement in the number of perpetual convertible securities during the year. The direct transaction costs attributable to the perpetual convertible securities amounted to HK$67,166,000.

The perpetual convertible securities are convertible at the option of the holders of perpetual convertible securities into ordinary shares of the Company at any time on or after 11 October 2011 at the initial conversion price of HK$2.83 per ordinary share of the Company. While the perpetual convertible securities confer a right to receive distributions at 6.8% per annum, Franshion Capital Limited may, at its sole discretion, elect to defer a distribution pursuant to the terms of the perpetual convertible securities.

The perpetual convertible securities have no maturity date and are redeemable at the option of Franshion Capital Limited at any time after 11 October 2015 at 110% of the outstanding principal amount, together with all outstanding arrears of distribution (if any) and the distribution accrued to the date fixed for redemption. The perpetual convertible securities are also redeemable at the option of the holders of perpetual convertible securities upon any delisting or prolonged suspension (for a period of 90 consecutive days) arising from or as a result of an application to the Stock Exchange having been initiated or made by the Company or such delisting or prolonged suspension having been effected or imposed through any other means controlled by the Company or otherwise resulting from any action of the Company.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of perpetual convertible securities due to redemption other than an unforeseen liquidation of the Company or Franshion Capital Limited. Accordingly, the perpetual convertible securities are classified as equity instruments.

34. SHARE CAPITAL

Shares

	2010 HK$'000	2009 HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$1 each	**20,000,000**	20,000,000
Issued and fully paid:		
9,161,489,489 ordinary shares of HK$1 each	**9,161,489**	9,161,489

A summary of the transactions in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2009	6,493,627,466	6,493,627	3,680,115	10,173,742
Issue of shares for acquisition of non-controlling interests	579,664,802	579,665	660,818	1,240,483
Rights issue	1,626,857,221	1,626,857	1,089,994	2,716,851
Issue of new shares	461,340,000	461,340	701,237	1,162,577
Share issue expenses	–	–	(22,375)	(22,375)
At 31 December 2009, 1 January 2010, and 31 December 2010	9,161,489,489	9,161,489	6,109,789	15,271,278

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 35 to the financial statements.

35. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive and non-executive and the Group's senior management, key technical and professional personnel, managers and employees, but do not include the Company's independent non-executive directors. The Scheme became effective on 22 November 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

35. SHARE OPTION SCHEME (Continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise and exercisability of the share options is related to the performance of individuals and of the Company. The board of directors will determine performance targets concerned and set out in the grant notice. The share options granted will become exercisable after two years from the grant date or a later date as set out in the relevant grant notice, and in any event shall end not later than seven years from the grant date but subject to the provisions for early termination of employment.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the grant date of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the grant date; and (iii) the par value of the Company's share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2010		2009	
	Weighted average exercise price HK$ per share	**Number of options**	Weighted average exercise price HK$ per share	Number of options
At 1 January	**3.37**	**5,469,838**	3.37	5,550,000
Adjustment for rights issue	**3.37**	**–**	3.37	(6,245)
Forfeited during the year	**3.37**	**(992,482)**	3.37	(73,917)
At 31 December	**3.37**	**4,477,356**	3.37	5,469,838

The exercise price and exercise period of the share options outstanding as at that end of the reporting period are as follows:

2010

Number of options	**Exercise price* HK$ per share**	**Exercise period**
4,477,356	**3.37**	**5 May 2010 to 4 May 2015**

2009

Number of options	Exercise price* HK$ per share	Exercise period
5,469,838	3.37	5 May 2010 to 4 May 2015

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

35. SHARE OPTION SCHEME (Continued)

There was no new share option granted during the year and the fair value of the share options granted during the year ended 31 December 2008 was HK$7,604,000, of which the Group recognised a share option expense of HK$1,184,000 (2009: HK$1,484,000).

The fair value of equity-settled share options granted was estimated as at the date of grant, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	**0.59**
Expected volatility (%)	**49.6**
Historical volatility (%)	**49.6**
Risk-free interest rate (%)	**2.46**
Expected life of options (year)	**4.95**
Weighted average share price (HK$ per share)	**3.25**

The expected life of the options is calculated based on the average of weighted vesting period and contractual period. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 4,477,356 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 4,477,356 additional ordinary shares of approximately the Company and an additional share capital of HK$4,477,000 and share premium of approximately HK$10,612,000 (before issue expenses).

36. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 106 of the financial statements.

Capital reserve

The capital reserve represents additional contribution made by the shareholders of the Company's subsidiaries and, in the case of an acquisition of an additional equity interest in a non-wholly owned subsidiary, the difference between the cost of acquisition and the non-controlling interests acquired.

PRC statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Group's subsidiaries established in Mainland China and were approved by the board of directors of the respective subsidiaries.

The statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holding, provided that the balance after such conversion is not less than 25% of their registered capital.

36. RESERVES (Continued)

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2009		3,680,115	1,014	303,119	3,984,248
Total comprehensive income for the year	11	–	–	106,490	106,490
Issue of shares		2,452,049	–	–	2,452,049
Share issue expenses		(22,375)	–	–	(22,375)
Equity-settled share option arrangements	35	–	1,484	–	1,484
Proposed final 2009 dividend		–	–	(229,037)	(229,037)
At 31 December 2009 and at 1 January 2010		**6,109,789**	**2,498**	**180,572**	**6,292,859**
Total comprehensive income for the year	11	**–**	**–**	**245,096**	**245,096**
Equity-settled share option arrangements	35	**–**	**1,184**	**–**	**1,184**
Proposed final 2010 dividend	12	**–**	**–**	**(229,037)**	**(229,037)**
At 31 December 2010		**6,109,789**	**3,682**	**196,631**	**6,310,102**

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will be transferred to the share premium account when the related options are exercised.

37. ACQUISITION OF A SUBSIDIARY

On 3 September 2010, the Company acquired a 50% equity interest in Shanghai Yin Hui from Sinochem Hong Kong for a cash consideration of RMB928,800,000 (equivalent to HK$1,058,523,000). Shanghai Yin Hui is principally engaged in the development of commercial and office properties on a piece of land situated in Shanghai, the PRC. The Group incurred and paid transaction costs of HK$6,445,000 for this acquisition.

As at the date of acquisition, Shanghai Yin Hui had assets comprising properties under development of HK$2,315,120,000, deferred tax assets of HK$6,512,000 and cash and cash equivalents of HK$37,024,000, and had liabilities comprising of interest-bearing bank and other borrowings of HK$228,720,000. Shanghai Yin Hui had not begun its planned principal activities on the date of acquisition because the project was in the pre-development stage.

The settlement of the purchase consideration for the acquisition was agreed to be deferred to any time no later than 31 December 2012.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During this year, a non-wholly-owned subsidiary of the Company declared dividends of RMB250,000,000 (equivalent to HK$293,800,000) to the non-controlling shareholder. The amount remained unpaid as at 31 December 2010.

39. CONTINGENT LIABILITIES

At the end of the reporting period, the Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately HK$45,531,000 (2009: HK$259,022,000).

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 17) under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**635,018**	658,847
In the second to fifth years, inclusive	**443,564**	470,406
After five years	**34**	6,066
	1,078,616	1,135,319

(b) As lessee

The Group and the Company leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**5,449**	2,671	**2,873**	2,671
In the second to fifth years, inclusive	**3,691**	116	**–**	116
	9,140	2,787	**2,873**	2,787

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group 2010 HK$'000	Group 2009 HK$'000
Contracted, but not provided for:		
Properties under development	**1,759,773**	79,975
Prepayment for investment (note 22)	**1,075,285**	–
	2,835,058	79,975

42. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	Group 2010 HK$'000	Group 2009 HK$'000
Fellow subsidiaries:			
Rental income	(i)	**155,585**	145,763
Property management fee income	(i)	**17,865**	16,305
Income from hotel operations	(ii)	**399**	–
Other service income	(iii)	**20,499**	151
Interest expense	(iv)	**48,456**	43,036
The immediate holding company:			
Interest expense	(iv)	**8,267**	16,468
Rental expense	(v)	**2,611**	1,923
The intermediate holding company:			
Rental income	(i)	**69,050**	–
Property management fee income	(i)	**13,594**	–
The ultimate holding company:			
Rental income	(i)	**8,482**	62,544
Property management fee income	(i)	**397**	11,726
Income from hotel operations	(ii)	**198**	–

Notes:

(i) The rental income and property management fee income were charged at terms pursuant to the relevant agreements entered into by the Group with certain fellow subsidiaries, the intermediate holding company and the ultimate holding company of the Company.

(ii) The income from hotel operations was charged by the Group on terms similar to those offered to third parties.

(iii) The other service fee income was charged by the Group on terms similar to those offered to third parties.

42. RELATED PARTY TRANSACTIONS (Continued)

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: (Continued)

Notes: (Continued)

(iv) The interest expenses on other loans due to the immediate holding company and a fellow subsidiary of the Company were charged at the interest rates of bank loans with similar terms.

(v) The rental expense was charged on terms pursuant to the agreement entered into by the Company and the immediate holding company of the Company.

(b) During the year, the Group acquired a 50% equity interest in Shanghai Yin Hui from Sinochem Hong Kong at a consideration of HK$1,058,523,000. Further details of the transaction are included in note 37 to the financial statements.

(c) Compensation of key management personnel of the Group

	2010 HK$'000	2009 HK$'000
Short term employee benefits	**15,185**	16,448
Post-employment benefits	**215**	434
Equity-settled share option expense	**466**	603
Total compensation paid to key management personnel	**15,866**	17,485

Further details of directors' emoluments are included in note 8 to the financial statements.

(d) Transactions with other state-owned enterprises

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Entities" ("SOEs")). During the year, the Group had transactions with other SOEs including, but not limited to, borrowings, deposits, sale of properties developed, provision of property lease and management service and the provision of sub-contracting services. The directors of the Company consider that these transactions with other SOEs are activities conducted in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its products and services and such pricing policies do not depend on whether or not the customers are SOEs. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions are material related party transactions that require separate disclosures.

The related party transactions in respect of all items in note 42(a) and 42(b) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	Group	
	2010	2009
Financial assets		
	Loans and Receivables HK$'000	Loans and Receivables HK$'000
Prepayment for investment	**1,551,287**	–
Trade receivables	**99,497**	227,413
Financial assets included in prepayments, deposits and other receivables	**87,096**	109,631
Due from related parties	**12,936**	4,252
Restricted bank balances	**5,390**	2,892
Pledged deposits	**2,086,791**	4,276,287
Cash and cash equivalents	**11,229,509**	3,523,274
	15,072,506	8,143,749
Financial liabilities		
	Financial liabilities at amortised cost HK$'000	Financial liabilities at amortised cost HK$'000
Trade payables	**787,747**	719,348
Financial liabilities included in other payables and accruals	**1,044,130**	741,824
Due to related parties	**1,144,750**	71,024
Interest-bearing bank and other borrowings	**18,235,237**	16,512,057
	21,211,864	18,044,253

43. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

	Company 2010	2009
Financial assets		
	Loans and Receivables HK$'000	Loans and Receivables HK$'000
Due from subsidiaries	**857,560**	–
Financial assets included in prepayments, deposits and other receivables	**4,964**	729
Due from related parties	**–**	1,824
Cash and cash equivalents	**3,987,810**	1,222,661
	4,850,334	1,225,214
Financial liabilities		
	Financial liabilities at amortised cost HK$'000	Financial liabilities at amortised cost HK$'000
Due to subsidiaries	**4,606,538**	–
Financial liabilities included in other payables and accruals	**2,668**	1,977
Due to related parties	**1,065,208**	–
Interest-bearing bank and other borrowings	**2,179,025**	–
	7,853,439	1,977

44. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Prepayment for investment	**1,551,287**	–	**1,551,287**	–
Trade receivables	**99,497**	227,413	**99,497**	227,413
Financial assets included in prepayments, deposits and other receivables	**87,096**	109,631	**87,096**	109,631
Due from related parties	**12,936**	4,252	**12,936**	4,252
Restricted bank balances	**5,390**	2,892	**5,390**	2,892
Pledged deposits	**2,086,791**	4,276,287	**2,086,791**	4,276,287
Cash and cash equivalents	**11,229,509**	3,523,274	**11,229,509**	3,523,274
	15,072,506	8,143,749	**15,072,506**	8,143,749
Financial liabilities				
Trade payables	**787,747**	719,348	**787,747**	719,348
Financial liabilities included in other payables and accruals	**1,044,130**	741,824	**860,870**	619,099
Due to related parties	**1,144,750**	71,024	**1,144,750**	71,024
Interest-bearing bank and other borrowings	**18,235,237**	16,512,057	**18,235,237**	16,512,057
	21,211,864	18,044,253	**21,028,604**	17,921,528

44. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Company

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Due from subsidiaries	**857,560**	–	**857,560**	–
Financial assets included in prepayments, deposits and other receivables	**4,964**	729	**4,964**	729
Due from related parties	**–**	1,824	**–**	1,824
Cash and cash equivalents	**3,987,810**	1,222,661	**3,987,810**	1,222,661
	4,850,334	1,225,214	**4,850,334**	1,225,214

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities				
Due to subsidiaries	**4,606,538**	–	**4,606,538**	–
Financial liabilities included in other payables and accruals	**2,668**	1,977	**2,668**	1,977
Due to related parties	**1,065,208**	–	**1,065,208**	–
Interest-bearing bank and other borrowings	**2,179,025**	–	**2,179,025**	–
	7,853,439	1,977	**7,853,439**	1,977

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, the current portion of pledged deposits, restricted bank balances, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, prepayment for investment, financial liabilities included in other payables and accruals, the current portion of amounts due from/to subsidiaries, and the current portion of amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of pledged deposits, the non-current portion of amounts due to related parties, the non-current portion of amounts due to subsidiaries and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

At the end of the reporting period, neither the Group nor the Company had financial assets or liabilities measured at fair value.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise bank loans and other borrowings, amounts due from related parties, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain less than 20% of its interest-bearing borrowings at fixed interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate long term borrowings).

	Group		Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
31 December 2010				
RMB	**27**	**(31,969)**	**27**	**–**
USD	**27**	**(5,761)**	**27**	**(5,507)**
RMB	**(27)**	**31,969**	**(27)**	**–**
USD	**(27)**	**5,761**	**(27)**	**5,507**
31 December 2009				
RMB	27	(28,853)	27	–
RMB	(27)	28,853	(27)	–

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the year and had applied the exposure to interest rate risk to those bank and other borrowings in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the next annual end of the reporting period.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

All of the Group's turnover and substantially all of the Group's operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate PRC Governmental authorities is required where RMB is to be converted into foreign currencies and remitted out of Mainland China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, the Group's PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including the payment of dividends to the Company, without the prior approval of the State Administration for Foreign Exchange. The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange, this could affect the ability of the Group's subsidiaries' to obtain the required foreign currencies through debt or equity financing, including by means of loans or capital contributions.

The Group's financial assets and liabilities are not subject to foreign currency risk, except for certain short term deposits denominated in United States dollars. The fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

There are limited hedging instruments available in Mainland China to reduce the Group's exposure to exchange rate fluctuations between the RMB and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risk. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited, and the Group may not be able to hedge the Group's exposure successfully, or at all.

Reasonably possible changes of 1% in the exchange rate between HK$ and United States dollars ("US$") and 5% in the exchange rate between RMB and US$ would have no material impact on the Group's profit for the years ended 31 December 2010 and 2009 and there would be no material impact on other components of the Group's equity.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its sale of properties, leasing activities, provision of hotel and property management services and its financing activities, including deposits with banks and financial institutions and derivatives. Credit risk is managed by requiring tenants to pay rentals in advance. Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit facilities to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. In the opinion of the directors, most of the borrowings that mature within one year are able to be renewed and the Group is expected to have adequate source of funding to finance and manage its liquidity position.

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

Group

	2010				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Interest-bearing bank and other borrowings	**8,198,389**	**2,854,575**	**6,309,288**	**3,177,123**	**20,539,375**
Trade payables	**787,747**	**–**	**–**	**–**	**787,747**
Other payables	**750,330**	**–**	**–**	**–**	**750,330**
Due to related parties	**86,227**	**1,082,770**	**–**	**–**	**1,168,997**
	9,822,693	**3,937,345**	**6,309,288**	**3,177,123**	**23,246,449**

	2009				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Interest-bearing bank and other borrowings	11,180,708	732,732	4,049,228	2,159,473	18,122,141
Trade payables	719,348	–	–	–	719,348
Other payables	741,824	–	–	–	741,824
Due to related parties	71,024	–	–	–	71,024
	12,712,904	732,732	4,049,228	2,159,473	19,654,337

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Company

	2010				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	**431,853**	**42,694**	**1,812,010**	**–**	**2,286,557**
Other payables	**2,668**	**–**	**–**	**–**	**2,668**
Due to subsidiaries	**–**	**–**	**4,606,538**	**–**	**4,606,538**
Due to related parties	**6,685**	**1,082,770**	**–**	**–**	**1,089,455**
	441,206	**1,125,464**	**6,418,548**	**–**	**7,985,218**

	2009				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Other payables	1,977	–	–	–	1,977

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital on the basis of the debt-to-adjusted-capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the statement of financial position) less cash and cash equivalents and restricted bank balances and pledged deposits. Adjusted capital comprises all components of equity (including non-controlling interests) and amounts due to related parties. The Group aims to maintain the debt-to-adjusted-capital ratio at a reasonable level. The debt-to-adjusted-capital ratios as at the end of the reporting period were as follows:

		Group	
	Notes	2010 HK$'000	2009 HK$'000
Interest-bearing bank and other borrowings	30	**18,235,237**	16,512,057
Less: Cash and cash equivalents	27	**(11,229,509)**	(3,523,274)
Restricted bank balances and pledged deposits	27	**(2,092,181)**	(4,279,179)
Net debt		**4,913,547**	8,709,604
Total equity		**26,719,201**	17,946,866
Add: Amounts due to related parties	26	**1,144,750**	71,024
Adjusted capital		**27,863,951**	18,017,890
Debt-to-adjusted-capital ratio		**17.6%**	48.3%

46. POST BALANCE SHEET EVENTS

On 26 January 2011, the Company entered into an agreement with the Management Committee of Dahexi Pilot Zone in Changsha and other related parties, confirming that the Company, through a wholly-owned subsidiary, has won the bid to become the investor in the project for developing Meixi Lake International Service and Technology Innovation City (the "Project"), in which the Company would be in charge of land requisition, compensation and resettlement, all preliminary municipal infrastructure and urban public facilities, and other related developments within the area. The Company will also subsequently participate in the bidding, auction or listing-for-sale of the land in the Project according to the terms of the bid.

Further detail of the Project are set out in the Company's announcement dated 26 January 2011.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 March 2011.

FIVE-YEAR FINANCIAL INFORMATION

31 December 2010

I. MAJOR INFORMATION OF INCOME STATEMENTS

	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000
RESULTS					
REVENUE	2,041,015	2,812,981	3,913,468	6,320,902	**6,348,001**
Cost of sales	(944,952)	(1,135,369)	(1,715,516)	(3,021,689)	**(3,045,079)**
Gross profit	1,096,063	1,677,612	2,197,952	3,299,213	**3,302,922**
Other income and gains	1,041,157	3,277,618	381,250	485,560	**1,274,375**
Selling and distribution costs	(166,621)	(173,218)	(168,912)	(254,734)	**(266,686)**
Administrative expenses	(326,236)	(385,978)	(494,582)	(552,500)	**(640,683)**
Other expenses	(3,029)	(2,043)	(2,923)	(3,068)	**(3,107)**
Finance costs	(140,761)	(304,234)	(405,641)	(499,963)	**(606,196)**
Share of profits and losses of:					
Jointly-controlled entities	4,994	5,227	(6,208)	(927)	**2,900**
Associates	–	(410)	–	–	**–**
PROFIT BEFORE TAX	1,505,567	4,094,574	1,500,936	2,473,581	**3,063,525**
Tax	(248,194)	(1,241,909)	(401,788)	(742,484)	**(931,714)**
PROFIT FOR THE YEAR	1,257,373	2,852,665	1,099,148	1,731,097	**2,131,811**
Attributable to:					
Owners of the parent	766,185	2,520,302	900,934	1,174,408	**1,713,616**
Non-controlling interests	491,188	332,363	198,214	556,689	**418,195**
	1,257,373	2,852,665	1,099,148	1,731,097	**2,131,811**

II. MAJOR INFORMATION OF FINANCIAL POSITION

	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000
Total non-current assets	11,917,003	21,290,494	23,961,343	29,025,701	**35,639,777**
Total current assets	3,972,066	10,411,391	10,585,593	11,116,810	**15,715,375**
Total assets	15,889,069	31,701,885	34,546,936	40,142,511	**51,355,152**
Total current liabilities	5,200,567	12,128,550	14,870,504	14,652,412	**10,886,405**
Total non-current liabilities	3,718,944	4,192,806	5,752,290	7,543,233	**13,749,546**
Total liabilities	8,919,511	16,321,356	20,622,794	22,195,645	**24,635,951**
Equity attributable to:					
Owners of the parent	4,171,478	12,035,146	11,040,045	16,419,645	**23,124,496**
Non-controlling interests	2,798,080	3,345,383	2,884,097	1,527,221	**3,594,705**
Total equity	6,969,558	15,380,529	13,924,142	17,946,866	**26,719,201**

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