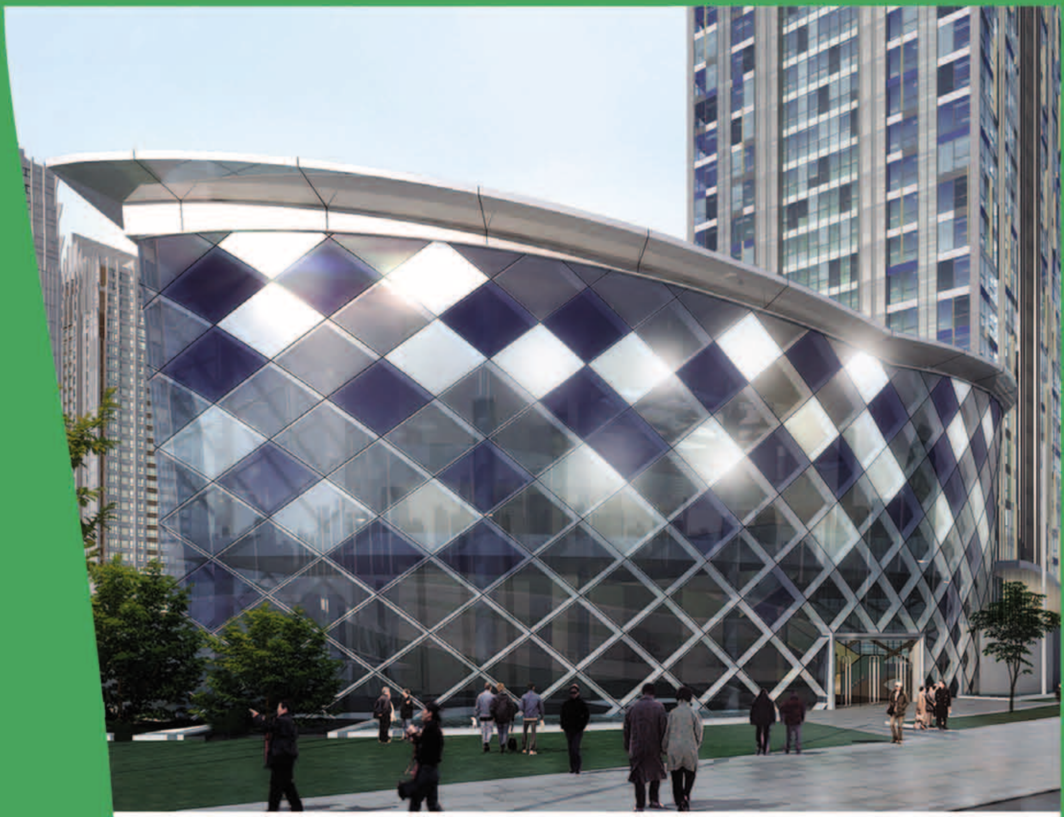
C C LAND HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability) Stock Code: 1224



ANNUAL REPORT 2010

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive directors
Mr. Cheung Chung Kiu *(Chairman)*
Dr. Lam How Mun Peter
(Deputy Chairman & Managing Director)
Mr. Tsang Wai Choi *(Deputy Chairman)*
Mr. Lam Hiu Lo
Mr. Leung Chun Cheong
Mr. Leung Wai Fai
Ms. Poon Ho Yee Agnes
Dr. Wong Kim Wing
Mr. Wu Hong Cho

Non-executive director
Mr. Wong Yat Fai

Independent non-executive directors
Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

AUDIT COMMITTEE

Mr. Lam Kin Fung Jeffrey *(Chairman)*
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

REMUNERATION COMMITTEE

Mr. Cheung Chung Kiu *(Chairman)*
Dr. Lam How Mun Peter
Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

AUTHORISED REPRESENTATIVES

Dr. Lam How Mun Peter
Mr. Leung Chun Cheong

COMPANY SECRETARY

Ms. Cheung Fung Yee

LEGAL ADVISORS

Hong Kong
Cheung, Tong & Rosa
Woo Kwan Lee & Lo

Bermuda
Conyers Dill & Pearman

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7th Floor
China United Centre
28 Marble Road
North Point, Hong Kong

BRANCH OFFICE

Rooms 3308-10
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
BNP Paribas
Bank of Chongqing Co., Ltd.
Bank of Communications Co., Ltd.
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
The Bank of East Asia, Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office
HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

Hong Kong branch share registrar and transfer office
Tricor Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

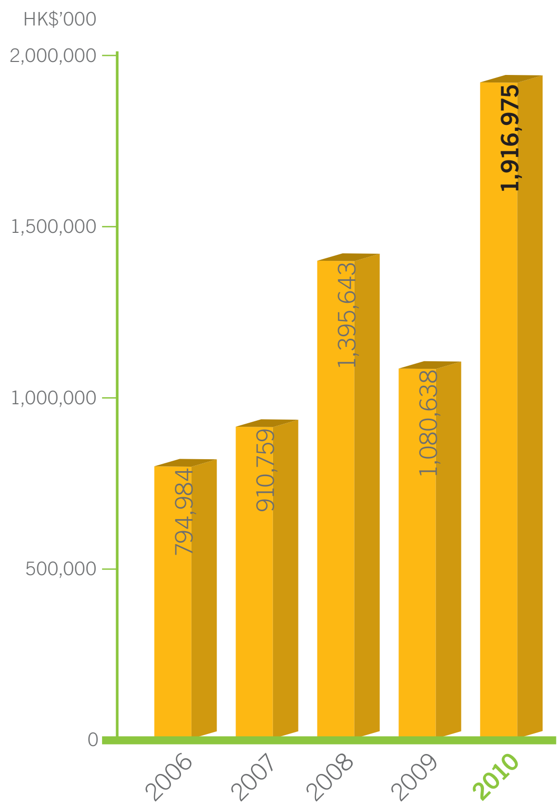
WEBSITE

http://www.ccland.com.hk

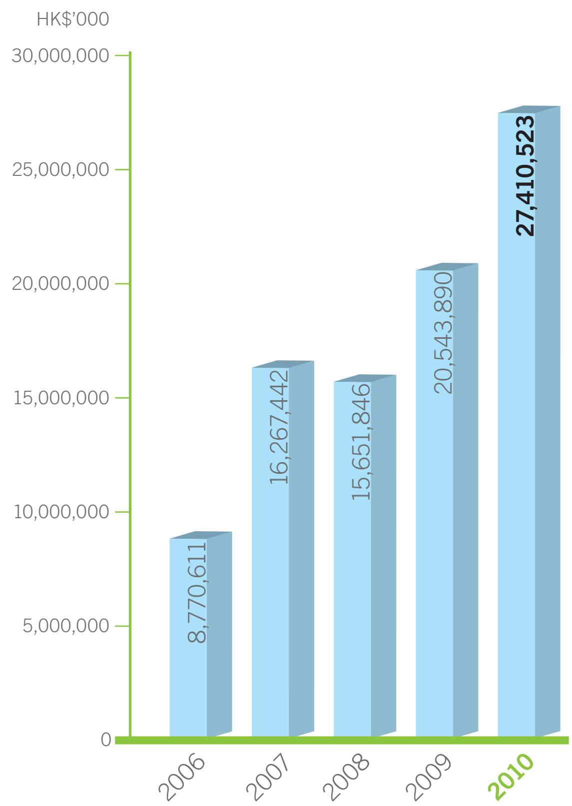
STOCK CODE

1224

REVENUE Year ended 31 December

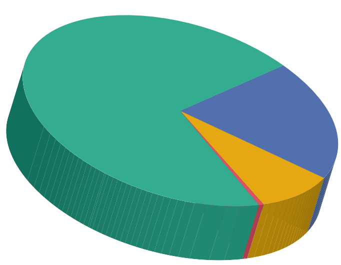


TOTAL ASSETS As at 31 December



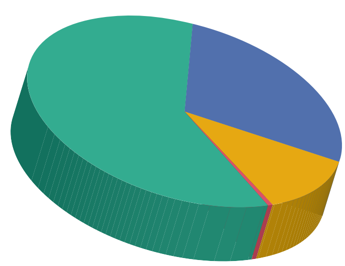
REVENUE BY OPERATING SEGMENTS Year ended 31 December

2010



69.6%	Property development and investment
20.4%	Sale of packaging products
9.2%	Sale of travel bags
0.8%	Others

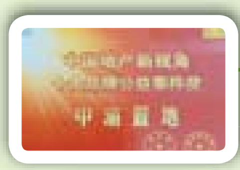
2009



59.9%	Property development and investment
27.3%	Sale of packaging products
12.3%	Sale of travel bags
0.5%	Others

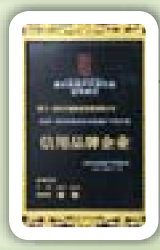
CORPORATE

C C LAND



1. Top 10 Brand Public Welfare Award • New Vision • China Property **(JANUARY 2010)**

CHONGQING ZHONG YU



2. Credible Brand Enterprises • Chongqing Real Estate Development Industry 2009 - 2010 **(DECEMBER 2010)**
3. Unit with High Regard for Contracts and Credibility in Chongqing • 2009 - 2010 **(NOVEMBER 2010)**

4. Top 50 Service Industry Enterprises in Chongqing 2010 **(AUGUST 2010)**

5. Property Enterprises with Contributions to the City **(APRIL 2010)**
6. Property Enterprises with Contributions to the City • Appraisal of Contribution to the City • 15th Anniversary of Publication of Chongqing Morning News **(APRIL 2010)**
7. Enterprise Certificate of Honour • The 1st Chinese Chamber of Commerce Contributions Award in Chongqing 2010 **(JANUARY 2010)**

PROJECTS

NO. 1 PEAK ROAD

8. "Excellent Community • Fine Living Chongqing" 2010 **(DECEMBER 2010)**

L'AMBASSADEUR

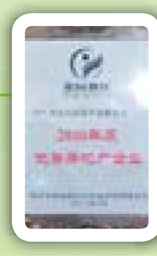
9. Model of Quality Residential Projects in China Award **(JUNE 2010)**

MANSIONS ON THE PEAK

10. China's Best Urban Villa Project Award 2010 **(JUNE 2010)**

VERAKIN NEW PARK CITY

11. Excellent Property Developers 2010
(JANUARY 2011)



12. Social Credible Enterprises Certificate • Chongqing Real Estate Development Industry **(JANUARY 2011)**

13. Best Public Welfare Contributions Award • Top 10 Outstanding Enterprises in Non-public Economy 2010 **(JANUARY 2011)**

14. Best Social Responsibility Award of Chayuan • Ten Years
(JANUARY 2011)

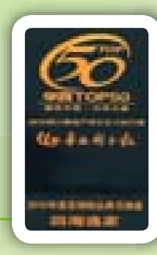
15. Credible Brand Enterprises • Chongqing Real Estate Development Industry 2009 - 2010 **(DECEMBER 2010)**

RIVERSIDE ONE, WANZHOU

16. Chongqing Lucky Boom Realty Company • Wanzhou District Property Development Industry • Enthusiasm in Public Caring of Premium Enterprises 2008 - 2010 **(DECEMBER 2010)**

SKY VILLA

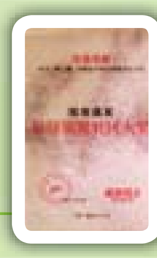
17. Top 50 in Western China • Featuring China • Media Award • Sichuan's Property Developers with the Most Comprehensive Strength in 2010 • The Model of High-end Residential Projects in 2010 **(2010)**



18. Excellent Property Project in Chengdu 2009
(JANUARY 2010)

VILLA ROYALE

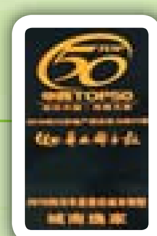
19. Best Villa Community Award • The 2nd China Real Estate Magazine Union Critics Award 2010 **(DECEMBER 2010)**



20. Gold Label in Villa Enterprises • 2010 Brand Award - Gold Award
(SEPTEMBER 2010)

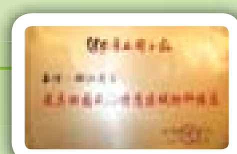
21. Comprehensive Gold Award • China's Classic Villas • The 7th China Villas' Fair 2010 **(JULY 2010)**

22. Top 50 in Western China • Featuring China • Media Award • Sichuan's Property Developers with the Most Comprehensive Strength in 2010 • The Best Urban Villa Project of Sichuan in 2010 **(2010)**



LAGONDA GARDENS

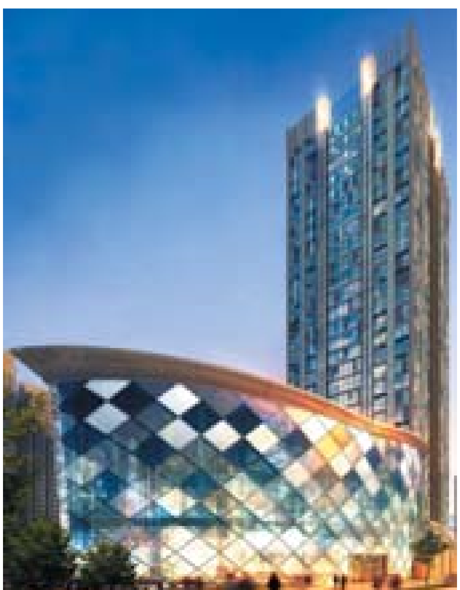
23. Best Landmark Project of Rural Chengdu • West China Metropolis Daily
(MAY 2010)



2010

Grand Launch of Silver Lining

Delivery of Riverside One, Wanzhou



Virtual Perspective of 9 Central Midtown

February 02

The Group acquired 31.1% effective interest in an on-going project, Verakin Le Charme, in the Fuling District of Chongqing with an aggregate GFA of 71,000 sqm.

April 04

One Central Midtown was ranked No.1 in terms of number of units sold in April 2010 in Chongqing.

June 06

The Group's first project in Kunming, Silver Lining, was launched with overwhelming response. About 60% of the units launched were sold on the first day of launch.

August 08

Units of Phase I of Riverside One, Wanzhou were delivered to buyers.

September 09

The Group's first commercial project in Chongqing, 9 Central Midtown, was launched with overwhelming response. 100% of the units launched were pre-sold within three hours on the first day of launch.

December 12

Units of the Group's first project in Chengdu, Phase I of Sky Villa, were delivered to buyers.

GROUP I — PROPERTY INTEREST HELD BY THE GROUP UNDER DEVELOPMENT

Property Location	Intended Use	Approximate Site Area (in sqm)	Approximate GFA to be Carried Forward or Under Development (in sqm)	Completion/ Expected Completion Date (Year)	The Group's Interest
Three parcels of land located to the south of Xingai Road, (Lot Nos. 15, 16 and 17-1), Chongqing International Finance and Trade Development Area, Longxi Jie Dao, Yubei District, Chongqing, PRC	Residential, Commercial, Auxiliary Facilities and Car Park	243,200	846,000	2011 or after	100%
A site located to the east of Songpai Road, (Lot No. 9), Chongqing International Finance and Trade Development Area, Longxi Jie Dao, Yubei District, Chongqing, PRC	Residential, Commercial, Office and Car Park	81,300	346,000	2013 or after	100%
A site located to the southeast of the junction of Xingai Road, and Hongjin Road, (Lot No. 10), Chongqing International Finance and Trade Development Area, Longxi Jie Dao, Yubei District, Chongqing, PRC	Residential, Commercial, Office, Hotel, Auxiliary Facilities and Car Park	103,400	614,000	2011-2014	100%
Three parcels of land (Lot No. 19), Chongqing International Finance and Trade Development Area, Longxi Jie Dao, Yubei District, Chongqing, PRC	Residential, Auxiliary Facilities and Car Park	143,900	260,000	2013 or after	100%
A site located to the east of Hongjin Road, (Lot No. 3-1), Chongqing International Finance and Trade Development Area, Longxi Jie Dao, Yubei District, Chongqing, PRC	Residential, Commercial, Office and Car Park	47,900	260,000	2013 or after	100%

GROUP I — PROPERTY INTEREST HELD BY THE GROUP UNDER DEVELOPMENT *(Continued)*

Property Location	Intended Use	Approximate Site Area (in sqm)	Approximate GFA to be Carried Forward or Under Development (in sqm)	Completion/ Expected Completion Date (Year)	The Group's Interest
A site located to the west of Hongjin Road, (Lot No. 4), Chongqing International Finance and Trade Development Area, Longxi Jie Dao, Yubei District, Chongqing, PRC	Residential, Commercial, Office and Car Park	96,900	528,000	2013 or after	100%
A site located in Longtoushi, (Lot No. 35), Renhe Zhutuan, Gaoxinyuan, Northern New District, Chongqing, PRC	Residential, Commercial, Office and Car Park	20,100	113,000	2011	100%
Two sites (Lot No. 20 and Lot No. 11-1) located in Chongqing International Finance and Trade Development Area, Longxi Jie Dao, Yubei District, Chongqing, PRC	Residential and Car Park	19,900	78,000	2013 or after	100%
A site (Lot No. 22) located in Chongqing International Finance and Trade Development Area, Longxi Jie Dao, Yubei District, Chongqing, PRC	Residential and Car Park	5,300	20,000	2013 or after	100%
A site (Lot No. 7-1) located in Chongqing International Finance and Trade Development Area, Longxi Jie Dao, Yubei District, Chongqing, PRC	Residential and Car Park	5,200	11,000	2013 or after	100%
A site located in No. 2, Xingsheng Branch, Longta Street, Longxi Jie Dao, Yubei District, Chongqing, PRC	Residential, Commercial and Car Park	146,800	415,000	2012-2013	100%
A site located in No. 1 Zhongxin Section, Huaxin Street, Jie Dao Qiao Bei Village, Jiangbei District, Chongqing, PRC	Residential, Commercial, Office and Car Park	205,000	1,362,000	2013 or after	25%

GROUP I — PROPERTY INTEREST HELD BY THE GROUP UNDER DEVELOPMENT *(Continued)*

Property Location	Intended Use	Approximate Site Area (in sqm)	Approximate GFA to be Carried Forward or Under Development (in sqm)	Completion/ Expected Completion Date (Year)	The Group's Interest
A site located in New Park City, Chayuan, Nan'an District, Chongqing, PRC	Residential, Commercial and Car Park	510,600	1,308,000	2011-2017	61%
A site located in Chengjiaba She No. 1, Xinxing She Nos. 4 and 5, Jiangnan New District, Wanzhou District, Chongqing, PRC	Residential, Commercial and Car Park	109,700	354,000	2011-2013	100%
A site located in Xujia Town, Dujiangyan District, Chengdu, Sichuan, PRC	Residential	56,400	59,000	2011	100%
Two parcels of land located in Jinjiang District, Chengdu, Sichuan, PRC	Residential and Car Park	116,100	482,000	2012-2015	51%
A site located in Tongchuan District, Dazhou, Sichuan, PRC	Residential	72,900	413,000	2012-2015	100%
A site located in Gaoxin District, Kunming, Yunnan, PRC	Residential, Commercial and Car Park	18,900	94,000	2011	70%
A site located in Yutang Town, Dujiangyan District, Chengdu, Sichuan, PRC	Residential and Hotel	311,000	230,000	2012-2014	60%
A site located in Wenxing Town, Shuangliu County, Chengdu, Sichuan, PRC	Residential, Commercial and Car Park	205,000	312,000	2012-2015	51%
A site located in Xiyong University City, Shapingba District, Chongqing, PRC	Residential, Commercial and Car Park	133,000	423,000	2013 or after	100%
A site located in Huayuan Town, Xinjin County, Chengdu, Sichuan, PRC	Residential, Commercial and Car Park	286,700	249,000	2013 or after	51%

GROUP I — PROPERTY INTEREST HELD BY THE GROUP UNDER DEVELOPMENT *(Continued)*

Property Location	Intended Use	Approximate Site Area (in sqm)	Approximate GFA to be Carried Forward or Under Development (in sqm)	Completion/ Expected Completion Date (Year)	The Group's Interest
A site located in Nanmenshan, Fuling District, Chongqing, PRC	Residential, Commercial and Car Park	8,300	71,000	2011	31%
A site located in Century Road, New District, Nan'an District, Chongqing, PRC	Residential, Commercial and Car Park	186,300	301,000	2013 or after	31%
A site located in Jinyang New District, Guiyang, Guizhou Province, PRC	Residential, Commercial and Car Park	365,000	1,070,000	2013 or after	85%

GROUP II — PROPERTY INTEREST HELD BY THE GROUP FOR INVESTMENT

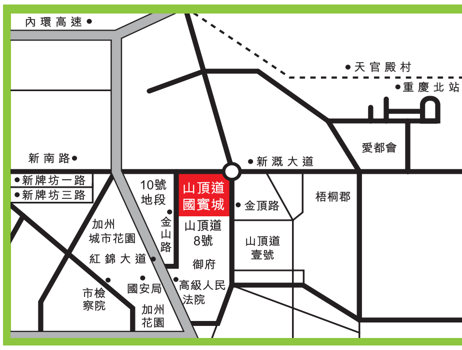
Property Location	Usage	Attributable GFA (sqm)	Occupancy Rate	The Group's Interest
California Garden, Longxi Jie Dao, Yubei District, Chongqing, PRC	Commercial Residential Car parking spaces	22,060 2,603 15,646	70.2% 5.9% 100.0%	100% 100% 100%
California City Garden, Longxi Jie Dao, Yubei District, Chongqing, PRC	Commercial Car parking spaces Auxiliary facilities	4,685 12,094 2,565	81.2% 100.0% 100.0%	100% 100% 100%
Kechuang Building, No. 8 Jinshan Road, Longxi Jie Dao, Yubei District, Chongqing, PRC	Car parking spaces	2,823	100.0%	100%
Huijingtai, No. 3 Jinshan Road, Longxi Jie Dao, Yubei District, Chongqing, PRC	Commercial Car parking spaces	1,541 10,951	6.5% 100.0%	100% 100%
Underground Carpark, No. 2 Xingai Road, Longxi Jie Dao, Yubei District, Chongqing, PRC	Car parking spaces	8,236	70.1%	100%

GROUP III — PROPERTY INTEREST HELD BY THE GROUP FOR SELF-OCCUPATION

Property Location	Usage	Tenure	Lot No.	The Group's Interest
Flat No. 97 on 21st Floor, Tower 18 (of Parkview Corner), Hong Kong Parkview, and Car Parking Space No. 226 On Car Park Entrance 3 (Level 4) of the Garage of Hong Kong Parkview, No. 88 Tai Tam Reservoir Road, Hong Kong	Residential	Long term lease	Rural Building No. 1051	100%
Unit K on 23rd Floor and Units A & L on 27th Floor, Shield Industrial Centre, Nos. 84-92 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	Industrial	Medium term lease	Tsuen Wan Inland Lot No. 43	100%
A piece of land and structures thereof located at Jie Min Administrative District, Sanjiao Town, Zhongshan City, Guangdong, PRC	Industrial (factory premises used by the Group)	Medium term lease	N/A	100%
7th & 15th Floor, China United Centre, No. 28 Marble Road, Hong Kong	Commercial	Long term lease	Inland Lot No. 3504	100%
An industrial complex situated at 2 Feng Yang Road, LiLi Town, Wujiang City, Jiangsu, PRC	Industrial (factory premises used by the Group)	Medium term lease	N/A	60%
Education Building, California Primary School, California Garden, Longxi Jie Dao, Yubei District, Chongqing, PRC	Non-residential	Long term lease	N/A	100%
Composite Building, California Primary School, California Garden, Longxi Jie Dao, Yubei District, Chongqing, PRC	Non-residential	Long term lease	N/A	100%
Block 7, California City Garden, Longxi Jie Dao, Yubei District, Chongqing, PRC	Commercial	Long term lease	N/A	100%
Huijingtai Kindergarten, Huijingtai, No. 3 Jinshan Road, Longxi Jie Dao, Yubei District, Chongqing, PRC	Non-residential	Long term lease	N/A	100%

Chongqing

Area:	82,000 km^2
Population:	32,000,000
Location:	In the Southwestern region of China, the confluence of Yangtze River and Jialing River



PROJECT NAME:
L'Ambassadeur (山頂道國賓城) – 100% interest

PROJECT LOCATION:
The junction of Xingai Road and Jinshan Road, Yubei District, Chongqing

Total land area:	78,000 sqm	
Project GFA:	GFA above ground: GFA under ground: Total GFA:	383,000 sqm 99,000 sqm 482,000 sqm
Expected completion date and area:	Phase I: GFA: Phase II: GFA:	second quarter of 2012 134,000 sqm fourth quarter of 2012 143,000 sqm

Project description:

The project is located at the core region of the Yubei District, at the junction of Xingai Road and Jinshan Road. The region is designated to be the area for the future four core functions of northern Chongqing, namely, government affairs, commerce, financial regulation and external links. The traffic of this project is convenient, being within 5 minutes' car ride to the Guanyinqiao Commercial Circle. The project will be served by the No. 3 Light Railway which is under construction and is expected to be in operation in mid-2011. On the outskirt of the project lies two Light Railway stations, the Zhengjia Courtyard Station (鄭家院子站) and NPC California Station (加州人大站), providing easy accessibility to the new train terminal, airport and other parts of the city. The geographical position is superb. This area is where highways, railways, air traffic and light railways converge. It has naval, ground, aerial and underground connections, i.e. four-in-one transport system - north to the Jiangbei International Airport; east to the new Chongqing North Railway Station and Cuntan Bonded Port; west to the Chongqing expressway, and south to Hongjin Road and Longhua Road to downtown Chongqing. In this district, the No. 3 Light Railway runs underground, connecting swiftly with other parts of the city. This area is one for high-end residential development, providing numerous facilities such as restaurants, hospitals and schools. It is also one of the most prime locations within the Liangjiang New Area. Stimulated by the good news about the Liangjiang New Area, investors are rushing in one after another. The California-Xinpaifang district is undoubtedly one of the hottest areas with the highest potential for value appreciation.

The project is one of the "Peak Road" series. It is a high-rise luxury condominium complex in a superb residential area. The other projects in the Peak Road series are "No. 1 Peak Road" of Hong Kong style high-rise luxury flats, "No. 8 Peak Road" of low-rise condominiums, and "Mansions on the Peak" of luxury villas. On Lot #10, the commercial elements include a bona fide 5-star hotel, twin Grade-A office towers, a super shopping mall, a serviced apartment block, and movie houses.


Virtual Perspective of L'Ambassadeur

PROJECT NAME:
Phoenix County (梧桐郡) – 100% interest

PROJECT LOCATION:
No. 2, Xingsheng Branch, Longta Street, Yubei District, Chongqing

Total land area:	147,000 sqm	
Project GFA:	GFA above ground: GFA under ground: Total GFA:	340,000 sqm 75,000 sqm 415,000 sqm
Expected completion date and area:	Phase I: GFA: Phase II: GFA:	first half of 2012 95,000 sqm second half of 2012 88,000 sqm

Project description:

The project is located at the Longtoushi area, near the centre of the “Big Triangle” of Wuhuangdazhuanpan (五黃大轉盤), Xinpaifangzhuanpan (新牌坊轉盤) and the Longtoushi Train Station, connecting Xinpaifang, Gailanxi and Huangnibang, which are three high-end residential areas in Chongqing. The project’s geographical position is superb, situating on Xingai Road and within the core territory of the Liangjiang New Area. Mature high-end residential areas along Wuhuang Road, Xinpaifang and Longtoushi are within close proximity. The three big commercial centres, Guanyinqiao, Zhongyu Chongqing International City and Longtoushi are only 5 minutes away. The No. 3 Light Railway (opening in mid-2011) has a station within walking distance. The traffic network will also include Route No. 4 (under planning), and more than ten public transport routes linking with every district of the city proper. The nearby Longtoushi Park with an area of 650 acres was opened in January 2011.

The project includes mainly low-rise condominiums with unique features and has a specially designed shopping avenue. There will also be town-houses and high-rise blocks. Extensive landscaping with inner roads lined by Phoenix trees will be a signature of this project to make this one of the most beautiful places to live within the city. Within each low-rise villa-like block, no two units are of the same design, which makes this project unique. To reside in one of these condominium units will truly be a wonderful experience, where extensive designs are in place to let in maximum sunlight, and to improve ventilation.


Virtual Perspective of Phoenix County

PROJECT NAME:

Mansions on the Peak (御府) – 100% interest

PROJECT LOCATION:

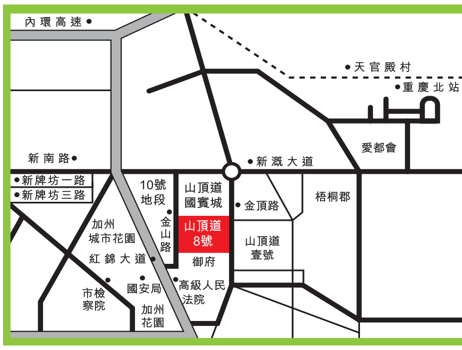
The junction of Jinding Road and Jinshan Road, Yubei District, Chongqing

Total land area:	49,000 sqm	
Project GFA:	GFA above ground: GFA under ground: Total GFA:	34,000 sqm 24,000 sqm 58,000 sqm
Expected completion date and area:	Club and Commercial: GFA: Villa: GFA:	first half of 2012 12,000 sqm first half of 2012 46,000 sqm

Project description:

The project consists of 46 luxury villas. This is a unique, single villa project within the Chongqing city centre area. It won the “China’s Best Urban Villa Project Award 2010", at the “2010 quality property development forum with green low-carbon harmonious housing conference” held in Chengdu in June 2010, by virtue of its aesthetic architectural design and superb quality, beating other massive city villa projects in the country.

Virtual Perspective of Mansions on the Peak



PROJECT NAME:

No. 8 Peak Road (山頂道8號) – 100% interest

PROJECT LOCATION:

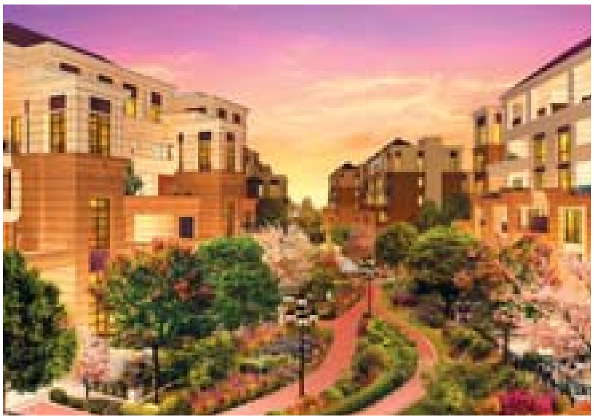
The junction of Xingai Road and Jinshan Road, Yubei District, Chongqing

Total land area:	27,000 sqm	
Project GFA:	GFA above ground: GFA under ground: Total GFA:	33,000 sqm 23,000 sqm 56,000 sqm
Expected completion date:	third quarter of 2011	

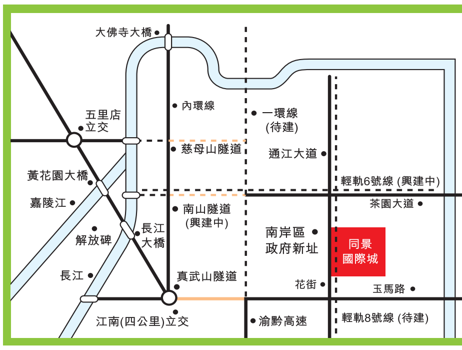
Project description:

The project is located at the core region of the Yubei District, at the junction of Xingai Road and Jinshan Road. The region is designated to accommodate for the future four core functions of northern Chongqing, namely, government affairs, commerce, financial regulation and external links. The traffic of this project is convenient, being within 5 minutes' car ride to the Guanyinqiao Commercial Circle. The project will be served by the No. 3 Light Railway which is under construction and is expected to be in operation in mid-2011. On the outskirt of the project lies two Light Railway stations, the Zhengjia Courtyard Station（鄭家院子站）and the NPC California Station（加州人大站）, providing easy accessibility to the new train terminal, airport and other parts of the city. The geographical position is superb. The Xinpaifang and the California districts act as the converging point for highways, railways, air traffic and light railways.

The project consists of 8 low-rise apartment blocks each with 6 storeys and provides a total of 147 residential units. It is built on a small hilly slope and has a French architectural style.



Virtual Perspective of No. 8 Peak Road



PROJECT NAME:

Verakin New Park City (同景國際城) – 61% interest

PROJECT LOCATION:

Tongjiang Avenue, New District of Chayuan, Nan'an District, Chongqing

Total land area:	721,000 sqm	
Project GFA:	GFA above ground:	1,447,000 sqm
	GFA under ground:	212,000 sqm
	Total GFA:	1,659,000 sqm
Completion / Expected completion date and area:	A Zone (completed):	fourth quarter of 2007
	GFA:	104,000 sqm
	B Zone (completed):	second quarter of 2008
	GFA:	77,000 sqm
	G Zone - residential (completed):	fourth quarter of 2009
	GFA:	120,000 sqm
	G Zone - commercial and other parts (completed):	second quarter of 2010
	GFA:	26,000 sqm
	H Zone (completed):	second quarter of 2010
	GFA:	26,000 sqm
	I Zone:	fourth quarter of 2011
	GFA:	150,000 sqm
	J Zone:	fourth quarter of 2012
	GFA:	76,000 sqm
	W Zone:	third quarter of 2012
	GFA:	243,000 sqm
	K Zone:	fourth quarter of 2013
	GFA:	42,000 sqm

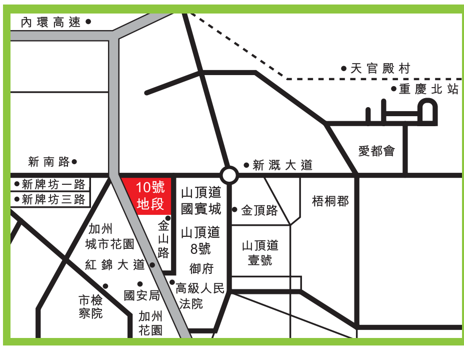
Project description:

The project is located at the New District of Chayuan, Nan'an District, Chongqing, and is notable for its landscaping and multi-functionality. Tongluoshan forms a natural barrier and protects the New District of Chayuan from the rowdy city area. Easy access to the city is maintained through the Zhenwushan Tunnel, Cimushan Tunnel, Nanshan Tunnel (under construction), the No. 6 Light Railway (under construction) and a number of ring road expressways. In the "Twelfth Five-Year Plan" on future economic development of Chongqing, this district (New District of Chayuan) is the focused development area of the main city's new district, within the Second Ring of Chongqing.

The total GFA of the project is more than 1,600,000 sqm, of which 72% is zoned for residential use and the rest for commercial development. The properties comprise mainly of low-density low-rise apartments and town-houses. The project, which occupies 40% of the area of the core region of the New District of Chayuan, is in close proximity to the new government buildings in the Nan'an District.

According to the data disclosed by the Information Processing Centre of China Index Academy, the project was No.1 in sales in Chongqing in terms of units sold, sales area, and sales amount during the year 2010 (on project basis).

Verakin New Park City



PROJECT NAME:

Lot #10 (including One Central Midtown and 9 Central Midtown) – 100% interest

PROJECT LOCATION:

No.18 Jinshan Road, Xinpaifang, Yubei District, Chongqing

Total land area:	103,000 sqm	
Project GFA:	GFA above ground: GFA under ground: Total GFA:	424,000 sqm 190,000 sqm 614,000 sqm
Expected completion date and area:	Phase I: GFA:	third quarter of 2011 185,000 sqm

Project description:

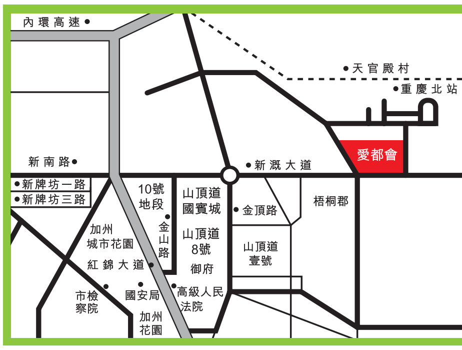
The project is located at the core region of the Yubei District, at the junction of Hongjin Road and Xingai Road and has a total land area of approximately 103,000 sqm with a total GFA of approximately 614,000 sqm. The traffic of this project is convenient, being within 5 minutes' car ride to the Guanyinqiao Commercial Circle, the project will be served by the No. 3 Light Railway which is under construction and is expected to be in operation in mid-2011, thus providing easy accessibility to the new train terminal, airport and other parts of the city.

The project is positioned as one of the new city centre landmarks with planned high-end residential apartments, a 5-star hotel, serviced apartments, Grade-A shopping mall, Grade-A offices, and SOHO offices.

The GFA of One Central Midtown is approximately 108,000 sqm. The GFA of 9 Central Midtown and its shops is approximately 35,000 sqm. The GFA for the office towers is approximately 104,000 sqm; for the shopping mall approximately 84,000 sqm (including both above and under ground GFA); for the hotel approximately 61,000 sqm; for the serviced apartments approximately 35,000 sqm; plus other underground carparks and facilities.

Virtual Perspective of One Central Midtown

Virtual Perspective of 9 Central Midtown



PROJECT NAME:
i-City (愛都會) – 100% interest

PROJECT LOCATION:
No. 333, Donghu South Road, Xingai Road, Longtoushi, Yubei District, Chongqing

Total land area:	69,000 sqm	
Project GFA:	GFA above ground: GFA under ground: Total GFA:	241,000 sqm 59,000 sqm 300,000 sqm
Completion / Expected completion date and area:	Phase I (Completed): GFA: Phase II (Completed): GFA: Phase III: GFA:	second quarter of 2010 60,000 sqm fourth quarter of 2010 127,000 sqm fourth quarter of 2011 113,000 sqm

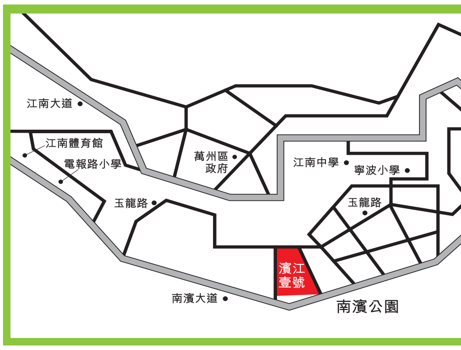
Project description:

The project is conveniently located near the Longtoushi Train North Station and the Chongqing Cuntan Port. This area is the hub of the Chongqing railway and river transport, with heavy investments from the local government. A number of famous schools, supermarkets, shopping malls and offices have been built in the past years and the region has become a high-end commercial and residential area in the northern part of the city. The project has an extensive traffic network of over 20 public transport routes. The Tangjia Courtyard Station (唐家院子站) of the No. 3 Light Railway now under construction is situated around 200 metres from the site. It will start operation in mid-2011.

The project caters mainly to the young, modern and trendy customers. The entire project is divided by an inner commercial street into the South and North Zones. The North Zone consists of high-rise residential units and the South Zone is earmarked for commercial development.

The Longtoushi Park with an area of 650 acres is adjacent to the i-City. It was opened in January 2011.

i-City



PROJECT NAME:

Riverside One, Wanzhou (濱江壹號) – 100% interest

PROJECT LOCATION:

Chenjiaba She No.1, Xinxing She Nos. 4 and 5, Jiangnan New District, Wanzhou, Chongqing

Total land area:	150,000 sqm	
Project GFA:	GFA above ground: GFA under ground: Total GFA:	363,000 sqm 41,000 sqm 404,000 sqm
Completion / Expected completion date and area:	Phase I - residential (completed): GFA: Phase I - commercial and other parts (completed): GFA: Phase II: GFA:	second half of 2010 50,000 sqm first half of 2011 18,000 sqm second half of 2011 102,000 sqm

Project description:

The project is located at the core region of the Jiangnan New District. Wanzhou is a county at the northeastern part of Chongqing. It is located at the intersection of the middle and upper courses of the Yangtze River and the hinterland of the Three Gorges Area and is the second largest county in Chongqing with a population of over 1.7 million. Wanzhou serves as the most important river and land transportation and logistics hub in Chongqing for access to other major cities.

The project occupies a land area of 150,000 sqm with a permitted GFA of approximately 404,000 sqm. The project is along a stretch of river bank of over one kilometre, capitalizing on the beautiful river view.

The project is developed into a complex of predominantly residential apartments, commercial facilities, and office blocks. Phase I is planned to include mainly low-rise condominiums with a low plot ratio of less than 2.0. Carparking space is in the ratio of 1:1.2, making the properties an ideal choice for both self-use and investment. It has become one of the top property upgrade choices in Wanzhou.

Virtual Perspective of Riverside One, Wanzhou

PROJECT NAME:
Verakin Le Charme (同景 • 南門金階) – 31% interest

PROJECT LOCATION:
Workers' Club, Nanmenshan, Fuling District, Chongqing

Total land area:	8,000 sqm	
Project GFA:	GFA above ground: GFA under ground: Total GFA:	63,000 sqm 8,000 sqm 71,000 sqm
Expected completion date:	third quarter of 2011	
Project description:	The project is located at the west to the junction of the People's West Road and Guangchang Road, Fuling District, Chongqing, and is originally the site of the Workers' Club. Situated at the core region of the Fuling District, the project is well served by a convenient traffic network.	

The project is positioned as a high-rise residential project with a GFA of approximately 71,000 sqm designated for residential and commercial development which consists of two floors of underground carparks, a podium with 4 floors for retail use, plus two 26-storeyed towers for residential purposes. It can provide 492 residential units with sizes ranging from 60 to 130 sqm.

Virtual Perspective of Verakin Le Charme

PROJECT NAME:
Academic Heights (春華秋實) – 100% interest

PROJECT LOCATION:
Xiyong Zone, Shapingba District, Chongqing

Total land area:	133,000 sqm	
Project GFA:	GFA above ground: GFA under ground: Total GFA:	355,000 sqm 68,000 sqm 423,000 sqm
Expected completion Date and area:	Phase I: GFA:	first quarter of 2013 121,000 sqm

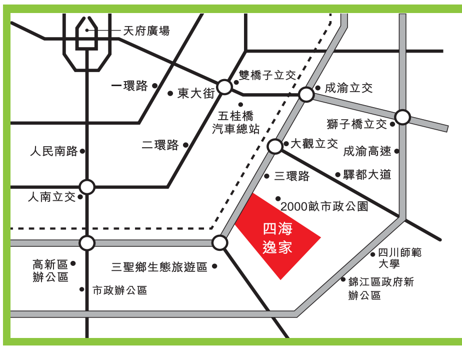
Project description:

The project is situated in the Xiyong University City, being one of the two newly planned deputy city centres of Chongqing. At the moment, it can be reached from the city centre via the Inner Ring Express and Yu-Sui Express. The No.1 underground railway (under planning) is expected to be in operation in 2012, which will shorten the travelling time between the district and the main city core area. Within the district, the two large industries of education and high new technology will provide regular and sufficient consumer groups.

The project is planned to start construction of high-rise apartments and town-houses and villas in mid-2011.

Sichuan

Area:	485,000 km^2
Population:	81,000,000
Location:	Southwestern China, upstream of the Yangtze River



PROJECT NAME:

Sky Villa (四海逸家) – 51% interest

PROJECT LOCATION:

Zone 3 Liangfengcun and Zone 5 Fengfangyancun, Jinjiang District, Chengdu, Sichuan

Total land area:	138,000 sqm	
Project GFA:	GFA above ground: GFA under ground: Total GFA:	416,000 sqm 156,000 sqm 572,000 sqm
Completion / Expected completion date and area:	Phase I (completed): GFA: Phase II: GFA: Phase III: GFA:	fourth quarter of 2010 90,000 sqm fourth quarter of 2012 146,000 sqm fourth quarter of 2013 215,000 sqm

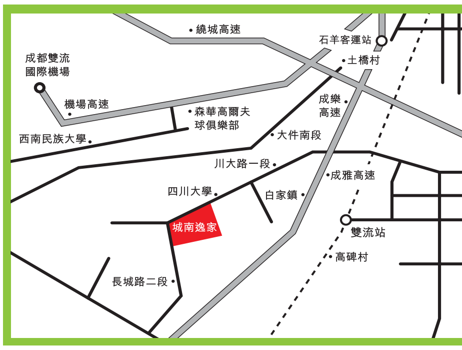
Project description:

The project is located at the South Third Ring Road, Jinjiang District, Chengdu, in the neighbourhood of the new government office buildings in the east, leading to Chenglong Road and Sanshenghuaxiang, a Grade-4A national landscape region, 150 metres from the East Third Ring Road and close to the magnificent municipal park of over 1.3 million sqm in area. In addition to having a great natural environment, Sky Villa is well-connected to the traffic network. It is only 10 minutes by car to the city centre. The district is also well-provided with comprehensive auxiliary facilities for education, commerce, medical services and leisure.

The project occupies a total land area of 138,000 sqm and is divided into four phases with a total of 18 blocks and a total residence of approximately 4,280 units with double-storeyed courtyards, twin en-suite design and useable areas of between 200 and 250 sqm for each unit.

Sky Villa combines the concepts of villas and high-rises, hence the name, and is unique in Chengdu. The six-metre internal ceiling height is a strong selling point of the project.

Sky Villa



PROJECT NAME:
Villa Royale (城南逸家) – 51% interest

PROJECT LOCATION:
Section 2, Chuendadao, Xinchengnan Region, Chengdu, Sichuan

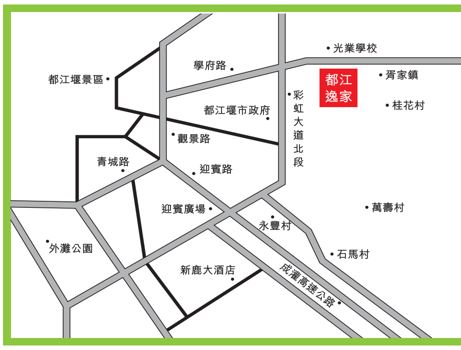
Total land area:	205,000 sqm	
Project GFA:	GFA above ground: GFA under ground: Total GFA:	220,000 sqm 92,000 sqm 312,000 sqm
Expected completion date and area:	Phase I: GFA:	second quarter of 2012 70,000 sqm

Project description:

The project is located in the Chuendadao 2nd section in the Xinchengnan Region in Chengdu, with the government's new administration centre in the east, the international airport and airport economic development zone in the west, and the famous one hundred-year-old Sichuan University campus across the main road from its northern end, being within 10 minutes' car ride to Chengdu city centre. The excellent traffic network composes of Tianfu Dadao, Ji Chang Road, ChengYa Highway and Dajian Road.

The project focuses at providing villas and town-houses within the city, a most sought after product in the local property market. The project fully utilizes rare resources in the district - the JiangAn River running alongside the property, and a massive and beautiful clubhouse which boasts of high-end dining and other facilities.


Virtual Perspective of Villa Royale



PROJECT NAME:
Lagonda Gardens (都江逸家) – 100% interest

PROJECT LOCATION:
Guihua Village, Xujia Town, Dujiangyan City, Sichuan

Total land area:	56,000 sqm	
Project GFA:	GFA above ground: GFA under ground: Total GFA:	57,000 sqm 2,000 sqm 59,000 sqm
Expected completion date:	second quarter of 2011	

Project description:

The project is situated at Guihua Village, Xujia Town, Dujiangyan City, adjoining the Second Ring Road in the west, overlooking the Baitiao River in the north, and is connected to the Xujia Town in the east and the Cheng-Guan Highway in the south, with only a 5 minutes' car ride from the Dujiangyan government. Always renowned for its famous attractions, Dujiangyan City is one of the important districts in Chengdu. Xujia Town is famous as a town with much emphasis on education, where 15 different forms and types of schools such as the Foreign Language Experimental School and the Yulei Private School（玉壘私立學校）are located.

The project consists of high-end low-density multi-storeyed residential buildings, designed in a unique romantic and neat Italian Tuscany style, with river features and beautiful landscaping to provide a relaxing area for living.

The whole project is divided into two areas and consists of 18 buildings, with a total of 456 units and 385 carparking spaces, and provides a variety of unit types ranging from 80 to 170 sqm.

Lagonda Gardens

PROJECT NAME:
La Concorde (牧山逸家) – 51% interest

PROJECT LOCATION:
Along Forest Avenue, Huayuan Town, Xinjin County, Chengdu, Sichuan

Total land area:	287,000 sqm	
Project GFA:	GFA above ground: GFA under ground: Total GFA:	195,000 sqm 54,000 sqm 249,000 sqm
Expected completion date:	Club and Model area:	second half of 2011

Project description:

The project is located along Forest Avenue in Huayuan Town, Xinjin County, Chengdu, which is the core district for Chengdu's newly rising high-end holiday villa developments. Chengdu's urban area can be accessed through main roads such as Dajian Road. A highway from Muhua Road to the south of the city is under construction.

The project follows the hillside landscape of Mumashan to build pure individual hillside villas. Each unit has lift facilities, and the architectural design centres on highlighting the variation of space and the tableland scenery. Each of the 570 villas has a GFA of 400 to 600 sqm, and is 2 to 3 storeys high. A first-class environment, full clubhouse facilities, and superb quality will help build a great villa circle in Chengdu.

Virtual Perspective of La Concorde

PROJECT NAME:
Dazhou Project (雍河灣) – 100% interest

PROJECT LOCATION:
Chaoyang Road Central, Tongchuan District, Dazhou, Sichuan

Total land area:	73,000 sqm	
Project GFA:	GFA above ground: GFA under ground: Total GFA:	358,000 sqm 55,000 sqm 413,000 sqm
Expected completion date and area:	Phase I: GFA:	fourth quarter of 2012 180,000 sqm

Project description:

The project is located at the Chaoyang Road Central in the Tongchuan District in Dazhou City in Sichuan outside the entrance of the newly emerged west district, with the old district in the east and rivers in the south, which embraces the amenity of the main town area with convenient transportation network.

Dazhou has a population of approximately 6.5 million. As a large scale river-side ecological scenic project serving multiple residential, commercial and educational purposes, the Dazhou Project also has a huge ecological park in the river side area next to the mountain park.

Virtual Perspective of Dazhou Project

Kunming

Area:	21,000 km^2
Population:	6,250,000
Location:	Southwest of China, centre of Yungui plateau, surrounded by mountains with Dianchi bordering its south.

PROJECT NAME:

Silver Lining (雲都國際) – 70% interest

PROJECT LOCATION:

Gaoxin Development District, Kunming, Yunnan

Total land area:	19,000 sqm	
Project GFA:	GFA above ground: GFA under ground: Total GFA:	66,000 sqm 28,000 sqm 94,000 sqm
Expected completion date:	fourth quarter of 2011	

Project description:

The project is located at the Second Ring Road in Kunming with a high-end residential profile. It is situated amongst many education institutions, such as the High School attached to the University, the No.1 Gaoxin Primary school and the Art College. Transportation, medical services and shopping centres are conveniently available in the region, with the Second Affiliated Hospital of Kunming Medical College and Carrefour close by.

The project is built mostly with 12 to 18 storeys blocks (some are 6 storeys with lifts). Each unit has a large built-in garden living room, a super large balcony and a super large terrace. Some smaller units are also available.

Virtual Perspective of Silver Lining

EXECUTIVE DIRECTORS

Mr. CHEUNG Chung Kiu, aged 46, was appointed Chairman and Executive Director of the Company on 22 November 2006 and 22 June 2000 respectively. He also serves as a Director of several subsidiaries of the Company. Mr. Cheung has a wide range of experience in investment and business management, including approximately 20 years of property development and investment experience in the PRC. Mr. Cheung is the founder and Chairman of Yugang International Limited ("Yugang"), Chairman of Y.T. Realty Group Limited ("Y.T. Realty") and Chairman of The Cross-Harbour (Holdings) Limited ("Cross-Harbour"), the shares of all these companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also a Director of Regulator Holdings Limited, Yugang International (B.V.I.) Limited ("Yugang-BVI"), Chongqing Industrial Limited, Palin Holdings Limited and Thrivetrade Limited, which are companies disclosed under the section headed "Discloseable Interests and Short Positions of Shareholders under SFO" on page 65.

Dr. LAM How Mun Peter, aged 63, was appointed Deputy Chairman, Managing Director and Executive Director of the Company on 22 November 2006, 9 April 1999 and 3 June 1998 respectively. Dr. Lam is the founder of the Company and has served the Group since 1989. He also serves as a Director of several subsidiaries of the Company. He obtained his medical degree from the University of Hong Kong in 1972. He is a Fellow of the Royal College of Surgeons of Edinburgh, the American College of Surgeons and the Hong Kong Academy of Medicine. In addition to his extensive experience in medical practice, Dr. Lam has over 20 years of experience in the real estate, investment and manufacturing industries. Currently, he spends only a limited amount of his time on his medical practice.

Mr. TSANG Wai Choi, aged 62, was appointed Deputy Chairman and Executive Director of the Company on 1 June 2008 and 14 May 2007 respectively. He also serves as a Director of several subsidiaries of the Company. Graduated from the Sichuan Construction Material College (四川省建築材料學校), Mr. Tsang has extensive experience in various segments of the construction industry in the PRC, including over 15 years of experience in property development as a professional project manager. As a front-runner in property development using private capital in the city of Chongqing, Mr. Tsang has been over-all in charge of a number of large-scale property projects in the city since 1991.

Mr. LAM Hiu Lo, aged 49, was appointed Executive Director of the Company on 10 November 2000. He also serves as a Director of several subsidiaries of the Company. Mr. Lam has over 25 years of experience in sales and marketing in the PRC. Over the years, he has successfully built up a strong business and personal network in the PRC. Mr. Lam is an Executive Director of Yugang and also a Director of Yugang-BVI.

Mr. LEUNG Chun Cheong, aged 61, was appointed Executive Director of the Company on 3 June 1998. He also serves as a Director of several subsidiaries of the Company. He has joined the Group since 1995. Mr. Leung is a fellow of the Association of Chartered Certified Accountants in the UK and an associate of the Hong Kong Institute of Certified Public Accountants. He has over 35 years of experience in professional accounting and finance. Previously, he had held senior positions in various companies in Hong Kong, including controller of a financial group, head of internal audit of a US bank and senior position in Pricewaterhouse & Co. (presently known as PricewaterhouseCoopers).

Mr. LEUNG Wai Fai, aged 49, was appointed Executive Director of the Company on 3 December 1999. He also serves as a Director of several subsidiaries of the Company. Graduated from the University of Wisconsin at Madison, the United States of America with a Degree of Bachelor of Business Administration, Mr. Leung is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the UK. In addition, Mr. Leung is an Executive Director of Cross-Harbour and Group Financial Controller of Yugang.

Ms. POON Ho Yee Agnes, aged 43, was appointed Executive Director of the Company on 3 June 1998. She also serves as a Director of several subsidiaries of the Company. She has joined the Group since 1990. Ms. Poon holds a Master of Science in Electronic Commerce and Internet Computing from the University of Hong Kong and a Degree of Bachelor of Business Administration from Simon Fraser University, Canada. In addition, she obtained her Master of Social Science in Counselling at University of South Australia in 2006. Over the years, Ms. Poon has gained considerable experience in sales and marketing in the manufacturing industry.

Dr. WONG Kim Wing, aged 49, was appointed Executive Director of the Company on 25 January 2008. He also serves as a Director of a subsidiary of the Company. Dr. Wong is a Registered Architect and an Authorized Person in Hong Kong. He is a fellow of the Hong Kong Institute of Architects and has over 20 years of experience in property development and assets branding. Having graduated from the University of Hong Kong with Architectural Degrees in 1984 and 1986, Dr. Wong also obtained his PhD Degree in Finance at Shanghai University of Finance and Economics in 2007. Prior to joining the Company, Dr. Wong was a Director and Deputy General Manager (China Subsidiaries) and Group Senior Project Manager of Sun Hung Kai Properties Group from 1994 to 2005. He was also a Director of Project & Planning of The Link Management Limited from 2005 to January 2008.

Mr. WU Hong Cho, aged 65, was appointed Executive Director of the Company on 7 July 2006. He also serves as a Director of several subsidiaries of the Company. Mr. Wu graduated from the Law School of the University of Hong Kong and has accumulated over 10 years of experience as a practicing solicitor in Hong Kong before leaving private practice. Prior to joining the Company, he held senior positions and was in charge of corporate financial matters in a number of public companies in Hong Kong. Mr. Wu was an Independent Non-executive Director of Beiren Printing Machinery Holdings Limited from 2002 to July 2008, a company listed on the Stock Exchange and the Shanghai Stock Exchange. He was also an Executive Director from January 2000 to July 2006 and a Non-executive Director from July 2006 to June 2010 of NewOcean Energy Holdings Limited, a company listed on the Stock Exchange.

NON-EXECUTIVE DIRECTOR

Mr. WONG Yat Fai, aged 51, was appointed Independent Non-executive Director of the Company on 20 September 2006 and was re-designated as Non-executive Director of the Company on 1 October 2007. Mr. Wong holds a professional diploma in banking from The Hong Kong Polytechnic University. He has over 15 years of working experience with an international banking group. Mr. Wong is currently an Executive Director of ICube Technology Holdings Limited (formerly known as GR Vietnam Holdings Limited), and a Non-executive Director of Yugang, Y.T. Realty and Cross-Harbour, the shares of all these companies are listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kin Fung Jeffrey, SBS, JP, aged 59, was appointed Independent Non-executive Director of the Company on 3 June 1998. Mr. Lam holds a Bachelor Degree from Tufts University in the United States of America. He has over 30 years of experience in the toy industry and is currently the Managing Director of Forward Winsome Industries Limited which is engaged in toy manufacturing. Mr. Lam also holds a number of other public and community service positions including Member of the Legislative Council in Hong Kong, Chairman of Mega Events Funds Assessment Committee, Member of the Board of the West Kowloon Cultural District Authority, Member of the Advisory Committee on Corruption of Independent Commission Against Corruption and General Committee Member of Hong Kong General Chamber of Commerce. In addition, he is an Independent Non-executive Director of Hsin Chong Construction Group Ltd., Wynn Macau, Limited, China Overseas Grand Oceans Group Ltd. and Sateri Holdings Limited, the shares of all these companies are listed on the Stock Exchange.

Mr. LEUNG Yu Ming Steven, aged 51, was appointed Independent Non-executive Director of the Company on 1 October 2007. Mr. Leung holds a Degree of Master in Accountancy from Charles Sturt University in Australia and a Degree of Bachelor of Social Sciences from the Chinese University of Hong Kong. He is an associate of the Institute of Chartered Accountants in England and Wales, a certified practicing accountant of CPA Australia and a fellow of the Association of Chartered Certified Accountants in the UK, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. Mr. Leung is a practicing certified public accountant in Hong Kong. He previously worked in Nomura International (Hong Kong) Limited as Assistant Vice-President in the International Finance and Corporate Finance Department. He commenced public practice in auditing and taxation in 1990 and is currently the senior partner of a firm of certified public accountants. He has over 25 years of experience in assurance, accounting, taxation, financial management and corporate finance. Mr. Leung is an Independent Non-executive Director of Suga International Holdings Limited, Yugang, Y.T. Realty and Cross-Harbour, the shares of all these companies are listed on the Stock Exchange.

Dr. WONG Lung Tak Patrick, BBS, JP, aged 63, was appointed Independent Non-executive Director of the Company on 1 October 2007. Dr. Wong is an associate of the Institute of Chartered Accountants in England and Wales, and a fellow of the Association of Chartered Certified Accountants in the UK, the Association of International Accountants, the Institute of Chartered Secretaries and Administrators in the UK, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong as well as the Hong Kong Institute of Chartered Secretaries. Dr. Wong is a practicing certified public accountant in Hong Kong and has over 30 years of experience in the accountancy profession. He is the Managing Director of Wong Lam Leung & Kwok CPA Limited. Dr. Wong was accorded Doctor of Philosophy in Business and was awarded a Badge of Honour by the Queen of England in 1993. He was appointed a Non-official Justice of the Peace in 1998 and was awarded a Bronze Bauhinia Star by the Government of the HKSAR in 2010. Dr. Wong has been appointed Adjunct Professor, School of Accounting and Finance, The Hong Kong Polytechnic University since 2002. He participates in many types of community services, holding posts in various organizations and committees in government and voluntary agencies. Dr. Wong is currently an Independent Non-executive Director of Water Oasis Group Limited, China Precious Metal Resources Holdings Co., Ltd., Galaxy Entertainment Group Limited, National Arts Holdings Limited (formerly known as Vertex Group Limited), Ruinian International Limited, Guangzhou Pharmaceutical Company Limited and Sino Oil and Gas Holdings Limited, the shares of all these companies are listed on the Stock Exchange.

To our Shareholders,

I am pleased to present the annual results of C C Land Holdings Limited (the "Company") for the year ended 31 December 2010.

The Company achieved a record high revenue of HK$1,917.0 million for the year ended 31 December 2010 (2009: HK$1,080.6 million) representing an increase of approximately 77.4% compared with that of 2009, comprising of property development and investment business of HK$1,334.6 million, manufacturing businesses of HK$566.6 million, and treasury investment business of HK$15.8 million. The Group attained a profit attributable to shareholders of HK$260.1 million (2009: a loss of HK$58.4 million). The basic earnings per share for the year was 10.15 HK cents (2009: loss per share of 2.51 HK cents).

PRC PROPERTY BUSINESS

Year 2010 is one full of challenges to the Chinese property developers. In spite of the two rounds of tightening measures introduced by the Central Government, which were said to be historically the toughest, the property market remained strong in general. According to the National Bureau of Statistics of China, for purely residential properties, volume and value have scaled up by 8.0% and 14.4% respectively. Land prices surged substantially. In order to provide sufficient housing, the Chinese government turns to boost affordable public and low cost housing which will help build a healthy property market in the long run. The introduction of property tax in Chongqing is mainly targeting the high-end property which only accounts for a small percentage of the whole property market. Home purchase restriction orders were published in various cities to control speculative demands.

The Group continues to focus its property development in Western China which is largely an end-user driven market. The GDP growth of Chongqing in 2010 and Chengdu for the first three quarters of 2010 reached 17.1% and 15.3% respectively, outperforming the national GDP growth of 10.3% in 2010. Owner-occupation constituted the mainstream demand in Chongqing and Chengdu where the Group's major projects are located, resulting in a relatively more stable market.

Year 2010 also marks a turnaround for the Group. Since the Group's reorganization in late 2006 and moving into the PRC property business, the Group is now entering the harvest stage. The Group exceeded its 2010 target contract sales of RMB3,400 million by 70% to reach a record high contract sales amount of RMB5,801 million (2009: RMB1,702 million) against a total Gross Floor Area ("GFA") sold of approximately 815,400 sqm (2009: 299,500 sqm), representing increases of 241% and 172% respectively compared with those of 2009. The majority of these contract sales will be recognized in 2011, providing strong support for the Group to post satisfactory results in 2011.

All the 4 projects planned to be completed in 2010 were delivered on schedule. During the year, the Group reported a recognized revenue of HK$1,334.6 million, representing an increase of 106.2% over that of 2009. The property business accounted for 69.6% of the Group's total revenue and is now firmly the core business and key contributor of the Group. The gross profit of the property sales grew by 71.4% to approximately HK$189.7 million. The booked gross profit margin, however, is only 14.4% which is mainly attributable to the fact that the recognized revenues were derived from projects launched for pre-sales in the first half of 2009 when the market was slow. Furthermore, the delivery was related to the first phases of the Group's property projects, which had asking prices marked at more conservative levels to attract the first customers. Housing prices went up in 2010 due to the on-going robust demand. In view of the increase in the average selling prices of the Group's property products in 2010, a healthy increase in the gross profit is expected upon recognition of these contract sales in 2011, with concomitant increases in the gross profit margin.

As at the report date, the Group has a total land bank of about 10.2 million sqm (attributable 7.6 million sqm) which is sufficient for 5 to 6 years of development. They are all located in the key cities of Western China, namely, Chongqing, Chengdu, Guiyang and Kunming. Except for the recently acquired land lot in Guiyang subsequent to the year of 2010, all land premiums have been fully paid up. During the year, the Group managed to dispose of certain less desirable land lots at a profit, in exchange for better ones to upgrade its land bank portfolio. As land prices keep on rising, the Group had not been successful in bids made at auction and focused instead on direct acquisition from small developers or listing-for-sale exercises for landbanking.

The Group is currently in a sound capital and financial positions and is now in a net cash position. For most of the projects launched for pre-sale, 80% of the offered units were taken up within the first week, resulting in a low level of our property inventory.

MANUFACTURING BUSINESS

The global economy has continued to recover and the overall business environment has improved significantly. Market conditions have been more favourable. Both the revenue and profit from the Group's manufacturing business moved up. Nevertheless, rising material prices and staff costs still posed a major challenge to our manufacturing business in the year. To mitigate these impacts, the Group had focused on strengthening further its internal processes and capabilities as well as adopting a more rigorous approach to controlling costs to counteract the increase in operating costs.

As to our packaging business, the recovery in demand from the Group's customers was unexpectedly strong in the first half of 2010. The trend was clearly positive and steadily rose in the second half of 2010 as customers began to restock. The revenue jumped by 32.7% from HK$294.7 million in the previous financial year to HK$391.0 million in the financial year 2010. The profit attributable to the packaging business was HK$31.7 million for the year of 2010 representing a surge of 69.5% from HK$18.7 million in 2009. The increase in the profit mainly came from higher level of sales and an increase in the profit margin.

The luggage business returned to a profit of HK$1.5 million in the year. The recovery resulted from the increase in sales, as well as the sustained cost control measures adopted in all areas. The revenue of the luggage business increased from HK$132.4 million in 2009 to HK$175.6 million in 2010. The increase was largely driven by the strong demand in the domestic market in the PRC and higher sales in the European markets during the year.

In comparison, the revenue from the manufacturing arm as a whole increased by 32.7% to HK$566.6 million (2009: HK$427.1 million). Net profits increased by 133.8% to HK$33.2 million (2009: HK$14.2 million).

PROSPECTS

Year 2011 will be another challenging year for the Chinese property developers. The Group believes China's economy fundamentals will remain strong and in order to control inflation, the credit market and liquidity will continue to be tightened. New measures such as property tax and home purchase restriction will likely be applied in more cities in China.

Supported by robust economic development and as the housing market in Western China is mainly end-user driven, housing demands in the region will remain strong, while prices will still remain at affordable levels. Based on the existing development schedule, the Group expects the total area for construction start-up in 2011 to be around 1.9 million sqm, and together with the area under construction as at 31 December 2010, the total area under development in 2011 is expected to be over 4 million sqm — about 40% of its total land bank. The target contract sales for 2011 is RMB7.5 billion (2010: RMB5.8 billion) against a GFA of 820,000 sqm (2010: 815,400 sqm). The target contract sales for 2011 is about 30% higher than the contract sale of 2010. Year 2011 will be a harvest year for the Group as the total GFA for delivery is expected to jump exponentially.

The Group's strategy is to grow by volume and targets to increase its output in average by 20% annually, as well as diversifying into other cities in the west. To achieve these objectives, the Group is looking at suitable land lots in other Western China cities like Guiyang, Kunming and Xian.

Looking ahead, the business climate of the manufacturing sector remains full of opportunities as well as challenges. For the Mainland China market, we expect to see continued sales growth. We will devote more efforts in enhancing the profit potential of this market. We have seen the rebound in sales orders from our European customers. It is expected that a more prominent recovery will be achieved in these markets in the coming years. Furthermore, manufacturing companies are faced with increasing costs arising from rising materials and labor costs and the recurring pressure of Renminbi appreciation. To mitigate the negative impact of rising costs, we will continue to exercise tight control to improve operational productivity so as to control operating costs.

ACKNOWLEDGEMENTS

I would like to express my sincere appreciation to the Board of Directors, management and staff for their diligence, loyalty and dedication. I am grateful to our shareholders, strategic partners and bankers for their support and confidence which have contributed towards the Group's success.

Cheung Chung Kiu
Chairman

Hong Kong, 29 March 2011

RESULTS

The Group achieved a record high revenue of HK$1,917.0 million for the year ended 31 December 2010, a 77.4% increase from HK$1,080.6 million of 2009. The property business recorded a revenue of HK$1,334.6 million (2009: HK$647.1 million). The revenue of the packaging and luggage business were HK$391.0 million (2009: HK$294.7 million) and HK$175.6 million (2009: HK$132.4 million) respectively, with the treasury investment business accounting for the remaining revenue balance of HK$15.8 million (2009: HK$6.4 million). The profit attributable to shareholders for the year ended 31 December 2010 was HK$260.1 million, against a loss of HK$58.4 million in the previous year. The basic earnings per share for the year was 10.15HK cents, compared to the basic loss per share of 2.51HK cents in 2009.

FINAL DIVIDEND

The directors are pleased to recommend a final dividend of HK$0.04 (2009: HK$0.03) per share to our shareholders whose names appear on the Register of Members of the Company on 17 May 2011. Subject to approval at the forthcoming Annual General Meeting, dividend warrants will be sent to shareholders on or about 26 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 13 May 2011 to 17 May 2011 (both days inclusive), during this period no share transfers will be registered. In order to be eligible to attend and vote at the Annual General Meeting of the Company to be held on 17 May 2011 and to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Tricor Secretaries Limited, the branch share registrar of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 12 May 2011.

BUSINESS REVIEW

Year 2010 marks a turnaround for the Group. Since the Group's reorganization in late 2006 and moving into the PRC property business, the Group is now entering the harvest stage. During the year under review, the Group achieved a record high revenue of HK$1,917.0 million, representing an increase of 77.4% compared with HK$1,080.6 million in 2009. The increase in revenue was mainly due to the increased revenue from the property business as more projects were completed and delivered, as well as increased sales from the packaging and luggage business.

The property business reported a revenue of HK$1,334.6 million, representing an increase of 106.2% compared with the revenue of HK$647.1 million in 2009. The property business accounted for 69.6% of the Group's total revenue, and is now firmly the core business and key contributor of the Group. The profit from the property business was HK$229.3 million (2009: a loss of HK$29.4 million), which included recognized gains (before tax) of approximately HK$248.7 million from the disposal of the Group's interests in three land lots during a process to further enhance the quality of its land bank. The booked gross profit margin of the property sales dropped to 14.4% which is 3.2 percentage points lower than that of 2009. The drop was due to the fact that most of the revenue recognized was from four completed projects which were launched for pre-sale during the period from late 2008 to mid-2009 when the property market was weak, and comprised of their first phases when the asking prices were set at more conservative levels. Excluding the effect of the fair value adjustment on the acquisition of land use rights through the acquisition of the land banks in Yubei and Verakin New Park City, the gross profit margin would have been 20.9% in 2010.

For the manufacturing business, the pace of recovery was a pleasant surprise. The markets in most developed countries showed signs of recovery in 2010. The overall operating environment and market sentiments have improved. Both the domestic and export markets achieved remarkable growth in revenue and sales volume. The manufacturing business as a whole recorded a revenue of HK$566.6 million (2009: HK$427.1 million) and a net profit of HK$33.2 million (2009: HK$14.2 million) respectively. To counter keen market competition, the Group continues to monitor resources allocation and cost control for its manufacturing business so as to strengthen its competitiveness.

The treasury investment business reported a gain of HK$11.5 million (2009: HK$14.8 million including recording a tax credit of HK$7.7 million). This was mainly due to an interest income of HK$11.7 million from investment in notes receivable during the year. The unrealized loss on listed securities reflected in the year amounted to HK$0.3 million (2009: unrealized gain of HK$3.2 million).

Other incomes recorded a fair value gain on investment properties of HK$32.6 million, and gains on disposal of subsidiaries and a jointly-controlled entity amounting to HK$248.7 million coming from the above-mentioned land disposals.

Other expenses recorded an equity-settled share option expense which was non-operational and non-cash in nature amounting to HK$19.8 million (2009: HK$44.0 million). The write back of HK$362.2 million (2009: HK$146.9 million) of impairment in value of the Group's interest in land resulted in a credit of HK$313.0 million (2009: HK$56.1 million). This was the result of the significant improvement in the market conditions of the property market in the PRC during the year. The impairments were related to the adjustment in market value of the land lots in 2008.

The increase in marketing and distribution costs and administrative expenses was mainly due to the expansion of the property business and launching of more projects for pre-sales during the year.

PRC Property Development and Investment Business

The Group continues to focus its property business in Western China, predominantly in Chongqing and Chengdu. The two cities have seen strong economic growth with the GDP growth of Chongqing in 2010 and Chengdu for the first three quarters of 2010 reaching 17.1% and 15.3% respectively, which are much higher than the nation's average of 10.3% in 2010.

Besides having the only inland free-trade zone in China, Chongqing has just announced the setting up of the Liangjiang New Area (兩江新區) — China's third economic development zone after Shanghai's Pudong New Area and Tianjin's Binhai at a sub-provincial level. The setting up of this New Area is considered a landmark move in the development of Western China, boosting economy and narrowing the gap between the east and the west. A large number of large overseas corporations have set up their offices in the Airport Industrial Park (空港工業園) which is in the northern part of Chongqing and is one of the key development areas for the establishment of the Liangjiang New Area. The Group believes it will benefit greatly from the setting up of the Liangjiang New Area since its core land bank with a Gross Floor Area ("GFA") of about 3.1 million square metres ("sqm") is situated at one of the most prime locations within this New Area. Facing the historically toughest tightening measures in China, Chongqing is less affected. The major reasons are the healthy affordability — housing price averages only around RMB5,000 per sqm in terms of GFA and housing demand is still robust, and the rapidly developing economy and rapid urbanization. As a result, the housing price is still holding firm.

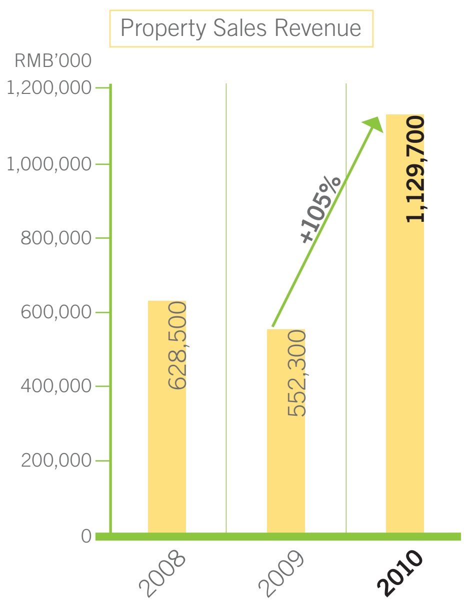
Grand Launch of L'Ambassadeur

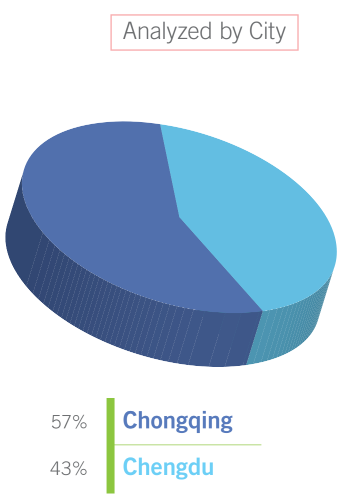
Chengdu, capital of the Sichuan province, is a center for science and technology as well as business and trade, acting as an important transportation and telecommunication hub for Western China. The city already has a mature information infra-structure and industrial system. These qualities have led to the arrival of foreign investors in various industries. Chengdu is rapidly urbanizing to promote the regional investment and consumption demand.

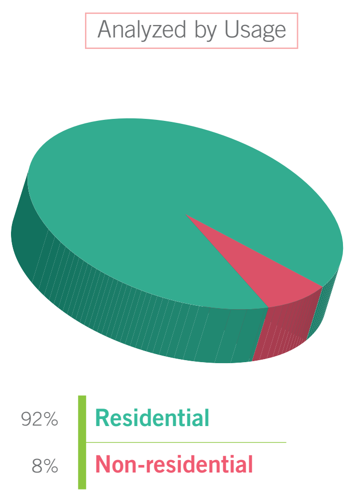
Recognized Revenue

The Group's property sales revenue was HK$1,314.1 million (RMB1,129.7 million) for the year ended 31 December 2010 (2009: HK$626.9 million (RMB552.3 million)) against a total GFA of 202,700 sqm (2009: 124,800 sqm). The revenue from property sales represented a growth of 109.6% over 2009 as a result of more projects having been completed on schedule and revenue recognized in the year included proceeds from Verakin New Park City Zone H, i-City Phase I, Riverside One, Wanzhou Phase I and Sky Villa Phase I. The recognized average selling price ("ASP") increased by 26% to RMB5,570 per sqm (2009: RMB4,420 per sqm) for the year due to the change in the type of products delivered under the Sky Villa Project which achieved a higher ASP than the projects recognized in the previous year. In spite of the higher ASP, the booked gross profit margin was only 14.4% which is 3.2 percentage points below that of 2009 for reasons mentioned under "Business Review" above. With the growth in the ASP of contract sales in the year, the Group expects a healthy increase in the gross profit margin in the coming years. The recognized sales revenue by projects for the year ended 31 December 2010 are as follows:

Locations	Projects	Usage	GFA (sqm)	Sales Revenue Net of Business Tax (RMB'000)	ASP Net of Business Tax (RMB)	The Group's Interest
Projects completed before 31 December 2009						
Chongqing	No. 1 Peak Road	Residential	3,200	19,300	5,930/sqm	100%
		Car Park	3,400	7,800	97,400/unit	
	Verakin New Park City — Zones A, B & G	Residential	25,400	102,600	4,040/sqm	61%
		Commercial	3,800	39,600	10,450/sqm	
	Others		2,400	6,000		
Projects completed in 2010						
Chongqing	Verakin New Park City — Zone H	Residential	16,400	111,900	6,820/sqm	61%
	i-City Phase I	Residential	47,200	171,700	3,640/sqm	100%
		Commercial	1,100	21,000	18,780/sqm	
	Riverside One, Wanzhou Phase I	Residential	49,800	158,600	3,180/sqm	100%
Chengdu	Sky Villa Phase I	Residential	42,900	479,100	11,170/sqm	51%
		Car Park	7,100	12,100	56,890/unit	
TOTAL			202,700	1,129,700		







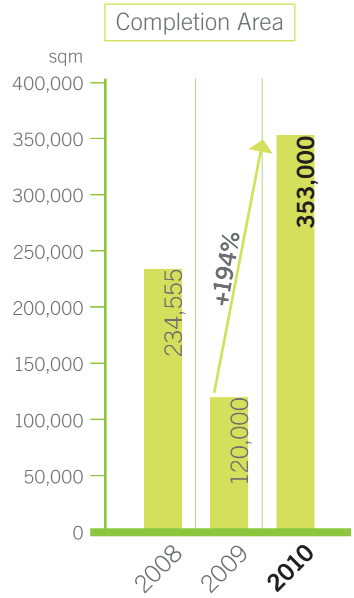
In terms of location, Chongqing accounted for 57% of the recognized revenue and the remaining 43% came from Chengdu. In terms of usage, about 92.3% were for residential and the balance for non-residential purposes.

As at 31 December 2010, the unrecognized revenue was approximately RMB6,146 million, most of which will be recognized in 2011. The recognition of this revenue will depend on the time of completion of the relevant projects, the issuance of occupation permits and delivery of the completed units to the buyers.

The total GFA completed by the Group in 2010 amounted to approximately 353,000 sqm, representing an increase of 194% over that of 2009. Details are as follows:

Projects	Usage	GFA (sqm)	Percentage of Area Sold as at 31 December 2010	The Group's Interest
Chongqing				
Verakin New Park City — Zone H	Residential	17,000	99	61%
	Others	9,000		
i-City Phase I	Residential	50,000	96	100%
	Others	10,000		
i-City Phase II	Residential	96,000	83	100%
	Others	31,000		
Riverside One, Wanzhou Phase I	Residential	50,000	99	100%
Chengdu				
Sky Villa Phase I	Residential	65,000	99	51%
	Others	25,000		
TOTAL		353,000		

As i-City Phase II and Tower 3 of Sky Villa Phase I, together with GFA of 154,000 sqm, were completed at the end of December 2010 with delivery starting in early 2011, no revenue could be recognized from these projects for the financial year 2010. About 83% and 97% of the GFA of the residential area were respectively pre-sold as at the end of December 2010 for these two projects.



Contract Sales

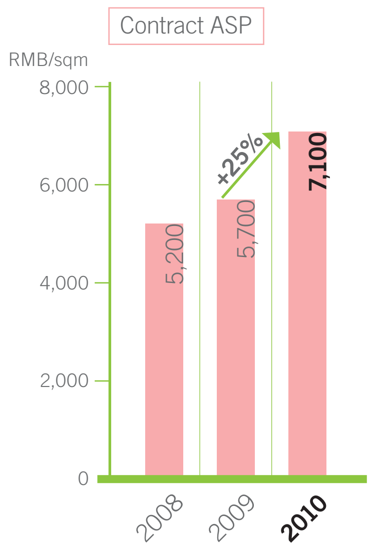
Year 2010 is one full of challenges to the Chinese property developers. Following on the property market recovery in the second half of 2009, property prices and transaction volume were still on the way up at the beginning of 2010. The government has imposed tightening measures since April 2010 to cool off the overheated property market. These included higher down-payments and mortgage rates. The housing market as a result was hit particularly hard in the second quarter.

However, the strong economic growth in Chongqing and Chengdu continued to provide impetus to the property market. The tightening measures have not deterred the region's home buyers. With more amenities in place in the neighbourhood of the Group's city core developments and the quality residential properties developed by the Group, ASP and volume rebounded in July 2010 and have maintained a growing trend. As a market driven mostly by first time home buyers, it is also less affected by the tightening of mortgage lending for second-home buyers.

Grand Launch of L'Ambassadeur

In September 2010, the Group launched several projects including L'Ambassadeur Phase I, 9 Central Midtown and Lagonda Gardens which enjoyed satisfactory response from the market. Over 90% of the launched units of L'Ambassadeur Phase I, and 9 Central Midtown were subscribed for as at 31 December 2010. With the Company's massive development of its main land bank getting into gear, the Group has built a respectable reputation in the local markets, which will help accelerate sales and command premiums over the coming years.

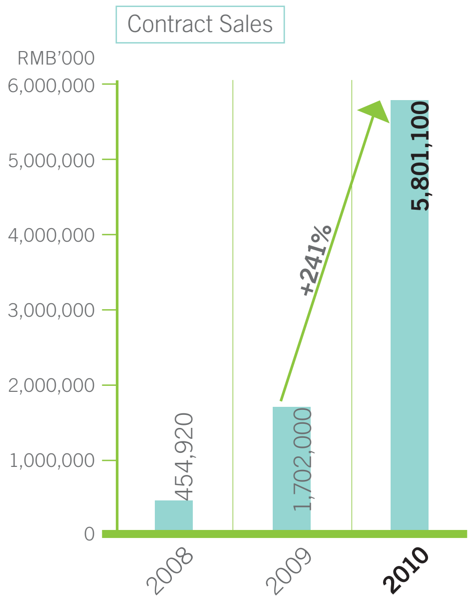
In 2010, the contract sales of the Group amounted to RMB5,801.1 million (2009: RMB1,702.0 million), representing a growth of 241% over that of the previous year. The total contract sales area reached approximately 815,400 sqm (2009: 299,500 sqm) of GFA. It represented an increase of 172% over that of the previous year. Twelve projects (2009: 5 projects) were available for pre-sale in 2010. Most of these projects are situated in prime locations and therefore generated overwhelming market response, often selling out within days or weeks upon release. The 2010 contract sales has exceeded the sales target for the year of RMB3.4 billion by 70%. The ASPs increased across the board. The ASPs for most of the projects launched in 2010 were above the management's expectation and the average reached RMB7,100 per sqm which was about 25% higher than that of RMB5,700 per sqm in the previous year. With the growth in the ASPs, the Group expects a much higher booked gross profit margin for 2011.

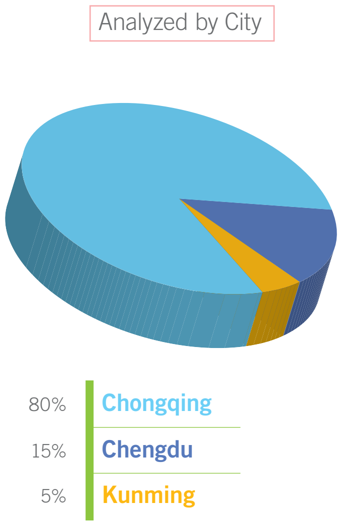


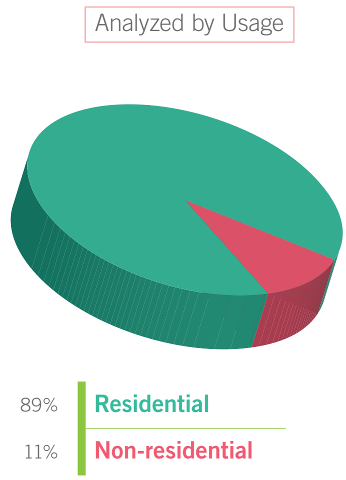
The breakdown for the contract sales in 2010 is as follows:

Projects	Usage	Approximate Contract Sales Area (sqm)	Approximate Contract Sales Revenue (RMB'000)	Approximate Contract ASP Before Business Tax (RMB)
Chongqing				
No. 1 Peak Road	Residential	300	2,100	6,300/sqm
	Car Park	3,400	8,200	102,500/unit
No. 8 Peak Road	Residential	33,800	344,600	10,200/sqm
L'Ambassadeur Phase I	Residential	40,500	306,000	7,600/sqm
Verakin New Park City — Zones G, H, I, J & W	Residential	277,900	1,669,100	6,000/sqm
	Commercial	3,300	29,100	8,700/sqm
i-City Phases I, II & III	Residential	63,600	409,000	6,400/sqm
	Commercial	5,400	128,800	23,800/sqm
Riverside One, Wanzhou Phases I & II	Residential	73,000	341,000	4,700/sqm
	Commercial	8,600	58,900	6,900/sqm
	Car Park	6,200	14,000	67,900/unit
One Central Midtown	Residential	97,100	730,700	7,500/sqm
9 Central Midtown	Office	28,300	311,900	11,000/sqm
Verakin Le Charme	Residential	44,100	186,400	4,200/sqm
	Commercial	2,000	71,100	36,500/sqm
	Car Park	4,300	9,700	94,300/unit
		691,800	4,620,600	
Chengdu				
Sky Villa Phases I & II	Residential	36,300	574,700	15,800/sqm
	Car Park	11,700	24,000	66,100/unit
Villa Royale Phase I	Residential	15,600	194,100	12,500/sqm
	Car Park	3,100	8,200	100,000/unit
Lagonda Gardens	Residential	13,800	74,700	5,400/sqm
		80,500	875,700	
Kunming				
Silver Lining	Residential	43,100	304,800	7,100/sqm
TOTAL		815,400	5,801,100	

For the 2010 contract sales, about 80%, 15% and 5% came from Chongqing, Chengdu and Kunming respectively. The ASPs for Chongqing and Chengdu were RMB6,700 per sqm and RMB10,900 per sqm respectively. In terms of usage, about 89% were for residential and 11% for non-residential properties.







For 2010, the subscription sales was around RMB6,693 million against a GFA of around 869,800 sqm (2009: RMB1,942 million and 332,000 sqm respectively).

For the two months ending 28 February 2011, the contract sales amount and area jumped to RMB1,159.1 million and 127,700 sqm respectively, representing an increase of 187% and 103% over those of the same period in the previous year.

Property Projects Under Development

There were 17 projects in different stages of development during the year. The total area under construction as at 31 December 2010 was about 2.2 million sqm.

Chongqing Projects

Verakin New Park City (同景國際城) — a high-end multi-phased residential and commercial project with a total GFA of about 1.6 million sqm. In May 2010, one of the town-house developments, Zone H with a GFA of about 26,000 sqm started delivery to the buyers. Construction works of Zone I, a low-rise residential property with a GFA of about 150,000 sqm, are in progress and this zone is expected to be completed in the second half of 2011. To date, nearly all the residential units of Zone I were sold at an ASP of RMB5,500 per sqm which was 11% higher than that of previous year. Zone W is a high-rise apartment project providing 4,006 residential units or a total GFA of about 243,000 sqm. A substantial portion of the development is designated for residential use and only a minor portion for commercial use. It was first launched for pre-sales in May 2010. As at 31 December 2010, over 90% of the residential areas were sold at an ASP of RMB6,100 per sqm. Zone W is scheduled to be completed in 2012. Another high-end residential town-house development, Zone J, provides 444 residential units or a total GFA of about 76,000 sqm. The first batch of about 16,000 sqm was launched for pre-sales in November 2010 and of this, over 86% was sold. Foundation work for Zone K with a GFA of about 42,000 sqm is currently in progress and construction work will commence in the first half of 2011.


Verakin New Park City Square (French Style)

Mansions on the Peak (御府) — a project with a total GFA of about 58,000 sqm comprising of 46 luxury villas with a world-class resort style clubhouse and shops. Construction works of clubhouse facilities have largely been completed. The pre-sales of these villas is planned for the first half of 2011 and the project is expected to be completed in the first half of 2012.

No. 8 Peak Road (山頂道8號) — a development providing a planned total GFA of about 56,000 sqm made up of 8 low-rise condominium blocks and a few retail units. Construction works are still underway during the year and delivery is planned for the second half of 2011. The pre-sales was first launched in July 2010. As at 31 December 2010, over 85% of the condominium units were sold at an ASP of RMB10,200 per sqm.

Grand Launch of No.8 Peak Road

L'Ambassadeur (山頂道國賓城) — a four-phased development project of high-rise apartments with a total GFA of about 482,000 sqm. Construction works of the first phase of a total GFA of 134,000 sqm commenced in January 2010. Phase I residential area of about 93,000 sqm was launched in September and November 2010. Over 90% of the launched units were sold at an ASP of RMB7,700 per sqm as at 28 February 2011. The first phase is expected to be completed in 2012. Construction works of the second phase of a total GFA of 143,000 sqm commenced in October 2010 and pre-sales is scheduled to be launched in the first half of 2011.

One Central Midtown (都會首站), 9 Central Midtown (都會9號) & Lot #10 — a landmark development in the Group's Yubei main land bank that provides a planned total GFA of about 614,000 sqm, comprising of an up-market shopping mall, a 5-star hotel with an associated serviced apartment block, 2 Grade-A office towers, a SOHO building, and 4 high-rise residential towers with retail podiums. The master plan is undergoing final approval by the local authority. Phase I comprises of 4 residential towers (One Central Midtown), a SOHO building (9 Central Midtown), retail spaces and car parking spaces with a total GFA of about 185,000 sqm. Construction works of Phase I have largely been completed and the 4 residential towers and SOHO building were topped out during the year. One Central Midtown has a total of 1,446 residential units with an aggregate GFA of 101,000 sqm. Pre-sales of the first 3 residential towers took place in January and April 2010 and all units were sold as at 31 December 2010. Tower 4 was then launched for pre-sales in September 2010 and over 96% of residential units were sold. The ASP for the 4 towers is about RMB7,500 per sqm. For 9 Central Midtown, capitalizing on its superior geographical location and project quality, all 600 launched units with a GFA of 31,000 sqm spanning 25 storeys were sold out at an ASP of RMB11,000 per sqm on the first day of launch. The first phase of the project is expected to be completed in the second half of 2011. Phases II and III comprising of an up-market shopping mall, a 5-star hotel, 2 Grade-A office towers are scheduled to commence construction in the second half of 2011.

Grand Launch of One Central Midtown

i-City (愛都會) — a three-phased development project near the new Yubei train terminal, providing a total GFA of about 300,000 sqm of mixed residential and commercial property. Delivery of Phase I with an aggregate GFA of about 60,000 sqm started in May 2010. The sales of the residential part of Phase I was a resounding success with only a handful of units left as at 31 December 2010. Phase II with a total GFA of about 127,000 sqm was completed in December 2010 and will be delivered to the buyers in early 2011. As at 31 December 2010, about 83% of Phase II residential units were sold at an ASP of RMB5,800 per sqm which was 50% higher than that of Phase I. Phase III with a total GFA of about 113,000 sqm consists of a residential tower, an office tower and a mixed hotel and serviced apartment tower. Construction works of the third phase of the project have started. The residential tower with a GFA of about 27,000 sqm was launched for pre-sales in October 2010 and continued to be well received by the Chongqing market. Over 43% of the residential area were sold. The third phase of the project is expected to be completed in the second half of 2011.

Main Entrance of i-City

Phoenix County (梧桐郡) — a high-end residential town-house and high-rise apartment project near the new Yubei train terminal with a total GFA of about 415,000 sqm. The first phase provides a total GFA of about 95,000 sqm of residential and retail property. Construction works of Phase I began in May 2010. Pre-sales was launched in January 2011. On the first day of launch, a total of 69 units, representing 96% of the units launched, with a GFA of about 10,600 sqm were sold, generating a subscription sales of approximately RMB114 million at an ASP of RMB10,830 per sqm. The first phase of the project is scheduled for delivery in 2012.

Phoenix County Commencement Ceremony

Riverside One, Wanzhou (濱江壹號) — a project located in the Jiangnan New District in Wanzhou and will be developed into an integrated complex, consisting of high-end residential property, retail outlets, and an office building with a total GFA of about 404,000 sqm. The first phase of the residential portion with a GFA of about 50,000 sqm was completed and delivered to buyers in August 2010. All the residential units of Phase I were sold. Phase I commercial area and car parks with a GFA of about 18,000 sqm is scheduled to be completed and delivered in early 2011. Construction of Phase II with a total GFA of about 102,000 sqm commenced in April 2010 and pre-sales was launched in June 2010. All residential units of Phase II were sold with an ASP of RMB4,700 per sqm which was 40% higher than that of Phase I. Phase II is scheduled for completion in the second half of 2011.


Phase I of Riverside One, Wanzhou

Verakin Le Charme (同景 • 南門金階) — a residential project located in the Fuling District of Chongqing with a total GFA of about 71,000 sqm for residential and commercial development. The pre-sales of the residential development with 492 units or 45,000 sqm was launched in early March 2010 and received overwhelming response. As at 31 December 2010, all residential units were sold at an ASP of RMB4,200 per sqm. The commercial area with 42 units or 16,900 sqm was launched for pre-sales in July 2010. The project is planned for completion in the second half of 2011.

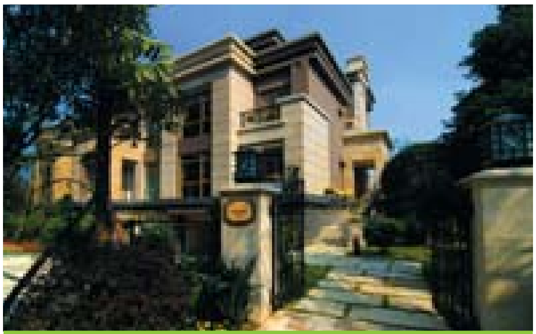
Jiangbei Project (江北項目) — a 25% equity interest joint venture project having a total GFA of about 1,362,000 sqm located along the north bank of the inner city section of the Jialing River, Jiangbei District, Chongqing. The project is one of the largest riverside developments in the city, having a river frontage of about 750 metres. An international city complex will be built that will provide high-end residential premises, a luxury 5-star hotel, Grade-A office towers, service apartments, and large-scale business and retail property. A 320-metre tall multifunctional tower will be built which will be a landmark for the district. Foundation work is about to start. The project will be built in three phases with the first phase planned to commence construction in the second half of 2011.


Jiangbei Project Foundation Stone Laying Ceremony

Chengdu Projects

Sky Villa (四海逸家) — a high-end residential project located in the Jinjiang District with a total GFA of about 572,000 sqm. The first phase comprises of 682 residential units or about 90,000 sqm GFA occupying 3 towers. Nearly all the residential units of Phase I have been sold as at 31 December 2010. Phase I was completed in December 2010 and delivery of Towers 1 and 2 of Phase I has already begun. Delivery of Tower 3 is scheduled to take place in early 2011. Phase II comprises of 5 towers with a total of 1,079 residential units or a total GFA of 146,000 sqm. Construction of the second phase is in progress and is expected to be completed in 2012. Towers 5, 1, 2 and 4 of Phase II with a total of 843 units or a total GFA of 79,200 sqm were launched for pre-sales in February, May, October 2010 and January 2011 respectively. About half of the units of Tower 1, 2 and 5 were sold as at 31 December 2010. The current ASP has increased to RMB16,000 per sqm which is about 30% higher than the previous year's average of RMB12,300 per sqm. Construction works of Phase III with a total GFA of about 215,000 sqm commenced in November 2010 and are expected to be completed in 2013.

Villa Royale (城南逸家) — a luxury villa and town-house project with a total GFA of about 312,000 sqm in Shuangliu County, Chengdu. The project is just 8 minutes by car from the southern extension of the Chengdu South Renmin Road. Shuangliu County is a highly developed transportation hub and presently the sole aviation hub in Chengdu. It is the largest air traffic centre in Western China. The project is located opposite to the Sichuan University campus along a river bank and will be developed in phases. The first phase of the project with a total GFA of about 70,000 sqm, of which about 10,000 sqm are for display units and clubhouse facilities, is under construction and pre-sales was first launched in May 2010. The first phase of the project is scheduled for completion and delivery in 2012.

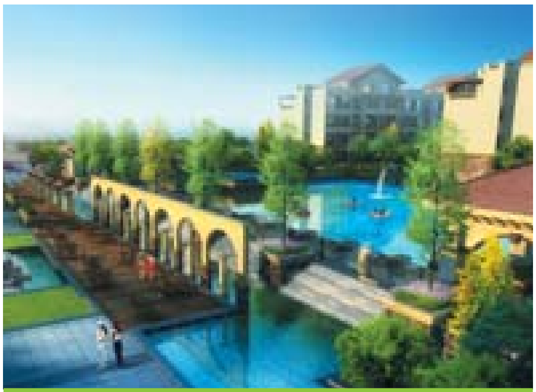


Villa Royale

La Concorde (牧山逸家) — a high-end villa project with a total GFA of about 249,000 sqm in Huayuan Town, Xinjin County, Chengdu, a suburban district approximately 15 kilometres south-west of Chengdu. The project is close to the Shuangliu International Airport and the site has been cleared and upgraded by the local government from rural land into one for low-density residential property development. Foundation works of Phase I with a construction area of about 68,000 sqm are currently in progress. Construction is scheduled to commence in the first half of 2011.

Lagonda Gardens (都江逸家) — a low-rise residential project with a total GFA of about 59,000 sqm in the Dujiangyan District — a famous tourist location. It will provide 456 residential units and 77 commercial units and car parks. Construction works began in February 2010. All the residential area of about 53,000 sqm have been launched for pre-sales and over 26% of the GFA were sold as at 31 December 2010. The project is scheduled for delivery in the first half of 2011.

Villa Splendido (禮里山莊) — a high-end villa and a 5-star hotel project with a total GFA of about 230,000 sqm in the Dujiangyan District. Foundation work of the first 2 phases with a total GFA of about 158,000 sqm of residential area has started. Construction will commence in the first half of 2011. Phases I and II are scheduled to be completed in 2012 and 2013 respectively.



Virtual Perspective of Lagonda Gardens

Projects in Other Districts

Dazhou Project (雍河灣) — a residential project located in the Tongchuan District with a total GFA of about 413,000 sqm. Construction works of Phase I with a GFA of about 180,000 sqm commenced in January 2011 and pre-sales is planned to be launched in the second half of 2011. Phase I is scheduled for completion in 2012.

Silver Lining (雲都國際) — a pilot project in Kunming with a total GFA of about 94,000 sqm, comprising of residential, serviced apartments and commercial property. Construction works commenced in early 2010. Pre-sales of the residential and serviced apartments was launched in June 2010 and received overwhelming response. As at 31 December 2010, over 78% of all residential and service apartment GFA were sold. The development is expected to be completed in the second half of 2011.

Grand Launch of Silver Lining

As at the report date, details of the projects held for development are as follows:

Locations/Project Names	Expected Completion Date	GFA (sqm)	The Group's Interest
Chongqing, Yubei District			
— Phoenix County	2012-2013	415,000	100%
— i-City	2011	113,000	100%
— Mansions on the Peak	2012	58,000	100%
— One Central Midtown, 9 Central Midtown & Lot #10	2011-2014	614,000	100%
— No. 8 Peak Road	2011	56,000	100%
— L'Ambassadeur	2012-2013	482,000	100%
— Lot #17-1	2013 or after	250,000	100%
— Lot #9	2013 or after	346,000	100%
— Lot #19	2013 or after	260,000	100%
— Lot #4	2013 or after	528,000	100%
— Lot #3-1	2013 or after	260,000	100%
— Others	2013 or after	109,000	100%
Chongqing, Jiangbei District	2013 or after	1,362,000	25%
Chongqing, Nan'an District			
— Verakin New Park City	2011-2017	1,308,000	61%
— Century Road, Zones L, M & O	2013 or after	301,000	31%
Chongqing, Wanzhou District			
— Riverside One, Wanzhou	2011-2013	354,000	100%
Chongqing, Shapingba District			
— Academic Heights	2013 or after	423,000	100%
Chongqing, Fuling District, Nanmenshan			
— Verakin Le Charme	2011	71,000	31%
Chengdu, Dujiangyan District, Xujia Town			
— Lagonda Gardens	2011	59,000	100%
Chengdu, Dujiangyan District, Yutang Town			
— Villa Splendido	2012-2014	230,000	60%
Chengdu, Jinjiang District			
— Sky Villa	2012-2015	482,000	51%
Chengdu, Shuangliu County			
— Villa Royale	2012-2015	312,000	51%
Chengdu, Xinjin County			
— La Concorde	2013 or after	249,000	51%
Sichuan, Dazhou, Tongchuan District	2012-2015	413,000	100%
Guiyang, Jinyang New District	2013 or after	1,070,000	85%
Kunming — Silver Lining	2011	94,000	70%
TOTAL		10,219,000	

Land Bank

Land bank is the cornerstone for future profitability of a property developer. The Group has persistently maintained a prudent strategy in land bank acquisition by sourcing high quality land lots at reasonable prices and with great potential for development. The Group will only consider land lots suitable for immediate development following completion of acquisition, thereby maintaining a balance between achieving rapid development and effective risk management. The Group currently holds a land bank portfolio sufficient for the coming 5 to 6 years of development.

As at the report date, the Group had 15 land lots in its land bank portfolio of approximately 10.2 million sqm GFA (attributable GFA amounted to about 7.6 million sqm) held for development. The average land cost is around RMB1,920 per sqm. The relatively low cost ensures a high profit margin in the future. The Group's land bank portfolio covers Chongqing, Chengdu, key cities in Sichuan, Guiyang and Kunming. These locations are with solid economic foundation and strong development potential, and where the real estate markets are still in the early stage of development. Within its portfolio, the main land bank located at the Yubei District, Liangjiang New Area, Chongqing, accounting for 40% of the Group's attributable land bank, are of the highest value due to their excellent location, and to the maturity of its neighbourhood. A large portion of the Group's trophy investments properties will be developed on these land lots.


Chongqing Zhong Yu Participated in the Autumn Property Exhibition

During the year, the Group added to its land bank one land lot located in the Fuling District of Chongqing. In February 2010, the Group, through its 61% owned subsidiary holding the Verakin New Park City Project, acquired 51% equity interest in, and a corresponding share of the aggregate shareholder's loan to, a company at a total consideration of around RMB43.4 million. The acquired company holds a piece of land in Nanmenshan, Fuling District, Chongqing, on which an on-going project known as Verakin Le Charme is being developed. The Group's effective interest in the project is around 31.1%. The land site has a total GFA of about 71,000 sqm for residential and commercial development. The acquisition GFA cost was about RMB850 per sqm. One month after the acquisition, the project was launched for pre-sale and was sold out at an ASP of RMB4,200 per sqm.

Subsequent to the year of 2010, the Group made the following acquisitions to replenish its land bank.

1. The Group acquired at a total consideration of about RMB106.9 million 51% interest, through its 61% owned subsidiary holding the Verakin New Park City Project, in 3 land plots adjacent to the Group's Verakin New Park City Project in Chongqing, with a GFA of about 301,000 sqm. These lots will be developed as an extension of the Verakin New Park City. The Group has an effective interest of around 31.1% and the accommodation value for this acquisition is approximately RMB700 per sqm GFA.

2. The Group acquired an 85% interest in a land lot in the Jinyang New District, Guiyang, Guizhou Province through listing-for-sale. The total consideration for the land lot is RMB728.0 million. The newly acquired land lot has a permitted GFA of approximately 1,070,000 sqm with an accommodation value of RMB680 per sqm GFA. It is planned for the development of a mega residential and commercial project.

During the year, to refine its land bank portfolio, the Group disposed of the following parcels of land. The proceeds will be used to fund land bank acquisition in the future.

1. The Group's 60% interest in the Jintang Project, Chengdu at a consideration of HK$340 million. A profit before tax of HK$21.1 million was recognized (HK$86 million impairment loss previously provided for the land interest was written back in the previous year).

2. The Group's 100% interest in Tongnanxian Project, Chongqing, at a consideration of HK$66 million, with a profit before tax of HK$62.8 million recognized in the year. The Tongnanxian Project has a GFA of about 867,000 sqm.

3. The Group also completed the disposal of the 50% interest in the Wen Jiang Project, Chengdu, with a profit before tax of HK$164.8 million recognized in the year.

4. The Group disposed of its 60% interest in Binjiang New Town Project in Meishan, Pengshan County, Sichuan at a consideration of RMB60 million. The disposal is expected to be completed in year 2011 with an estimated profit before tax of RMB29 million.

As at the report date, the Group's land bank has a well-diversified portfolio. The breakdown by usage is as follows:

Usage	Completed Properties held for Investment GFA (sqm)	Properties held for Own Use GFA (sqm)	Completed Properties held for Sale GFA (sqm)	Land held for Development GFA (sqm) Total	Land held for Development GFA (sqm) Attributable	Total GFA (sqm)	Percentage of Total GFA
Commercial	28,000	9,000	12,000	982,000	847,000	1,031,000	9.8
Residential	3,000		123,000	4,727,000	3,568,000	4,853,000	46.0
Office				877,000	785,000	877,000	8.3
Hotel & serviced apartment				528,000	414,000	528,000	5.0
Town-house & villa				1,488,000	912,000	1,488,000	14.1
Others (Car-park spaces and other auxiliary facilities)	53,000	11,000	96,000	1,617,000	1,113,000	1,777,000	16.8
TOTAL	84,000	20,000	231,000	10,219,000	7,639,000	10,554,000	100.0

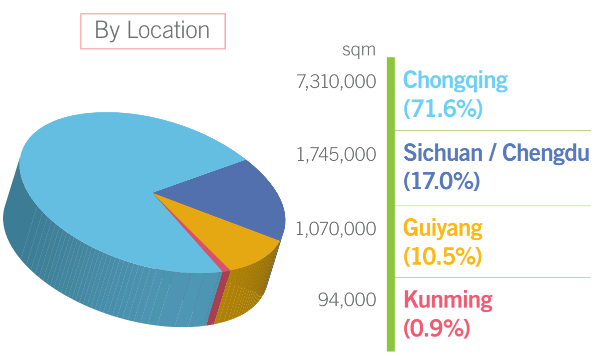
The Group held a total of 335,000 sqm of completed properties which included investment properties, properties held for sale and for own use. Out of the 231,000 sqm completed properties held for sale, a total of 149,000 sqm from i-City Phase II and Sky Villa Phase I — Tower 3 will be delivered in early 2011. In respect of the total 123,000 sqm completed residential properties held for sales, about 84% have been sold and are pending delivery.

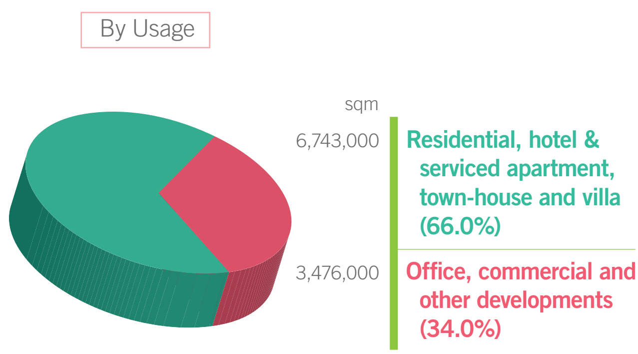
Virtual Perspective of L'Ambassadeur

The breakdown of land bank held for development by location is as follows:

Locations	Total GFA (sqm)	Attributable GFA (sqm)	Percentage of Total GFA
Chongqing	7,310,000	5,522,000	71.6
Sichuan — Chengdu	1,332,000	728,000	13.0
— Dazhou	413,000	413,000	4.0
Guizhou — Guiyang	1,070,000	910,000	10.5
Yunnan — Kunming	94,000	66,000	0.9
TOTAL	10,219,000	7,639,000	100.0

Around 72% of the land held for development is located in Chongqing whilst 28% is in Chengdu, key cities in Sichuan, Guiyang and Kunming. In terms of usage, about 66% of the land held for development is for residential, hotel and serviced apartment as well as town-house and villa use and the remaining 34% for office, commercial and other developments.





Investment Properties

The Group's investment property portfolio as at 31 December 2010 amounted to approximately 83,203 sqm GFA (2009: 83,982 sqm), comprising of approximately 34.0% in commercial properties, 3.1% in residential properties, 62.9% in car parks and auxiliary facilities.

During the year, the portfolio's fair value appreciated by approximately HK$32.6 million to HK$338.3 million, the majority of which was the revaluation gain recognized in relation to the commercial properties. The rental income from the investment properties amounted to approximately HK$13.4 million for the year (2009: HK$13.5 million).

Investment Properties Under Development

The Group's core land bank in the Yubei District is situated right at the heart of the Yubei District of Chongqing, a district where the regional government administration offices, light rail and underground transport systems, major highway junctions and a new rail transportation hub are located. The Yubei district is only 20 minutes by car from the Chongqing Airport. The Group's core land bank in the Yubei District has been earmarked for development as separate but interlinked projects, consisting of hotels, commercial and residential complexes. Internationally renowned architects and designers have been enlisted to help develop these projects. In view of the prime location of these projects, the Group intends to keep the trophy commercial properties for rental purposes and is expected to build up the investment property portfolio in the coming four years. Once completed, this portfolio will form a solid base of recurrent rental income and cash flow for the Group.

Four commercial land lots of the Group's core land bank are situated in the Yubei District, namely, Lot Nos. 3, 4, 9 and 10. Construction on the first commercial land lot, No. 10, started in May 2009, and the pre-sale of the residential project (One Central Midtown) and SOHO project (9 Central Midtown) on this land lot was launched in January 2010 and September 2010 respectively with great success.

Lift Lobby of One Central Midtown

The Group has also formed a strategic partnership with New World China Land Limited ("NWCL"), a leading property developer and hotel operator in China, to jointly develop a 5-star luxury hotel and serviced apartment project on this lot. The equity interest of this jointly-developed project is held as to 80% by the Group and 20% by NWCL. The hotel and serviced apartment project has an aggregate GFA of approximately 96,000 sqm and is scheduled to be completed by the year of 2014.

Investor Relations

The stock market was very volatile in the year of 2010. A lot of government policies were introduced during the year. As the Group's property business is in China, which is very much policy affected, the stock price is very sensitive to government tightening measures. Chongqing was one of the first two cities which implemented the property tax. Investors are very concerned about the tax's effect on the buyers in Chongqing. Detailed interpretation and explanation how they will affect the Group's business is important for investors to have a better understanding on the future outlook of the Group. The property tax is mainly targeting the high-end residential property which accounts for only a small percentage of the property market and the tax amount is insignificant when compared with the purchase price. The Group believes that its impact is minimal.

In addition to the Group's global road shows after the results announcement, the management of the Company also actively participated in investment forums organized by leading international investment banks. Conference calls were conducted when necessary. Site visits and property tours were arranged to give investors a better understanding of the Group's development projects.

In order to give investors timely information on the business progress of the Group, the Group started to release monthly update on its sales performance from January 2010. Investors can also access the Group's information on its corporate website, www.ccland.com.hk under the "Investor Relations" column. The Group also maintains an updated distribution list of investors to provide them with updated information through emails. The Group believes continuous communication is extremely important especially in a volatile stock market.

Manufacturing Business

In the financial year 2010, the manufacturing business in the face of rising materials and labour costs and recurring Renminbi appreciation continued its notable growth from 2009. The Group achieved an increase in revenue and achieved a proportionally higher growth in profit. The main reasons for the increase were the global economic rebound and increasing market demand of our products following a period of consolidation.

The packaging and luggage business generated a revenue growth of 32.7% to HK$391.0 million (2009: HK$294.7 million) and 32.6% to HK$175.6 million (2009: HK$132.4 million) respectively. Correspondingly, the segmental contribution to the Group for the packaging and luggage business yielded a profit of HK$31.7 million and HK$1.5 million respectively.

Packaging Business

The packaging business reported a sharp increase in revenue and profit. The revenue increase was mainly due to improved sales in the European markets during the year under review, and as a result of retail markets in most developed countries starting to show signs of recovery towards the end of 2009. The revenue for the year ended 31 December 2010 was HK$391.0 million, representing an increase of 32.7% as compared to HK$294.7 million for 2009. Europe continues to be the largest market accounting for 44.1% of the revenue for the financial year 2010. Sales of packaging products in Europe grew by 18.6% over the previous financial year, primarily due to restocking by customers.

In 2010, the packaging business was confronted with surging raw materials prices and labour costs. Notwithstanding these unfavorable factors, the Group took measures to contain cost, improve productivity through more efficient processes and minimizing material wastage. As a result, the Group was able to improve its gross profit margin.

Luggage Business

The luggage business returned to profitability. A sharp improvement in profit was seen in the first half of 2010 but the business suffered slight setbacks in the fourth quarter due to (i) an exceptional claim of HK$0.6 million from a customer and (ii) level of sales lower than expected in the second half of the financial year. The net profit for year 2010 worked out to be HK$1.5 million compared with a net loss of HK$4.5 million for 2009. The profit rebound resulted from the increase in sales revenue and improved profit margin. The gross profit rose on a change in sales mix with a view to focusing on products with a higher profit margin and effective cost control measures. The Group also abandoned the low margin products to make room in its production capacities to cater for the production of higher margin products.

Sales to markets in the US decreased significantly as the demand remains soft. Conversely, sales to China, Europe and other Asian markets grew. In view of a marked increase in customer demand in China which began last year with government-led stimulus programmes, the Group adjusted its marketing strategy and focused efforts to enlarge its market share in China. Sales to China increased to HK$46.9 million, accounting for 26.7% of the revenue which represents an increase of 109.3% over the previous financial year. On the export front, export sales during the year reached HK$128.7 million, representing an increase of 17.0% when compared to the sales in 2009.

Other Business

The share of the loss from the 30% owned associated company, Technical International Holdings Limited, amounted to HK$0.6 million (2009: HK$1.0 million). The business environment for this company's products remains challenging. The company had taken steps to reduce operating costs, whilst leveraging on new products to improve its performance in the coming year.

Treasury Investment Business

The treasury investments segment recorded a profit for the year of HK$11.5 million (2009: HK$14.8 million). This was mainly from interests and dividend income earned during the year.

In view of the shrinking interest returns on bank deposits, the Group invested instead in a portfolio of listed securities and unlisted investment funds.

PROSPECTS

PRC Property Development and Investment Business

Year 2011 will be another challenging year for the Chinese property developers. The China's economy fundamentals will remain strong and in order to control inflation, the credit market and liquidity will continue to be tightened. New measures such as property tax and home purchase restriction will likely be applied in more cities in China. However, the government's new restrictions on property transactions should facilitate a more healthy and stable development of the property markets in the months ahead. The increased supply of public and low cost housing will provide sufficient residences for lower-income families and will lead to a healthy property market with less government interference in the long run. Tax levies on houses are not seen to be excessive, and should promote a better balance between supply and demand in the property market. The property tax in Chongqing should have very little impact on Chongqing's property market since it is imposed only on high-end properties which account for only a small proportion of the city's total developments. In the absence of any further drastic regulatory measures, the property sector should have a stable outlook.

Chongqing Zhong Yu Participated in the Spring Property Exhibition

Awarding Ceremony – The 3rd Top 50 Most Credible Property Developers in Chongqing

The Central Government has recently announced a renewed emphasis to support the 'Go West' policy which should strengthen Chongqing's role as the regional economic hub. Chongqing has the most solid and complete industrial base in the western region. The new Liangjiang New District, the status of the special economic zone and heavy investment in roads, railways, and other infrastructure projects will attract new investments as well as industry upgrading.

The Group's high quality and well-designed real estate projects had received high recognition which helps to establish the Group as one of the leading developers across the cities and in the regions where the Group has projects running. The Group will continue to leverage on its excellent land bank and expertise, and will continue to accelerate its assets turnover to strengthen its market presence.

The Group plans to launch 12 projects in 2011, with a total saleable area of approximately 820,000 sqm against a target contract sales of RMB7.5 billion, representing a growth of 30% compared with the contract sales for 2010. Details of the sales schedule are:

Locations	Projects	Saleable Area (sqm)	The Group's Interest
Chongqing	i-City	60,000	100%
	One Central Midtown	8,000	100%
	Mansions on the Peak	29,000	100%
	Phoenix County	64,000	100%
	L'Ambassadeur	140,000	100%
	Riverside One, Wanzhou	29,000	100%
	Verakin New Park City	260,000	61%
Chengdu	Sky Villa	65,000	51%
	Villa Royale	25,000	51%
	Villa Splendido	36,000	60%
	Lagonda Gardens	24,000	100%
Dazhou	Dazhou Project	80,000	100%
TOTAL		820,000	

For 2011 and 2012 respectively, 82% and 40% of the target delivery residential areas have been pre-sold as at 28 February 2011.

Entrance Road of i-City

Main Lobby of i-City

Delivery Schedule for Years 2011 and 2012 is as follows:

Locations	Projects	Residential Area (sqm)	Commercial/ Car park/ Other Area (sqm)	Total Construction Area (sqm)	The Group's Interest
Year 2011					
Chongqing	One Central Midtown & Lot #10 Phase I	101,000	84,000	185,000	100%
	No. 8 Peak Road	39,000	17,000	56,000	100%
	Riverside One, Wanzhou Phases I & II	82,000	38,000	120,000	100%
	Verakin Le Charme	45,000	26,000	71,000	31%
	Verakin New Park City — Zone I	122,000	28,000	150,000	61%
	i-City Phase II	96,000	31,000	127,000	100%
	i-City Phase III	45,000	68,000	113,000	100%
Chengdu	Sky Villa Phase I — Tower 3	21,000	6,000	27,000	51%
	Lagonda Gardens	53,000	6,000	59,000	100%
Kunming	Silver Lining	53,000	41,000	94,000	70%
TOTAL		657,000	345,000	1,002,000	
Year 2012					
Chongqing	Mansions on the Peak	34,000	24,000	58,000	100%
	Phoenix County Phase I	63,000	32,000	95,000	100%
	Phoenix County Phase II	56,000	32,000	88,000	100%
	L'Ambassadeur Phase I	93,000	41,000	134,000	100%
	L'Ambassadeur Phase II	103,000	40,000	143,000	100%
	Verakin New Park City — Zone W	202,000	41,000	243,000	61%
	Verakin New Park City — Zone J	76,000	—	76,000	61%
Chengdu	Sky Villa Phase II	102,000	44,000	146,000	51%
	Villa Royale Phase I	42,000	28,000	70,000	51%
	Villa Splendido	19,000	4,000	23,000	60%
Dazhou	Dazhou Project	134,000	46,000	180,000	100%
TOTAL		924,000	332,000	1,256,000	

Virtual Perspective of 9 Central Midtown

Aerial Plan of Dazhou Project

The GFA of newly commenced construction in 2010 amounted to 1.4 million sqm. The Group expects that the GFA of newly commenced construction in 2011 to be 1.9 million sqm, representing a 36% increase from that of 2010. As at 31 December 2010, the Group has a total of 17 projects under development. Based on the existing development schedule, the Group expects the total area for construction start-up in 2011 to be around 1.9 million sqm, together with the area under construction as at 31 December 2010, the total area under development in 2011 is expected to be over 4 million sqm — about 40% of its total land bank.

Being in a net cash position the Group is financially strong and, to ensure its long-term development, it will continue its efforts to acquire land banks with great upside development potential by means of merger or acquisition of target property development companies, and through normal channels from the government. Besides adding presence to its current cities, the Group will also look at suitable land lots at other key Western China cities like Guiyang, Kunming and Xian for diversification and to increase its output in the coming years at an average growth rate of at least 20% per annum.

Manufacturing Business

Despite uncertainties in the global economic situation, the recovery in the manufacturing sector is well grounded and is expected to continue. However, cost pressure is continuing and would put further stress on the profit margin. Price increases for metals and other materials have led to higher overall cost of materials. In response to this adverse factor, the Group will draw on more qualified suppliers for better terms and pricing and will also intensify its product design efforts to optimize material costs. Workers' wages have been rising since the labour shortage seen in recent years, along with China's accelerating industrialization. The rising wages added cost pressures, and have to be met by increase in productivity to minimize unit costs. The Group is making every effort to re-engineer products at lower costs and seek productivity gains through more efficient processes to better gross profit margin in the future. The Group also will continue to exercise tight control over operating costs to restrain further increase in expenses.

The US economy expanded 3.1% in the fourth quarter of 2010 over the previous quarter. Falling consumer confidence and companies more intent on cutting costs have led to the slow recovery. It could take some time for the economy to regain the level achieved before the 2008 crisis. The outlook for the packaging business remains cautious as the US is one of the important markets for the packaging company. However, the recent level of orders received and sales forecasts provided by our customers suggest that the European economies have lately shown signs of stabilizing. It has yet to be seen whether unemployment will rise to dent economic growth. In spite of these uncertainties and the slow US market growth, the diversity of the customer base and product quality should enable the packaging business to repeat at least its performance in the coming financial year.

The luggage company is facing improved competition in terms of marketing and pricing in the Asian and European markets. China is leading the economic growth among other regions. The Group will devote more efforts to enhance its market share. Currently, the order book is satisfactory. The new orders from China and Europe account for a significant proportion of orders on hand. These are expected to bring more profitability to the luggage operations in the coming fiscal year.

FINANCIAL REVIEW

Investments

At 31 December 2010, the Group held a portfolio of listed and unlisted equity securities and notes receivable (issued by companies listed on the Stock Exchange) with a carrying value of HK$1,105.6 million (31 December 2009: HK$947.9 million). The amount of dividends, interest and other income from investments for the year was HK$22.8 million (2009: HK$9.0 million).

Liquidity and Financial Resources

As of 31 December 2010, the Group had a sound financial position. The cash balance (including cash and bank balances and time deposits) amounted to HK$5,880.0 million (31 December 2009: HK$3,784.6 million) which included HK$153.8 million (31 December 2009: HK$1.0 million) of deposit pledged to banks. The increase in cash balance was mainly from the proceeds of property sales. Total borrowings amounted to HK$4,288.8 million (31 December 2009: HK$2,742.5 million). The increase in the bank borrowings is mainly from RMB long-term loans. About 56% of the total borrowings are in RMB and the remaining 44% are in Hong Kong Dollars and US Dollars. About 32% are repayable within one year and the remaining 68% are long-term borrowings. The average borrowing interest rate for the year ended 31 December 2010 was 3.98% (2009: 3.55%) per annum.

The Group's bank borrowings as at 31 December 2010 are summarized as follow:

	31 December 2010 HK$ million	31 December 2009 HK$ million
Bank borrowings		
Denominated in RMB	**2,392.9**	979.0
Denominated in HK$	**1,862.9**	1,749.1
Denominated in US$	**33.0**	14.4
Total bank borrowings	**4,288.8**	2,742.5
Ageing analysis		
Repayable within one year	**1,389.9**	576.0
In the second year	**1,504.5**	1,842.8
In the third to fifth years	**1,363.8**	323.7
Beyond five years	**30.6**	—
Total bank borrowings	**4,288.8**	2,742.5

Secured debts accounted for approximately 55.8% of total borrowings as at 31 December 2010 (31 December 2009: 35.7%).

As at 31 December 2010, the Group has a net cash position of HK$1,591.2 million, after netting off total bank and other borrowings against cash balance (31 December 2009: HK$1,042.1 million). Details are as follows:

	31 December 2010 HK$ million	31 December 2009 HK$ million
Cash balance	**5,880.0**	3,784.6
Less: Total bank and other borrowings	**(4,288.8)**	(2,742.5)
Net cash position	**1,591.2**	1,042.1

In terms of the Group's available financial resources as at 31 December 2010, the Group had a total undrawn bank loan facility of HK$2,125 million. The strong financial position enables the Group to reap the benefits of investment opportunities as and when they arise.

The owners' equity was HK$12,265.7 million (31 December 2009: HK$11,807.6 million).

Contingent Liabilities/Financial Guarantees

At 31 December 2010, the Group had the following contingent liabilities/financial guarantees:

1. Guarantees given to banks in connection with facilities granted to a jointly-controlled entity and associates in the amount of HK$350 million (31 December 2009: nil) and HK$9.0 million (31 December 2009: HK$13.5 million) respectively.

2. Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's property units in the amount of HK$2,288.6 million (31 December 2009: HK$614.9 million).

Pledge of Assets

At 31 December 2010, the Group has pledged the following assets:

1.	Leasehold properties as security for general banking facilities granted to the Group.	HK$5.6 million
2.	Fixed deposits as security for general banking facilities granted to the Group.	HK$153.8 million
3.	Properties under development, prepaid land lease payments and investment properties pledged to secure banking facilities granted to the Group.	RMB4,526.3 million

Exchange Risks

The sales and purchase transactions of the Group's manufacturing business are primarily conducted in US dollars, Hong Kong dollars and/or RMB. The Group does not carry out currency hedging for these transactions but includes potential exchange fluctuations as an element in product costing. On account of the relatively short time required for revenue recognition for this business, the foreign exchange exposure is considered minimal. For the Group's property business, sales transactions and all major cost items are denominated in RMB. Therefore the foreign exchange exposure for the property business is minimal.

EVENTS AFTER THE REPORTING PERIOD

1. On 1 February 2011, Chongqing Verakin Real Estate Company Limited ("Chongqing Verakin") entered into an agreement to acquire from the Verakin Group Company Limited 51% interest of the registered capital in, and 51% share of the aggregate shareholder's loans advanced or to be advanced to, Chongqing Lian Xing Investment Company Limited ("Chongqing Lian Xing") for a total consideration of RMB106,915,443. Chongqing Lian Xing has 3 land plots lying adjacent to the Verakin New Park City owned by Chongqing Verakin, which can be developed as an extension of the project. The acquisition was in line with the business strategy of the Company to expand its quality land bank and real estate development in Western China.

2. On 22 March 2011, the Group acquired an 85% interest in a land lot in the Jinyang New District, Guiyang, Guizhou Province through listing-for-sale. The total consideration for the land lot is RMB728.0 million. The acquisition was in line with the business strategy of the Company to extend its land bank to other key cities in Western China.

EMPLOYEES

At 31 December 2010, the Group had approximately 4,287 employees. The Group remunerates its staff based on their merit, qualification and competence. Salaries of employees are maintained at competitive level and are reviewed annually with close reference to the relevant labour market and economic situation. The Group has also established an incentive bonus scheme to reward employees based on their performance. Employees are also eligible to be granted share options under the Company's share option scheme at the discretion of the Board. For the year ended 31 December 2010, an amount of HK$19.3 million (2009: HK$43.4 million) was charged off as equity-settled share option expense to the income statement. Other benefits include contributions to a provident fund scheme, mandatory provident fund, and medical insurance.

The Company is committed to maintaining a high standard of corporate governance. The board of directors of the Company (the "Board") considers that sound corporate management and governance practices are essential to the Company's healthy growth under all business environments.

CORPORATE GOVERNANCE PRACTICES

During the year under review, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for a slight deviation from Code Provision A.4.1 of the Code as explained in the relevant paragraph below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own codes of conduct regarding securities transactions by directors.

Specific enquiries have been made of all directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

Currently, the Board is chaired by Mr. Cheung Chung Kiu. It consists of nine executive directors and four non-executive directors, three of whom are independent. Names and other details of the members of the Board are set out under the heading of "Profiles of the Directors" on pages 31 to 32. The current structure and composition have provided an appropriate mix of skills and experience on the Board. The Board reviews its structure and composition from time to time to ensure that appropriate expertise and independence are maintained.

The Board determines and keeps under review the objectives of the Group. It makes decisions on overall strategies and actions necessary for achieving these objectives, monitors and controls financial and operating performance, formulates appropriate policies, and identifies and ensures best practices of corporate governance. The day-to-day management of the Company is delegated to the Managing Director who is supported by the Executive Committee, the Remuneration Committee and the Audit Committee. Dr. Lam How Mun Peter, Deputy Chairman, is the current Managing Director.

The Chairman sets the agenda for the Board and takes the lead in the formulation of objectives, strategies and actions at the directorate level. He ensures that members of the Board receive accurate, timely and clear information, and that matters to be taken into consideration are given their due weight, so that sound decisions can be made. With the assistance of the Company Secretary, the Chairman ensures that the Board properly exercises its powers, its meetings and procedures comply strictly with all rules and requirements, and full and proper records are maintained. Procedures are also established for every director to have access to supporting papers and relevant information for each scheduled meeting. All directors also have access to the services of the Company Secretary and her team, and may take independent professional advice upon request, at the Company's expense.

During 2010, four full regular board meetings were held and details of attendance are as follows:

Name of directors	**Number of meetings Attended/Held**
Executive Directors:	
Mr. Cheung Chung Kiu *(Chairman)*	4/4
Dr. Lam How Mun Peter *(Deputy Chairman & Managing Director)*	4/4
Mr. Tsang Wai Choi *(Deputy Chairman)*	4/4
Mr. Lam Hiu Lo	4/4
Mr. Leung Chun Cheong	4/4
Mr. Leung Wai Fai	4/4
Ms. Poon Ho Yee Agnes	4/4
Mr. Wu Hong Cho	4/4
Dr. Wong Kim Wing	4/4
Non-executive Director:	
Mr. Wong Yat Fai	4/4
Independent Non-executive Directors:	
Mr. Lam Kin Fung Jeffrey	4/4
Mr. Leung Yu Ming Steven	4/4
Dr. Wong Lung Tak Patrick	4/4

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate. The main responsibility of Chairman is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. Supported by the members of the Executive Committee, Managing Director is responsible for the day-to-day management of the Company's business, recommending strategies to the Board, and determining and implementing operational decisions.

NON-EXECUTIVE DIRECTORS

As stated above, there is a slight deviation from the requirements of Code Provision A.4.1 of the Code in that none of the existing non-executive directors of the Company are appointed for a specific term. Nevertheless, the length of tenure of non-executive directors is governed by the Company's Bye-laws which require every director to retire by rotation at the annual general meeting at least once every three years. A retiring director is eligible for re-election. This stipulation is consistent with the requirements of Code Provision A.4.1 of the Code. As such, notwithstanding the slight deviation, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are on terms no less exacting than the required standard set out in the Code.

The Company has received from each of the independent non-executive directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and the Board has reviewed their independence based on such confirmation and still considers all of the independent non-executive directors to be independent.

BOARD COMMITTEES

The Board has set up the Executive Committee which comprises all executive directors on the Board. Under its terms of reference, the Executive Committee is responsible for overseeing the management and daily operations of the Group and any other matters delegated by the Board.

In addition to the Executive Committee, the Board has set up two committees in accordance with the Code, namely the Remuneration Committee and the Audit Committee. There is no Nomination Committee, the establishment of which is a recommended best practice by The Stock Exchange of Hong Kong Limited. The Board is responsible for nominating and appointing new directors either to fill casual vacancies or as an addition to the Board, subject to re-election by the shareholders at the next general meeting or next annual general meeting as the case may be. The Board also reviews the structure, size and composition of the Board and assesses the independence of independent non-executive directors.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises two executive directors, Mr. Cheung Chung Kiu and Dr. Lam How Mun Peter, and three independent non-executive directors, Mr. Lam Kin Fung Jeffrey, Mr. Leung Yu Ming Steven and Dr. Wong Lung Tak Patrick. It is chaired by Mr. Cheung Chung Kiu.

The major roles and functions of the Remuneration Committee are as follows:
1. to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
2. to determine the specific remuneration packages of all executive directors;
3. to review and approve performance-based remuneration;
4. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
5. to ensure that no director or any of his associates is involved in deciding his own remuneration; and
6. to advise shareholders of the Company on how to vote with respect to any service contracts of directors that require shareholders' approval under Rule 13.68 of the Listing Rules.

During 2010, the Remuneration Committee held one meeting which was attended by all its members. It has reviewed and discussed, among other matters, the remuneration packages (including the annual performance bonus policy) of the executive directors, the remuneration of the non-executive directors, the existing share option policy, the retirement benefit schemes, and the long-term incentive arrangement. The Remuneration Committee has also determined the specific remuneration package of the executive directors of the Company. Details of the directors' remuneration are set out in note 9 to the financial statements.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive directors, Mr. Lam Kin Fung Jeffrey, Mr. Leung Yu Ming Steven and Dr. Wong Lung Tak Patrick. It is chaired by Mr. Lam Kin Fung Jeffrey.

The major roles and functions of the Audit Committee are as follows:
1. to review the annual report and half-year report before submission to the Board;
2. to review the Group's financial and accounting policies and practices;
3. to review the financial controls, internal control and risk management systems;
4. to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
5. to review and consider the management letter prepared by the external auditors and matters related to the affairs of the Group, and the management's response;
6. to be primarily responsible for making recommendation to the Board on the appointment of the external auditor, to approve the remuneration and terms of engagement of the external auditor, to approve the provision of non-audit services by the external auditors, and any questions of resignation or dismissal of that auditor; and
7. to report to the Board on the matters set out in the provisions of the Code relating to Audit Committee.

The Audit Committee held three meetings in 2010 all of which were attended by all its members. Draft and final versions of minutes of meetings of the Audit Committee are sent to all members within reasonable time after each meeting for their comment and records. Full minutes of meetings of the Audit Committee are kept by the Company Secretary.

The Audit Committee has reviewed together with the management and external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including reviewing the Group's consolidated results for the year ended 31 December 2010. It reviews the financial statements before submission to the Board. When reviewing the Company's interim and annual reports, the Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with applicable accounting standards, the Listing Rules and relevant legal requirements.

The Audit Committee has also reviewed with the management the system of internal control covering all material controls, including financial, operational and compliance controls and risk management functions. It has also reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function.

INDEPENDENT AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's independent auditors, Messrs. Ernst & Young amounted to a total of HK$4,586,000, of which HK$4,100,000 was for audit services and HK$486,000 for non-audit services including review, tax and consultancy services.

In addition, the remuneration paid/payable to the independent auditors of certain subsidiaries of the Company amounted to a total of HK$782,000 , of which HK$733,000 was for audit services and HK$49,000 for non-audit services including tax services.

INTERNAL CONTROLS

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. The Company has maintained an internal audit function which is internally resourced and staffed by qualified accounting personnel with suitable experience. The internal audit function forms part of the permanent establishment of the Group.

The internal audit function monitors the adequacy and effectiveness of the internal control system established within the Company and its subsidiaries for safeguarding assets against unauthorized use, for maintaining proper accounting records, and for ensuring the reliability of financial information. Functional reporting and financial reporting procedures appropriate to the business of the Company's subsidiaries are established for application within the Group. These procedures are designed to enable timely and reliable functional and financial reporting by subsidiaries of the Group and to provide reasonable assurance against material misstatement, errors, losses or fraud. The work of the internal audit function is generally focused on identifying, monitoring and reporting on major risks faced by the Group, including those related to business operations, compliance with laws and regulations and financial reporting. The Board is responsible for ensuring that recommendations made by the internal audit function are properly implemented.

The Board recognizes that the Group's internal control system plays a key role in the management of risks, and the assurance of continued compliance with laws and regulations by the Group. The Audit Committee has kept under review the system of internal control. The Board has also conducted an annual review of the effectiveness of internal control system. Based on review undertaken together with, and reports submitted by, the management, the Audit Committee will provide the Board with advice on the adequacy of the Group's internal control system, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, in order to ensure that an effective internal control system is put in place.

During the year under review, the Board considers that the Group has complied with the provisions on internal controls as stipulated in the Code. The Board is satisfied that the Group's internal control system including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place and that no significant areas of improvement which are required to be brought to the attention of the Audit Committee have been revealed.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Board acknowledges that it is responsible for the preparation of financial statements of the Group and for ensuring that financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of financial statements of the Group. The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external independent auditors of the Company, Messrs Ernst & Young, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 68.

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 principal activities of the Company are investment holding and provision of corporate management services. The principal activities of its subsidiaries are property development and investment, manufacturing and trading of packaging and luggage products, as well as treasury investments, details of which are set out in note 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2010 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 69 to 137.

The directors recommend the payment of a final dividend of HK$0.04 per share in respect of the year to the shareholders on the Company's register of members on 17 May 2011.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 138. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

Details of movements in the property, plant and equipment of the Company and of the Group and investment properties and properties under development of the Group during the year are set out in notes 15,16 and 26.1 to the financial statements. Further details of the Group's major properties are set out on pages 7 to 11.

ASSOCIATES

Particulars of the Group's associates are set out in note 21 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 41 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no pre-emptive rights provision in the Companies Act 1981 of Bermuda or in the Company's Bye-laws.

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

During the year, the Company had repurchased a total of 12,676,000 shares of HK$0.10 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$35,475,190. All of the repurchased shares were subsequently cancelled. The repurchases were effected by the directors for the enhancement of shareholders' value. Details of the repurchases are as follows:

Month of the repurchases	Total number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate consideration HK$
February 2010	4,176,000	2.83	2.77	11,681,210
April 2010	2,720,000	2.93	2.85	7,819,140
May 2010	5,780,000	2.84	2.59	15,974,840
Total	12,676,000			35,475,190

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 42 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 to shareholders, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK$196,278,000 of which HK$102,398,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$9,488,203,000, may be distributed in form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group had made charitable contributions amounting to HK$5,516,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted in the aggregate for 13% of the total sales for the year and sales to the largest customer included therein amounted to 4%. Purchases from the Group's five largest suppliers accounted in the aggregate for 50% of the total purchases for the year and purchases from the largest supplier included therein amounted to 21%.

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

DIRECTORS

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

Executive directors:
Mr. Cheung Chung Kiu *(Chairman)*
Dr. Lam How Mun Peter *(Deputy Chairman and Managing Director)*
Mr. Tsang Wai Choi *(Deputy Chairman)*
Mr. Lam Hiu Lo
Mr. Leung Chun Cheong
Mr. Leung Wai Fai
Ms. Poon Ho Yee Agnes
Dr. Wong Kim Wing
Mr. Wu Hong Cho

Non-executive director:
Mr. Wong Yat Fai

Independent non-executive directors:
Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

In accordance with Bye-law 87 of the Company's Bye-laws, Dr. Lam How Mun Peter, Mr. Leung Chun Cheong, Ms. Poon Ho Yee Agnes, Dr. Wong Kim Wing and Dr. Wong Lung Tak Patrick will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. All other directors will continue in office.

The Company has received from each of the independent non-executive directors, Messrs. Lam Kin Fung Jeffrey, Leung Yu Ming Steven and Wong Lung Tak Patrick, an annual written confirmation of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and the Board has reviewed their independence based on such confirmation and still considers all of them to be independent.

DIRECTORS' BIOGRAPHIES

Updated biographical details of the directors of the Company are set out on pages 31 to 32. During the year, Mr. Wu Hong Cho has ceased to be Non-executive Director of NewOcean Energy Holdings Limited with effect from 14 June 2010. Mr. Lam Kin Fung Jeffrey was appointed Independent Non-executive Director of China Overseas Grand Oceans Group Ltd. and Sateri Holdings Limited (the shares of which have been listed on the Stock Exchange since 8 December 2010) on 18 May 2010 and 1 October 2010 respectively. Dr. Wong Lung Tak Patrick was appointed Independent Non-executive Director of Guangzhou Pharmaceutical Company Limited and Sino Oil and Gas Holdings Limited on 28 June 2010 and 16 August 2010 respectively. The shares of these companies are listed on the Stock Exchange. Dr. Wong Lung Tak Patrick was also awarded the Bronze Bauhinia Star by the Government of the HKSAR on 1 July 2010.

DIRECTORS' SERVICE CONTRACTS

No director of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with any company in the Group which is not terminable by such company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' REMUNERATION

Details of the directors' remuneration and the five highest paid individuals in the Group are set out in notes 9 and 10 to the financial statements respectively.

REMUNERATION POLICY

The remuneration policy for employees of the Group is formulated based on the merit, qualifications and competence of individual employee which are reviewed regularly in order to provide compensation packages at market rates sufficient to reward successful performance and attract, retain and motivate employees. The Company has adopted a share option scheme as a long-term incentive to eligible employees and directors, details of which are set out in note 45 to the financial statements.

The remuneration policy for executive directors of the Company is determined with reference to the Group's operating results, duties and level of responsibility of the executive directors and the prevailing market conditions which are reviewed annually in order to provide remuneration and compensation packages sufficient to attract, retain and motivate high quality executives to serve the Company. The fee for non-executive director is determined with reference to his duties and level of responsibility with the Company and is reviewed on an annual basis.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 31 December 2010, details of the interests and short positions of each of the directors of the Company in the shares, underlying shares and debentures of the Company or any associated corporation of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Interests in shares of the Company (long positions)

Name of directors	Interests in shares: Personal interests	Interests in shares: Corporate interests	Interests in underlying shares pursuant to share options granted by the Company [3]	Aggregate interests	Approximate percentage [4]
Mr. Cheung Chung Kiu		1,294,165,207 [1&2]		1,294,165,207	50.55
Dr. Lam How Mun Peter	11,000		43,039,000	43,050,000	1.68
Mr. Tsang Wai Choi	3,314,000			3,314,000	0.13
Mr. Leung Chun Cheong	534,000		1,500,000	2,034,000	0.08
Mr. Leung Wai Fai			3,000,000	3,000,000	0.12
Ms. Poon Ho Yee Agnes	104,000		2,000,000	2,104,000	0.08
Dr. Wong Kim Wing	250,000		2,000,000	2,250,000	0.09
Mr. Wu Hong Cho			1,800,000	1,800,000	0.07

Notes:

1. 254,239,636 of such shares were held through Regulator Holdings Limited ("Regulator"), an indirect wholly-owned subsidiary of Yugang International Limited ("Yugang"), which was owned by Chongqing Industrial Limited ("Chongqing"), Timmex Investment Limited ("Timmex") and Mr. Cheung Chung Kiu ("Mr. Cheung") in the aggregate as to 44.06%. Mr. Cheung was deemed to be interested in the same number of shares held by Regulator by virtue of his indirect shareholding interests in Chongqing. As Mr. Cheung had 100% beneficial interest in Timmex, he was also deemed to be interested in the same number of shares held by Timmex through Regulator.

   1,039,925,571 of such shares were held through Thrivetrade Limited ("Thrivetrade"), a company wholly-owned by Mr. Cheung. Accordingly, he was also deemed to be interested in the same number of shares held through Thrivetrade.

2. Mr. Cheung, Peking Palace Limited, Miraculous Services Limited and Prize Winner Limited had 35%, 30%, 5% and 30% equity interest in Chongqing respectively. Peking Palace Limited and Miraculous Services Limited were beneficially owned by Palin Discretionary Trust, a family discretionary trust, the objects of which included Mr. Cheung and his family. Prize Winner Limited was beneficially owned by Mr. Cheung and his associates. Mr. Cheung had 100% beneficial interest in Timmex.

3. Details of the directors' interests in the shares of the Company pursuant to share options granted by the Company are set out in the section headed "Share Options" below.

4. Approximate percentage refers to the aggregate interests of a director expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 31 December 2010.

Save as disclosed above, as at 31 December 2010, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation of the Company (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests and Short Positions" above and "Share Options" below, and in the share option scheme disclosures set out in note 45 to the financial statements, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors, or any of their associates, had any rights to subscribe for shares of the Company, or had exercised any such rights during the year.

SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") on 29 April 2005, details of which were disclosed in the Company's circular dated 13 April 2005 and are set out in note 45 to the financial statements. Details of the share options granted under the Scheme and their movements during the year are set out below:

Name or category of participants	Number of share options: At 1 January 2010	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2010	Date of grant [1]	Exercise period	Exercise price [2] HK$ per share	Closing price immediately before date of grant HK$ per share
Directors										
Lam How Mun Peter	2,000,000	–	–	(2,000,000)	–	–	11-12-2006	01-01-2008 to 10-12-2016	4.95	4.90
	1,939,000	–	–	(1,939,000)	–	–	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	6,000,000	–	–	(6,000,000)	–	–	16-02-2007	01-01-2008 to 15-02-2017	4.81	4.67
	2,000,000	–	–	(2,000,000)	–	–	19-04-2007	01-01-2008 to 18-04-2017	5.26	5.40
	2,000,000	–	–	(2,000,000)	–	–	19-04-2007	01-01-2009 to 18-04-2017	5.26	5.40
	4,000,000	–	–	(4,000,000)	–	–	27-04-2007	01-01-2008 to 26-04-2017	5.37	5.40
	1,800,000	–	–	(1,800,000)	–	–	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	1,800,000	–	–	(1,800,000)	–	–	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	17,500,000	–	–	–	–	17,500,000	07-05-2009	07-05-2009 to 06-05-2019	3.27	3.47
	–	21,539,000	–	–	–	21,539,000	03-09-2010	03-09-2010 to 02-09-2020	3.31	3.19
	–	4,000,000	–	–	–	4,000,000	03-09-2010	01-01-2011 to 02-09-2020	3.31	3.19
	39,039,000	25,539,000	–	(21,539,000)	–	43,039,000				
Leung Chun Cheong	500,000	–	–	(500,000)	–	–	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	500,000	–	–	(500,000)	–	–	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	500,000	–	–	(500,000)	–	–	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	–	1,500,000	–	–	–	1,500,000	03-09-2010	03-09-2010 to 02-09-2020	3.31	3.19
	1,500,000	1,500,000	–	(1,500,000)	–	1,500,000				
Leung Wai Fai	1,000,000	–	–	(1,000,000)	–	–	11-12-2006	01-01-2008 to 10-12-2016	4.95	4.90
	1,000,000	–	–	(1,000,000)	–	–	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	500,000	–	–	(500,000)	–	–	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	500,000	–	–	(500,000)	–	–	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	–	3,000,000	–	–	–	3,000,000	03-09-2010	03-09-2010 to 02-09-2020	3.31	3.19
	3,000,000	3,000,000	–	(3,000,000)	–	3,000,000				
Poon Ho Yee Agnes	500,000	–	–	(500,000)	–	–	11-12-2006	01-01-2008 to 10-12-2016	4.95	4.90
	500,000	–	–	(500,000)	–	–	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	500,000	–	–	(500,000)	–	–	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	500,000	–	–	(500,000)	–	–	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	–	2,000,000	–	–	–	2,000,000	03-09-2010	03-09-2010 to 02-09-2020	3.31	3.19
	2,000,000	2,000,000	–	(2,000,000)	–	2,000,000				
Wong Kim Wing	1,000,000	–	–	(1,000,000)	–	–	10-07-2008	03-01-2009 to 28-10-2017	5.27	5.20
	1,000,000	–	–	(1,000,000)	–	–	10-07-2008	03-01-2010 to 28-10-2017	5.27	5.20
	–	2,000,000	–	–	–	2,000,000	03-09-2010	03-09-2010 to 02-09-2020	3.31	3.19
	2,000,000	2,000,000	–	(2,000,000)	–	2,000,000				
Wu Hong Cho	400,000	–	–	(400,000)	–	–	11-12-2006	01-01-2008 to 10-12-2016	4.95	4.90
	400,000	–	–	(400,000)	–	–	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	500,000	–	–	(500,000)	–	–	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	500,000	–	–	(500,000)	–	–	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	–	1,800,000	–	–	–	1,800,000	03-09-2010	03-09-2010 to 02-09-2020	3.31	3.19
	1,800,000	1,800,000	–	(1,800,000)	–	1,800,000				

Name or category of participants	Number of share options: At 1 January 2010	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2010	Date of grant [1]	Exercise period	Exercise price [2] HK$ per share	Closing price immediately before date of grant HK$ per share
Employees										
In aggregate	1,525,000	–	–	(1,525,000)	–	–	11-12-2006	01-01-2008 to 10-12-2016	4.95	4.90
	2,650,000	–	–	(2,650,000)	–	–	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	200,000	–	–	(200,000)	–	–	19-04-2007	01-01-2008 to 18-04-2017	5.26	5.40
	500,000	–	–	(500,000)	–	–	19-04-2007	01-01-2009 to 18-04-2017	5.26	5.40
	2,150,000	–	–	(2,150,000)	–	–	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	2,150,000	–	–	(2,150,000)	–	–	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	200,000	–	–	(200,000)	–	–	10-07-2008	30-01-2009 to 28-10-2017	5.27	5.20
	200,000	–	–	(200,000)	–	–	10-07-2008	30-01-2010 to 28-10-2017	5.27	5.20
	280,000	–	–	(280,000)	–	–	10-07-2008	18-02-2009 to 01-11-2017	5.27	5.20
	280,000	–	–	(280,000)	–	–	10-07-2008	18-02-2010 to 01-11-2017	5.27	5.20
	800,000	–	–	(800,000)	–	–	10-07-2008	28-03-2009 to 02-01-2018	5.27	5.20
	800,000	–	–	(800,000)	–	–	10-07-2008	28-03-2010 to 02-01-2018	5.27	5.20
	80,000	–	–	(80,000)	–	–	10-07-2008	01-04-2010 to 24-03-2018	5.27	5.20
	80,000	–	–	(80,000)	–	–	10-07-2008	01-04-2011 to 24-03-2018	5.27	5.20
	–	11,895,000	–	–	–	11,895,000	03-09-2010	03-09-2010 to 02-09-2020	3.31	3.19
	–	900,000	–	–	–	900,000	03-09-2010	01-01-2011 to 02-09-2020	3.31	3.19
	11,895,000	12,795,000	–	(11,895,000)	–	12,795,000				
Others										
In aggregate	1,000,000	–	–	(1,000,000)	–	–	11-12-2006	01-01-2008 to 10-12-2016	4.95	4.90
	1,000,000	–	–	(1,000,000)	–	–	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	500,000	–	–	(500,000)	–	–	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	500,000	–	–	(500,000)	–	–	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	–	3,000,000	–	–	–	3,000,000	03-09-2010	03-09-2010 to 02-09-2020	3.31	3.19
	3,000,000	3,000,000	–	(3,000,000)	–	3,000,000				
Total	64,234,000	51,634,000	–	(46,734,000)	–	69,134,000				

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. 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.

The fair value of the share options granted during the year (including share options granted to replace the same amount of those options granted during the period from December 2006 to July 2008 but not yet exercised) calculated using the binomial option pricing model as at the date of grant of options were as follows:

Grantees	Number of share options granted during the year	Fair value of share options HK$
Dr. Lam How Mun Peter	25,539,000	12,087,000
Mr. Leung Chun Cheong	1,500,000	388,000
Mr. Leung Wai Fai	3,000,000	758,000
Ms. Poon Ho Yee Agnes	2,000,000	512,000
Dr. Wong Kim Wing	2,000,000	511,000
Mr. Wu Hong Cho	1,800,000	462,000
Employees	12,795,000	3,587,000
Others	3,000,000	554,000
	51,634,000	18,859,000

The fair value of share options calculated using the binomial model is subject to certain fundamental limitations, due to the subject nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

The fair value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

As at 31 December 2010, details of the interests and short positions in the shares and underlying shares of the Company of every person other than directors of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity in which interests are held	Number of shares held	Approximate percentage[5]
(a) Long Positions			
Regulator	Beneficial owner	254,239,636[1]	9.93
Yugang International (B.V.I.) Limited ("Yugang-BVI")	Interest of controlled corporation	254,239,636[1]	9.93
Yugang	Interest of controlled corporation	254,239,636[1]	9.93
Chongqing	Interest of controlled corporation	254,239,636[1]	9.93
Palin Holdings Limited ("Palin")	Interest of controlled corporation	254,239,636[1]	9.93
Thrivetrade	Beneficial owner	1,039,925,571[2]	40.62
T. Rowe Price Associates, Inc. and its Affiliates	Investment manager	129,620,000	5.06
UBS AG	Beneficial owner, interest of person having a security interest in shares and interest of controlled corporation	179,475,280[3]	7.01
JPMorgan Chase & Co.	Beneficial owner and custodian corporation/approved lending agent	128,260,000[4]	5.01
(b) Short Positions			
JPMorgan Chase & Co.	Beneficial owner	350,000	0.01

Notes:

1. The interests held by Regulator, Yugang-BVI, Yugang, Chongqing and Palin respectively as shown above refer to interests in the same block of shares. Regulator is a direct wholly-owned subsidiary of Yugang-BVI which is in turn a direct wholly-owned subsidiary of Yugang. Yugang was owned by Chongqing, Timmex and Mr. Cheung in the aggregate as to 44.06%. Chongqing, Timmex and Palin were controlled by Mr. Cheung. The said interests were also included in the interests in shares of the Company of Mr. Cheung as disclosed under the paragraph "Interests in shares of the Company (long positions)" of the section headed "Directors' and Chief Executives' Interests and Short Positions" above.

2. These shares were also included in the interests in shares of the Company of Mr. Cheung as disclosed under the paragraph "Interests in shares of the Company (long positions)" of the section headed "Directors' and Chief Executives' Interests and Short Positions" above.

3. Of its interests in 179,475,280 shares, UBS AG had interests in 173,237,280 shares as beneficial owner, in 6,053,000 shares as person having a security interest in shares and in 185,000 shares through its controlled corporations.

4. Of its interests in 128,260,000 shares, JPMorgan Chase & Co. had interests in 391,000 shares as beneficial owner and in 127,869,000 shares as a custodian corporation/approved lending agent. 127,869,000 shares were in the lending pool.

5. Approximate percentage refers to the number of shares which a shareholder held or had short positions in expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 31 December 2010.

Save as disclosed above, as at 31 December 2010, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company of any other person other than directors of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year and up to the date of this report, the Group had entered into the following connected transactions:

1. On 10 February 2010, Chongqing Verakin Real Estate Company Limited ("Chongqing Verakin", an indirect non-wholly owned subsidiary of the Company) entered into an agreement with Verakin Group Company Limited ("Verakin Group", a substantial shareholder of Chongqing Verakin and thus a connected person of the Company) (the "Acquisition Agreement") to acquire from Verakin Group 51% equity interest in Chongqing Verakin Wenlong Real Estate Company Limited ("Verakin Wenlong") and the benefit of a loan advanced by Verakin Group to Verakin Wenlong for a total consideration of RMB43,407,448.60. Completion of the Acquisition Agreement involved the novation of a joint venture agreement (the "JV Agreement") so that Chongqing Verakin replaced Verakin Group as a party to the JV Agreement. Under the JV Agreement as novated, Chongqing Verakin guaranteed to Chongqing Xinhua Bookstore Group Real Estate Development Limited ("Xinhua Bookstore") that its total share of after-tax profit from the development of the land site located in Nanmenshan, Fuling District, Chongqing shall be not less than RMB15,000,000 and that Chongqing Verakin shall procure Verakin Wenlong to grant certain property purchase option to the parent company of Xinhua Bookstore. The acquisition enables the Group to enhance its property portfolio and market coverage in Western China.

2. On 2 March 2010, Chengdu Guojia Cheer Gain Property Company Limited ("Guojia JV", an indirect non-wholly owned subsidiary of the Company) entered into an agreement (the "Exercise Agreement") with a non-controlling equity holder of Chengdu Shengshi Jingwei Real Estate Investment Company Limited ("Chengdu Shengshi") whereby Guojia JV exercised an option to acquire from the non-controlling equity holder his remaining 3.5% interest in Chengdu Shengshi for a total consideration of RMB21,546,000. The option was granted to Guojia JV pursuant to an earlier agreement dated 4 December 2009 whereby Guojia JV had acquired from the equity holders (including the aforesaid non-controlling equity holder) of Chengdu Shengshi in the aggregate 96.5% interest of the registered capital in Chengdu Shengshi. As the aforesaid non-controlling equity holder was a director of Chengdu Shengshi within the period of 12 months preceding the date of the Exercise Agreement and Chengdu Shengshi had become an indirect subsidiary of the Company following completion of the acquisition, the aforesaid non-controlling equity holder was a connected person of the Company. Following exercise of the option, Guojia JV has a 100% interest in Chengdu Shengshi.

3. On 1 February 2011, Chongqing Verakin entered into an agreement to acquire from Verakin Group 51% interest of the registered capital in, and 51% share of the aggregate shareholder's loans advanced or to be advanced to, Chongqing Lian Xing Investment Company Limited ("Chongqing Lian Xing") for a total consideration of RMB106,915,443. Chongqing Lian Xing has 3 land plots lying adjacent to the Verakin New Park City owned by Chongqing Verakin, which can be developed as an extension of the project. The acquisition was in line with the business strategy of the Company to expand its quality land bank and real estate development in Western China.

DISCLOSURE UNDER RULES 13.18 AND 13.21 OF THE LISTING RULES

1. On 3 January 2008, an agreement was entered into between the Company as borrower, various companies in the Group as guarantors, The Hongkong and Shanghai Banking Corporation Limited as agent and various financial institutions as lenders, whereby a 3-year term loan facility of HK$1,950,000,000 (the "Previous Facility") was provided to the Company. Under the Previous Facility, a specific performance obligation was imposed on Mr. Cheung to control 35% or more of the beneficial shareholding interest in the issued share capital of the Company carrying 35% or more of the voting rights and to have management control of the Company. The outstanding loan amount under the Previous Facility was repaid in full in September 2010.

2. On 6 July 2010, the Company as borrower executed a facility agreement (the "Facility Agreement") with, among others, various companies in the Group as guarantors and various financial institutions as lenders for a 3-year term loan facility in an aggregate amount of HK$2,750,000,000 (the "Facility"). The purposes of the Facility were to refinance the Previous Facility and finance the general corporate requirements of the Group. Under the Facility Agreement, it is (among other matters) an event of default if Mr. Cheung (i) save for certain exceptions, does not or ceases to hold (directly or indirectly) 35% or more of the beneficial shareholding interest, carrying 35% or more of the voting rights, in the issued share capital of the Company; (ii) directly or indirectly, is not or ceases to be the single largest shareholder of the Company; or (iii) does not or ceases to have management control of the Company. Upon occurrence of an event of default, commitments of the lenders or any part thereof under the Facility Agreement may be cancelled, and/or all or any part of the loan together with accrued interest and all other amounts accrued or outstanding under the Facility may become immediately due and payable, and/or all or any part of the loan under the Facility may become payable on demand. As at 31 December 2010, the outstanding loan balance was HK$1,900,000,000.

3. On 24 August 2010, a jointly-controlled entity held as to 25% by the Company entered into a facility agreement (the "JV Facility Agreement") as borrower with, among others, various financial institutions as lenders for a 3-year term loan facility in an aggregate amount of HK$1,000,000,000 ("Initial Facility"). On 22 December 2010, a supplement to the JV Facility Agreement was executed whereby the Initial Facility was enlarged to HK$1,400,000,000 by an additional term loan facility in the aggregate principal amount of HK$400,000,000 for a term of 36-month from the date of the JV Facility Agreement. Under the JV Facility Agreement, it is (among other matters) an event of default if Mr. Cheung ceases to (i) save for a certain exception, own beneficially (directly or indirectly, through any other entity or entities wholly and beneficially owned by him or by virtue of his entitlement as beneficiary under any family trust arrangement(s)) at least 35% of the issued share capital of the Company; or (ii) exercise management control over the Company. On and at any time after the occurrence of an event of default which is continuing, commitments of the lenders under the JV Facility Agreement may immediately be cancelled, and/or all or any part of the loans together with accrued interest and all other amounts accrued or outstanding under certain finance documents defined in the JV Facility Agreement may become immediately due and payable or payable on demand, and/or certain security documents defined in the JV Facility Agreement or any of them may become immediately enforceable. As at 31 December 2010, the outstanding loan balance was HK$1,400,000,000.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events which took place subsequent to the reporting period are set out in note 53 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2010 and up to the date of this report as required under the Listing Rules.

INDEPENDENT AUDITORS

Ernst & Young will retire and a resolution for their re-appointment as independent auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Cheung Chung Kiu
Chairman

Hong Kong, 29 March 2011

Ernst & Young
安 永

To the shareholders of C C Land Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of C C Land Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 69 to 137, 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 disclosure requirements of 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 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street,Central
Hong Kong
29 March 2011

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	**1,916,975**	1,080,638
Cost of sales		**(1,595,420)**	(875,441)
Gross profit		**321,555**	205,197
Other income and gains	5	**308,968**	80,212
Selling and distribution costs		**(185,190)**	(55,781)
Administrative expenses		**(314,709)**	(247,475)
Other expenses	6	**312,959**	56,117
Finance costs	7	**(30,792)**	(27,949)
Share of profits and losses of:			
Jointly-controlled entities		**(9,814)**	(16,592)
Associates		**(638)**	(1,004)
PROFIT/(LOSS) BEFORE TAX	8	**402,339**	(7,275)
Income tax expense	11	**(146,778)**	(35,651)
PROFIT/(LOSS) FOR THE YEAR		**255,561**	(42,926)
Attributable to:			
Owners of the parent	12	**260,082**	(58,358)
Non-controlling interests		**(4,521)**	15,432
		255,561	(42,926)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic and diluted		**HK10.15 cents**	HK(2.51) cents

Details of dividends are disclosed in note 13 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
PROFIT/(LOSS) FOR THE YEAR	**255,561**	(42,926)
Available-for-sale investments:		
Changes in fair value	**(107,255)**	128,351
Deferred tax	**26,814**	(32,088)
	(80,441)	96,263
Exchange fluctuation reserve:		
Release upon disposal of subsidiaries and a jointly-controlled entity	**(7,575)**	—
Exchange differences on translation of foreign operations	**422,334**	16,101
	414,759	16,101
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**334,318**	112,364
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**589,879**	69,438
Attributable to:		
Owners of the parent	**550,711**	53,153
Non-controlling interests	**39,168**	16,285
	589,879	69,438

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**266,935**	269,971
Investment properties	16	**338,323**	297,094
Prepaid land lease payments	17	**1,899,345**	2,258,873
Investments in jointly-controlled entities	19	**1,082,627**	726,268
Investments in associates	21	**1,105**	1,743
Convertible note receivable — loan portion	22	**—**	35,650
Held-to-maturity investments	23	**114,969**	—
Available-for-sale investments	24	**822,491**	900,599
Properties under development	26.1	**7,164,334**	5,920,718
Interests in land use rights for property development	26.2	**—**	986,864
Total non-current assets		**11,690,129**	11,397,780
CURRENT ASSETS			
Properties under development	26.1	**7,608,781**	4,486,862
Completed properties held for sale	26.3	**1,006,981**	233,011
Prepaid land lease payments	17	**42,551**	49,839
Inventories	28	**82,170**	51,410
Trade and bills receivables	29	**113,101**	72,902
Prepayments, deposits and other receivables	30	**710,985**	338,575
Convertible note receivable — loan portion	22	**37,178**	—
Equity investments at fair value through profit or loss	25	**131,006**	11,632
Tax recoverable		**40,829**	8,325
Deposits with brokerage companies	31	**1,027**	6,420
Pledged deposits	32	**153,774**	1,000
Restricted bank balances	32	**1,165,456**	533,237
Time deposits with original maturity over three months	32	**—**	993,913
Cash and cash equivalents	32	**4,560,752**	2,256,445
		15,654,591	9,043,571
Non-current asset and assets of a disposal group classified as held for sale	33	**65,803**	102,539
Total current assets		**15,720,394**	9,146,110
CURRENT LIABILITIES			
Trade payables	34	**961,663**	919,911
Other payables and accruals	35	**6,076,986**	1,660,390
Call option liability	36	**75,766**	68,297
Due to a related party	37	**—**	20,000
Loans from non-controlling shareholders of subsidiaries	38	**688,303**	608,144
Interest-bearing bank and other borrowings	39	**1,389,879**	576,057
Tax payable		**114,788**	59,802
Consideration payable on acquisition of subsidiaries		**1,100**	1,100
		9,308,485	3,913,701
Liabilities directly associated with the assets classified as held for sale	33	**7,067**	—
Total current liabilities		**9,315,552**	3,913,701
NET CURRENT ASSETS		**6,404,842**	5,232,409
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,094,971**	16,630,189

	Notes	**2010 HK$'000**	2009 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	39	**2,898,889**	2,166,437
Deferred tax liabilities	40	**1,980,258**	1,908,095
Total non-current liabilities		**4,879,147**	4,074,532
Net assets		**13,215,824**	12,555,657
EQUITY			
Equity attributable to owners of the parent			
Issued capital	41	**255,996**	257,263
Reserves	42(a)	**12,009,730**	11,550,372
		12,265,726	11,807,635
Non-controlling interests		**950,098**	748,022
Total equity		**13,215,824**	12,555,657

Cheung Chung Kiu
Director

Lam How Mun Peter
Director

		Attributable to owners of the parent									
	Notes	Issued capital HK$'000	Share premium account HK$'000	Surplus account HK$'000 (Note)	Exchange fluctuation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2009		214,463	7,087,594	90,554	968,798	55,377	723,696	135,128	9,275,610	612,034	9,887,644
Loss for the year		—	—	—	—	—	(58,358)	—	(58,358)	15,432	(42,926)
Other comprehensive income for the year:											
Changes in fair value of available-for-sale investments, net of tax		—	—	—	—	96,263	—	—	96,263	—	96,263
Exchange differences on translation of foreign operations		—	—	—	15,248	—	—	—	15,248	853	16,101
Total comprehensive income for the year		—	—	—	15,248	96,263	(58,358)	—	53,153	16,285	69,438
Placement of new shares	41	42,800	2,490,960	—	—	—	—	—	2,533,760	—	2,533,760
Share issue expenses	41	—	(55,971)	—	—	—	—	—	(55,971)	—	(55,971)
Acquisition of non-controlling interests		—	—	—	—	—	—	—	—	(101,640)	(101,640)
Deemed acquisition of subsidiaries	43(b)	—	—	—	—	—	—	—	—	222,330	222,330
Acquisition of a subsidiary that is not a business	43(c)	—	—	—	—	—	—	—	—	2,933	2,933
Dividend paid to a non-controlling shareholder		—	—	—	—	—	—	—	—	(3,920)	(3,920)
Final 2008 dividend approved		—	—	—	—	—	(42,893)	—	(42,893)	—	(42,893)
Equity-settled share option arrangements	45	—	—	—	—	—	—	43,976	43,976	—	43,976
At 31 December 2009		257,263	9,522,583*	90,554*	984,046*	151,640*	622,445*	179,104*	11,807,635	748,022	12,555,657
At 1 January 2010		**257,263**	**9,522,583**	**90,554**	**984,046**	**151,640**	**622,445**	**179,104**	**11,807,635**	**748,022**	**12,555,657**
Profit for the year		**—**	**—**	**—**	**—**	**—**	**260,082**	**—**	**260,082**	**(4,521)**	**255,561**
Other comprehensive income for the year:											
Changes in fair value of available-for-sale investments, net of tax		**—**	**—**	**—**	**—**	**(80,441)**	**—**	**—**	**(80,441)**	**—**	**(80,441)**
Release upon disposal of subsidiaries and a jointly-controlled entity		**—**	**—**	**—**	**(7,575)**	**—**	**—**	**—**	**(7,575)**	**—**	**(7,575)**
Exchange differences on translation of foreign operations		**—**	**—**	**—**	**378,645**	**—**	**—**	**—**	**378,645**	**43,689**	**422,334**
Total comprehensive income for the year		**—**	**—**	**—**	**371,070**	**(80,441)**	**260,082**	**—**	**550,711**	**39,168**	**589,879**
Acquisition of a subsidiary	43(a)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**29,440**	**29,440**
Acquisition of non-controlling interests		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,927)**	**(2,927)**
Capital contributions by non-controlling shareholders		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**142,429**	**142,429**
Disposal of subsidiaries	44	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,114)**	**(2,114)**
Dividend paid to a non-controlling shareholder		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(3,920)**	**(3,920)**
Equity-settled share option arrangements	45	**—**	**—**	**—**	**—**	**—**	**—**	**19,826**	**19,826**	**—**	**19,826**
Repurchase of shares	41	**(1,267)**	**(34,380)**	**—**	**—**	**—**	**—**	**—**	**(35,647)**	**—**	**(35,647)**
Final 2009 dividend approved	13	**—**	**—**	**—**	**—**	**—**	**(76,799)**	**—**	**(76,799)**	**—**	**(76,799)**
At 31 December 2010		**255,996**	**9,488,203***	**90,554***	**1,355,116***	**71,199***	**805,728***	**198,930***	**12,265,726**	**950,098**	**13,215,824**

Note: The surplus account represents the aggregate of the reserves other than the retained profits of the subsidiaries at 1 April 1998 and the excess of the nominal value of the shares issued and issuable by the Company over the nominal value of the issued share capital of the subsidiaries acquired pursuant to the group reorganisation in 1998.

* These reserve accounts comprise the consolidated reserves of HK$12,009,730,000 (2009: HK$11,550,372,000) 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/(loss) before tax		**402,339**	(7,275)
Adjustments for:			
Impairment/(write-back of impairment) of trade receivables	5, 6	**524**	(492)
Write-back of impairment of prepaid land lease payments	6	**(51,708)**	(31,136)
Write-back of impairment of properties under development	6	**(310,452)**	(29,986)
Write-back of impairment of interests in land use rights for property development	6	**—**	(85,749)
Interest income on bank deposits	5	**(21,711)**	(8,434)
Other interest income	5	**—**	(698)
Depreciation	8	**22,534**	19,962
Amortisation of prepaid land lease payments	8	**42,176**	47,916
Finance costs	7	**30,792**	27,949
Share of profits and losses of jointly-controlled entities	19	**9,814**	16,592
Share of profits and losses of associates		**638**	1,004
Fair value losses/(gains) on equity investments at fair value through profit or loss, net	5, 6	**271**	(3,196)
Fair value loss on a conversion option derivative	6	**—**	31
Fair value loss on a call option liability	6	**5,281**	8,073
Fair value gains on investment properties	5	**(32,620)**	(47,557)
Loss on disposal of investment properties	6	**415**	216
Gain on disposal of interests in land use rights	5	**—**	(2,736)
Gain on disposal of subsidiaries	5	**(83,926)**	—
Gain on disposal of a jointly-controlled entity	5	**(164,802)**	—
Interest income from a convertible note receivable	5	**(2,280)**	(2,188)
Interest income from held-to-maturity investments	5	**(9,441)**	—
Loss on disposal of items of property, plant and equipment	6	**99**	4,680
Gain on bargain purchase of a subsidiary	5	**(1,648)**	—
Gain on a deemed bargain purchase of subsidiaries	5	**—**	(4,614)
Gain on bargain purchase of non-controlling interests	5	**—**	(6,544)
Equity-settled share option expense	6	**19,826**	43,976
Write-back of allowance for obsolete inventories	8	**(940)**	(488)
		(144,819)	(60,694)
Increase in properties under development		**(2,575,630)**	(802,215)
Increase in prepaid land lease payments		**—**	(296,617)
Increase in interests in land use rights for property development		**(1,737,151)**	(454,224)
Decrease in completed properties held for sale		**1,124,460**	516,266
Decrease/(increase) in inventories		**(29,820)**	24,019
Decrease/(increase) in trade, bills and other receivables, prepayments and deposits		**(446,910)**	317,169
Increase in equity investments at fair value through profit or loss		**(119,645)**	(2,581)
Decrease/(increase) in deposits with brokerage companies		**5,393**	(5,514)
Increase in restricted bank balances		**(613,699)**	(255,059)
Increase in trade and other payables and accruals		**4,575,780**	595,929
Decrease in amount due to a related party		**(20,000)**	—
Cash from/(used in) operations		**17,959**	(423,521)
Tax paid, net		**(94,382)**	(22,050)
Interest paid		**(137,673)**	(87,896)
Net cash used in operating activities		**(214,096)**	(533,467)

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary	43(a)	**(22,996)**	—
Deemed acquisition of subsidiaries	43(b)	**—**	834,759
Acquisition of a subsidiary that is not a business	43(c)	**—**	(75,216)
Investments in jointly-controlled entities		**(2)**	(454,000)
Loans to jointly-controlled entities, net		**(316,972)**	(52,377)
Decrease/(increase) in pledged time deposits		**(152,774)**	327,167
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**993,913**	(993,913)
Purchases of items of property, plant and equipment		**(16,394)**	(9,842)
Interest received from bank deposits		**21,711**	8,434
Interest received from a convertible note receivable		**752**	750
Interest received from held-to-maturity investments		**7,303**	—
Other interest received		**—**	698
Proceeds from disposal of items of property, plant and equipment		**110**	2,124
Proceeds from disposal of subsidiaries	44	**404,744**	—
Proceeds from disposal of a jointly-controlled entity		**134,122**	—
Proceeds from disposal of investment properties		**2,623**	954
Proceeds from disposal of interests in land use rights		**—**	19,704
Purchase of available-for-sale investments		**(18,967)**	(621,250)
Purchase of held-to-maturity investments		**(114,702)**	—
Decrease in consideration payable on acquisition of subsidiaries		**—**	(2,000)
Net cash flows from/(used in) investing activities		**922,471**	(1,014,008)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of non-controlling interests		**(24,499)**	(36,321)
Dividends paid		**(76,799)**	(42,893)
Dividend paid to a non-controlling shareholder		**(3,920)**	(3,920)
Proceeds from placement of new shares	41	**—**	2,533,760
Share issue expenses	41	**—**	(55,971)
Repurchase of shares	41	**(35,647)**	—
Capital contributions by non-controlling shareholders		**142,429**	—
Advance from/(loan to) non-controlling shareholders		**62,674**	(6,588)
Additions/(repayment) of bank borrowings, net		**1,501,126**	(250,605)
Net cash flows from financing activities		**1,565,364**	2,137,462
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,273,739**	589,987
Cash and cash equivalents at beginning of year		**2,256,445**	1,665,469
Effect of foreign exchange rate changes, net		**34,090**	989
CASH AND CASH EQUIVALENTS AT END OF YEAR		**4,564,274**	2,256,445
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	32	**3,763,445**	2,250,725
Non-pledged time deposits with original maturity of less than three months when acquired	32	**797,307**	5,720
Cash and cash equivalents as stated in the statement of financial position		**4,560,752**	2,256,445
Cash and bank balances attributable to a disposal group classified as held for sale	33	**5,775**	—
Bank overdraft	39	**(2,253)**	—
Cash and cash equivalents as stated in the statement of cash flows		**4,564,274**	2,256,445

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**927**	1,296
Investments in subsidiaries	20	**162,212**	162,212
Total non-current assets		**163,139**	163,508
CURRENT ASSETS			
Prepayments, deposits and other receivables	30	**604**	606
Tax recoverable		**8**	—
Due from subsidiaries	20	**11,849,883**	11,845,235
Cash and cash equivalents	32	**148**	254
Total current assets		**11,850,643**	11,846,095
CURRENT LIABILITIES			
Other payables and accruals	35	**13,719**	10,304
Interest-bearing bank borrowings	39	**172,396**	189,122
Tax payable		**—**	30
Total current liabilities		**186,115**	199,456
NET CURRENT ASSETS		**11,664,528**	11,646,639
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,827,667**	11,810,147
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	39	**1,688,260**	1,559,949
Total non-current liabilities		**1,688,260**	1,559,949
Net assets		**10,139,407**	10,250,198
EQUITY			
Issued capital	41	**255,996**	257,263
Reserves	42(b)	**9,883,411**	9,992,935
Total equity		**10,139,407**	10,250,198

Cheung Chung Kiu
Director

Lam How Mun Peter
Director

1. CORPORATE INFORMATION

C C Land Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The address of the principal place of business of the Company is 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

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

(i) property development and investment;

(ii) manufacture and sale of watch boxes, gift boxes, spectacles cases, bags and pouches and display units;

(iii) manufacture and sale of soft luggage, travel bags, backpacks and briefcases; and

(iv) treasury investment.

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 disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and certain equity investments, which have been measured at fair value. A disposal group held for sale is stated at the lower of its carrying amount and fair value less cost to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Group 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.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

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 of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of the HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKFRS 5 included in *Improvements to HKFRSs 2008*, amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009*, amendment to HK Interpretation 4, and HK Interpretation 5, 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 limit 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.

(b) Amendments to HKFRS 5 resulting from *Improvements to HKFRSs 2008* clarify that if an entity is committed to a sale plan involving the loss of control of a subsidiary, all of the subsidiary's assets and liabilities are classified as held for sale when certain criteria are met in respect of the controlling interest, regardless of whether the entity will retain any non-controlling interest after the sale. In addition, the entity should make the disclosures required for a discontinued operation when the subsidiary is a disposal group that meets the definition of a discontinued operation.

(c) *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.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

(c) *(Continued)*

The Group has reassessed its leases in Hong Kong and Mainland China, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in Mainland China remained as operating leases. As substantially all the risks and rewards associated with the leases in Hong Kong have been transferred to the Group, the leases in Hong Kong should be classified as finance leases under "property, plant and equipment". Since the Group's leasehold land situated in Hong Kong have been included in "property, plant and equipment" in the prior year, the application of the amendments has no significant impact on the Group.

(d) HK Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* sets out the conclusion reached by the HKICPA that the classification of a term loan as current or non-current liability shall be determined by reference to the rights and obligations of the lender and borrower, as contractually agreed between the two parties and in force as of the reporting date.

On this basis, loans subject to loan agreements which include a clause which gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its statement of financial position. In this regard, the probability of the lender choosing to exercise its rights within the next twelve months after the reporting date is not relevant.

As the interpretation is a clarification of an existing standard, it is immediately effective on issuance, and should be adopted retrospectively. It was issued on 29 November 2010.

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 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — 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]

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

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.

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

(a) 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 principles 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. All other requirements in HKAS 39 in respect of liabilities are carried forward into HKFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these 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.

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

(b) Amendments to HKAS 12 were issued in December 2010 which introduce a rebuttable presumption that deferred tax on investment property measured using the fair value model in HKAS 40 should be determined on the basis that its carrying amount will be recovered through sale. The amendments also require that deferred tax on non-depreciable assets measured using the revaluation model in HKAS 16 should always be measured on a sale basis. As a result of the amendments, HK(SIC)-21 *Income Taxes- Recovery of Revalued Non-depreciable Assets*, will be superseded once the amendments become effective. The Group expects to adopt the Amendments to HKAS 12 retrospectively from 1 January 2012.

(c) 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.

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 is not government-related.

(d) *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:

(i) 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).

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.

(ii) 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.

(iii) 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 whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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 and 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint ventures *(Continued)*

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(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.

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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

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*.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates 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 associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves is included as part of the Group's investments in associates and is not individually tested for impairment. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Business combinations from 1 January 2010 *(Continued)*

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.

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, financial assets, investment properties, goodwill and non-current assets/a disposal group classified as held for sale), 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, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued 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, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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.

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:

Land and buildings	2% to 5% or over the unexpired terms of the leases, if less than 50 years
Leasehold improvements	20% or over the unexpired terms of the leases, if less than 5 years
Electricity supply system	10%
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	20% to 25%
Plant and machinery	10%
Moulds	15%

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 assets in the course of construction for production or administrative purposes. They are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction 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.

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.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets.

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 the 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. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as finance lease in property, plant and equipment.

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, payments for land use rights and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Revenue is only recognised upon completion of the development. Sales deposits/instalments received and receivable from purchasers in respect of pre-sale of properties under development prior to completion of the development are included in current liabilities.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices 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, held-to-maturity investments 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 bank balances, trade and other receivables, loans receivable, quoted and unquoted financial instruments, and derivative financial instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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 interest income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. 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 interest income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other expenses and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

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

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

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, financial guarantee contracts, derivative financial instruments and interest-bearing loans and borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. 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 bank, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

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 goodwill or 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, associates 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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, associates 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.

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 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 goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the sale of properties, when the risks and rewards of the properties are transferred to the purchasers, which 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 collectibility of related receivables is reasonably assured;

(c) rental income from properties, in the period in which the properties are let and on a straight-line basis over the lease terms;

(d) 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;

(e) dividend income, when the shareholders' right to receive payment has been established; and

(f) income from the sale of listed securities, on the trade date.

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").

The cost of equity-settled transactions with employees for grants after 7 November 2002 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 a binomial model, further details of which are given in note 45 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

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.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those 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 central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension schemes.

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 of 2.28% (2009: 1.97%) has been applied to the expenditure on the individual assets.

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 currencies of certain overseas subsidiaries, jointly-controlled entities and associates are currencies other than the Hong Kong dollar. 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.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries 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.

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.

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 dates 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 or other contract 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.

Provision for obsolete and slow-moving inventories

The Group has a general provision policy on inventories based on ageing. The Group's sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves a comparison of the carrying values of aged inventory items with their respective net realisable values. The purpose is to ascertain whether allowance is required to be made in the financial statements for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether allowance needs to be made in respect of any obsolete and defective inventories identified.

Impairment loss on trade and other receivables

In determining whether impairment loss on trade and other receivable is required, the Group takes into consideration the ageing status and the likelihood of collection. Following the identification of doubtful debts, the Group's responsible personnel discusses with the relevant customers and reports to management on the recoverability. Impairment loss is only made for receivables that are unlikely to be collected.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Land appreciation taxes

Land appreciation tax in the People's Republic of China (the "PRC") is levied 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 land costs, borrowing costs and other property development expenditures.

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

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. Further details are contained in note 40 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

Sale of packaging products segment	—	Manufacture and trading of watch boxes, gift boxes, spectacles cases, bags and pouches, and display units
Sale of travel bags segment	—	Manufacture and trading of soft luggage, travel bags, backpacks and briefcases
Treasury investment segment	—	Investments in securities and notes receivables, and provision of financial services
Property development and investment segment	—	Development and investment of properties located in Mainland China

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

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.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Information regarding these reportable segments is presented below.

Reportable segment information

Year ended 31 December 2010

	Sale of packaging products HK$'000	Sale of travel bags HK$'000	Treasury investment HK$'000	Property development and investment HK$'000	Total HK$'000
Segment revenue					
Sales to external customers	391,052	175,573	15,804	1,334,546	1,916,975
Segment results	35,847	1,912	11,463	401,870	451,092
Corporate and unallocated income					45,512
Corporate and unallocated expenses					(63,473)
Finance costs					(30,792)
Profit before tax					402,339
Other segment information:					
Share of profits and losses of:					
Jointly-controlled entities	—	—	—	(9,814)	(9,814)
Associates	(638)	—	—	—	(638)
Capital expenditure in respect of items of property, plant and equipment	2,605	436	—	13,353	16,394
Depreciation	6,835	1,790	73	14,434	23,132
Amortisation of prepaid land lease payments	572	76	—	41,528	42,176
Fair value gains on investment properties	—	—	—	32,620	32,620
Fair value losses on equity investments at fair value through profit or loss, net	—	—	271	—	271
Fair value loss on a call option liability	—	—	—	5,281	5,281
Impairment/(write-back of impairment) of trade receivables	612	—	—	(88)	524
Write-back of impairment losses recognised in respect of the Group's properties portfolio	—	—	—	362,160	362,160
Investments in jointly-controlled entities	—	—	—	1,082,627	1,082,627
Investments in associates	1,105	—	—	—	1,105

4. OPERATING SEGMENT INFORMATION *(Continued)*

Reportable segment information *(Continued)*

Year ended 31 December 2009

	Sale of packaging products HK$'000	Sale of travel bags HK$'000	Treasury investment HK$'000	Property development and investment HK$'000	Total HK$'000
Segment revenue					
Sales to external customers	294,671	132,438	6,392	647,137	1,080,638
Segment results	21,324	(4,086)	7,655	37,841	62,734
Corporate and unallocated income					43,554
Corporate and unallocated expenses					(85,614)
Finance costs					(27,949)
Loss before tax					(7,275)
Other segment information:					
Share of profits and losses of:					
Jointly-controlled entities	—	—	—	(16,592)	(16,592)
Associates	(1,004)	—	—	—	(1,004)
Capital expenditure in respect of items of property, plant and equipment	462	173	—	9,207	9,842
Depreciation	7,462	1,769	73	10,979	20,283
Amortisation of prepaid land lease payments	573	75	—	47,268	47,916
Fair value gains on investment properties	—	—	—	47,557	47,557
Fair value gains on equity investments at fair value through profit or loss, net	—	—	3,196	—	3,196
Fair value loss on a conversion option derivative	—	—	31	—	31
Fair value loss on a call option liability	—	—	—	8,073	8,073
Impairment/(write-back of impairment) of trade receivables	(541)	49	—	—	(492)
Write-back of impairment losses recognised in respect of the Group's properties portfolio	—	—	—	146,871	146,871
Investments in jointly-controlled entities	—	—	—	726,268	726,268
Investments in associates	1,743	—	—	—	1,743

Geographical information

(a) Revenue from external customers

	2010 HK$'000	2009 HK$'000
Mainland China	**1,381,412**	669,533
Hong Kong	**150,116**	97,719
Europe	**231,859**	170,407
North and South America	**79,934**	97,106
Others	**73,654**	45,873
	1,916,975	1,080,638

The revenue information above is based on the location of the customers.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

(b) Non-current assets

Over 90% of the Group's non-current assets are located in Mainland China.

Information about a major customer

Revenue of approximately HK$151,389,000 (2009: HK$120,123,000) was derived from sales by sale of travel bags segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts; gross proceeds from sale of properties, net of business tax; net gains/(losses) on disposal of equity investments at fair value through profit or loss; gross rental income received and receivable from investment properties; and dividend and interest income from listed and unlisted investments during the year.

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

	Notes	**2010 HK$'000**	2009 HK$'000
Revenue			
Sale of goods		**566,625**	427,109
Sale of properties		**1,314,125**	626,899
Gross rental income		**13,400**	13,458
Gains on disposal of equity investments at fair value through profit or loss, net		—	4,217
Dividend income from listed investments		**10,169**	5,926
Dividend income from unlisted investments		**935**	841
Interest income from a convertible note receivable		**2,280**	2,188
Interest income from held-to-maturity investments		**9,441**	—
		1,916,975	1,080,638
Other income and gains			
Bank interest income		**21,711**	8,434
Other interest income		—	698
Exchange gains, net		—	1,629
Gain on deemed bargain purchase of subsidiaries	43(b)	—	4,614
Gain on bargain purchase of non-controlling interests		—	6,544
Gain on bargain purchase of a subsidiary	43(a)	**1,648**	—
Fair value gains on equity investments at fair value through profit or loss, net		—	3,196
Gain on disposal of interests in land use rights		—	2,736
Gain on disposal of a jointly-controlling entity	33	**164,802**	—
Gain on disposal of subsidiaries	44	**83,926**	—
Write-back of impairment of trade receivables	29	—	492
Fair value gains on investment properties	16	**32,620**	47,557
Others		**4,261**	4,312
		308,968	80,212

6. OTHER EXPENSES

		Group	
		2010	2009
	Notes	**HK$'000**	HK$'000
Exchange losses, net		**1,378**	—
Write-back of impairment of prepaid land lease payments	17	**(51,708)**	(31,136)
Write-back of impairment of properties under development	26.1	**(310,452)**	(29,986)
Write-back of impairment of interests in land use rights for property development	26.2	**—**	(85,749)
Impairment of trade receivables	29	**524**	—
Fair value loss on a conversion option derivative		**—**	31
Fair value losses on equity investments at fair value through profit or loss, net		**271**	—
Fair value loss on a call option liability		**5,281**	8,073
Loss on disposal of investment properties		**415**	216
Loss on disposal of items of property, plant and equipment		**99**	4,680
Equity-settled share option expense	45	**19,826**	43,976
Provision for late payment of land premium		**21,407**	32,482
Others		**—**	1,296
		(312,959)	(56,117)

7. FINANCE COSTS

	Group	
	2010	2009
	HK$'000	HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable:		
Within five years	**142,284**	94,711
Beyond five years	**4,286**	—
	146,570	94,711
Less: Interest capitalised	**(115,778)**	(66,762)
	30,792	27,949

8. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2010 HK$'000	2009 HK$'000
Cost of inventories sold		**466,905**	354,745
Cost of properties sold		**1,124,460**	516,266
Write-back of allowance for obsolete inventories		**(940)**	(488)
Depreciation	15	**23,132**	20,283
Less: Amount capitalised		**(598)**	(321)
		22,534	19,962
Amortisation of prepaid land lease payments	17	**42,176**	47,916
Minimum lease payments under operating leases in respect of land and buildings		**5,319**	5,089
Auditors' remuneration		**4,490**	3,760
Employee benefit expense (including directors' remuneration (note 9)):			
Wages and salaries		**278,224**	190,636
Equity-settled share option expense		**19,272**	43,379
Pension scheme contributions		**5,248**	4,570
Less: Amount capitalised		**(31,850)**	(12,030)
		270,894	226,555
Foreign exchange differences, net		**1,378**	(1,629)
Gross rental income, net of business tax		**(13,400)**	(13,458)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**4,055**	4,430
Net rental income		**(9,345)**	(9,028)

9. DIRECTORS' REMUNERATION

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

	Group	
	2010 HK$'000	2009 HK$'000
Fees	**1,650**	1,450
Other emoluments:		
Salaries, allowances and benefits in kind	**19,814**	18,384
Performance related bonuses*	**10,500**	10,000
Equity-settled share option expense	**14,754**	34,968
Pension scheme contributions	**854**	788
	47,572	65,590

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the Company's operating results, individual performance of the directors and comparable market statistics during the year.

During the 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 45 to the financial statements. The fair values of such options, which have been recognised in the consolidated income statement over the vesting periods, 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.

9. DIRECTORS' REMUNERATION *(Continued)*

During the year, the Group also provided a leasehold property in Hong Kong as staff quarter for one of the executive directors of the Company. The estimated monetary value of such accommodation, included in the amount disclosed above, using the rateable value as an approximation, was HK$600,000 (2009: HK$600,000).

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

(a) Independent non-executive directors

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

	2010 **HK$'000**	2009 HK$'000
Mr. Lam Kin Fung Jeffrey	**450**	400
Mr. Leung Yu Ming Steven	**400**	350
Dr. Wong Lung Tak Patrick	**400**	350
	1,250	1,100

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

(b) Executive directors and a non-executive director

	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. Cheung Chung Kiu	—	—	—	—	—	—
Dr. Lam How Mun Peter	—	**6,060**	**5,000**	**12,087**	**252**	**23,399**
Mr. Tsang Wai Choi	—	**3,250**	**2,500**	—	**150**	**5,900**
Mr. Lam Hiu Lo	—	—	—	—	—	—
Mr. Leung Chun Cheong	—	**1,690**	**500**	**388**	**78**	**2,656**
Mr. Leung Wai Fai	—	**1,560**	**1,000**	**758**	**72**	**3,390**
Ms. Poon Ho Yee Agnes	—	**1,690**	**300**	**512**	**78**	**2,580**
Dr. Wong Kim Wing	—	**4,004**	**800**	**547**	**152**	**5,503**
Mr. Wu Hong Cho	—	**1,560**	**400**	**462**	**72**	**2,494**
	—	**19,814**	**10,500**	**14,754**	**854**	**45,922**
Non-executive director:						
Mr. Wong Yat Fai	**400**	—	—	—	—	**400**
	400	**19,814**	**10,500**	**14,754**	**854**	**46,322**
2009						
Executive directors:						
Mr. Cheung Chung Kiu	—	—	—	—	—	—
Dr. Lam How Mun Peter	—	5,800	5,000	28,173	240	39,213
Mr. Tsang Wai Choi	—	2,600	2,500	—	120	5,220
Mr. Lam Hiu Lo	—	—	—	—	—	—
Mr. Leung Chun Cheong	—	1,560	300	597	72	2,529
Mr. Leung Wai Fai	—	1,430	1,000	597	66	3,093
Ms. Poon Ho Yee Agnes	—	1,560	300	597	72	2,529
Dr. Wong Kim Wing	—	4,004	600	4,407	152	9,163
Mr. Wu Hong Cho	—	1,430	300	597	66	2,393
	—	18,384	10,000	34,968	788	64,140
Non-executive director:						
Mr. Wong Yat Fai	350	—	—	—	—	350
	350	18,384	10,000	34,968	788	64,490

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2009: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2009: two) non-director, highest paid employee for the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries, allowances, and benefits in kind	**1,950**	3,328
Performance related bonuses	**1,000**	1,500
Equity-settled share option expense	**528**	3,744
Pension scheme contributions	**90**	154
	3,568	8,726

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

	No. of individuals	
	2010	2009
HK$3,000,001 to HK$4,000,000	**1**	1
HK$5,000,001 to HK$6,000,000	**—**	1
	1	2

During the year, share options were granted to one non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 45 to the financial statements. The fair value of such options, which has been recognised to the consolidated 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 non-director, highest paid employee remuneration disclosures.

11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China.

	2010	2009
	HK$'000	HK$'000
Group:		
Current charge for the year		
Hong Kong	**4,496**	3,689
Mainland China	**88,668**	39,484
	93,164	43,173
Underprovision/(overprovision) in prior years		
Hong Kong	**58**	(7,702)
Mainland China	**(7,286)**	4,605
	(7,228)	(3,097)
Land appreciation tax charge for the year	**30,928**	28,523
Deferred tax (note 40)	**29,914**	(32,948)
	146,778	35,651

11. INCOME TAX *(Continued)*

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

	Group	
	2010	2009
	HK$'000	HK$'000
Profit/(loss) before tax	**402,339**	(7,275)
Tax at the statutory/applicable tax rates of different jurisdictions	**101,811**	8,738
Tax effect of Hong Kong profits tax at concessionary rate	**(2,327)**	(1,256)
Lower tax rate for specific provinces or enacted by local authority	**(5,031)**	25
Adjustments in respect of current tax of previous periods	**(7,228)**	(3,097)
Profits and losses attributable to jointly-controlled entities	**1,942**	2,995
Profits and losses attributable to associates	**105**	166
Income not subject to tax	**(53,094)**	(59,978)
Expenses not deductible for tax	**72,014**	63,844
Tax losses utilised from previous periods	**(11,649)**	(72)
Tax losses not recognised	**18,984**	3,463
Land appreciation tax	**30,928**	28,523
Tax effect of land appreciation tax	**772**	(9,793)
Others	**(449)**	2,093
Tax expense at the Group's effective rate	**146,778**	35,651

The share of tax credit attributable to associates amounting to HK$32,000 (2009: HK$18,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement. No tax result was attributable to jointly-controlled entities in 2010 (2009: Nil).

12. PROFIT/(LOSS) 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$18,171,000 (2009: HK$42,362,000) which has been dealt with in the financial statements of the Company (note 42(b)).

13. DIVIDENDS

	2010	2009
	HK$'000	HK$'000
Final proposed subsequent to the reporting period — HK$0.04 (2009: HK$0.03) per ordinary share	**102,398**	76,799

The final dividend proposed subsequent to the reporting period has not been recognised as a liability at the end of the reporting period and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. No interim dividend was declared in respect of the current and prior years.

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,563,291,362 (2009: 2,328,731,888) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Electricity supply system HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2010									
At 31 December 2009 and at 1 January 2010:									
Cost	260,732	7,621	2,729	31,289	27,457	31,225	11,615	136	372,804
Accumulated depreciation	(35,394)	(6,190)	(2,295)	(18,590)	(7,586)	(22,785)	(9,993)	—	(102,833)
Net carrying amount	225,338	1,431	434	12,699	19,871	8,440	1,622	136	269,971
At 1 January 2010, net of accumulated depreciation	225,338	1,431	434	12,699	19,871	8,440	1,622	136	269,971
Additions	300	—	—	6,358	8,490	665	268	313	16,394
Acquisition of a subsidiary (note 43(a))	—	—	—	157	290	—	—	—	447
Assets included as held for sale (note 33(a))	—	—	—	(44)	(261)	—	—	—	(305)
Disposals	—	—	—	(172)	(37)	—	—	—	(209)
Transfers	453	—	—	—	—	—	—	(453)	—
Depreciation provided during the year	(8,750)	(676)	(273)	(5,146)	(5,912)	(1,745)	(630)	—	(23,132)
Exchange realignment	2,853	—	—	244	597	71	—	4	3,769
At 31 December 2010, net of accumulated depreciation	220,194	755	161	14,096	23,038	7,431	1,260	—	266,935
At 31 December 2010:									
Cost	264,854	7,621	2,729	35,961	36,326	30,005	9,264	—	386,760
Accumulated depreciation	(44,660)	(6,866)	(2,568)	(21,865)	(13,288)	(22,574)	(8,004)	—	(119,825)
Net carrying amount	220,194	755	161	14,096	23,038	7,431	1,260	—	266,935
31 December 2009									
At 31 December 2008 and at 1 January 2009:									
Cost	264,496	7,621	2,729	30,775	27,787	35,333	11,405	1,676	381,822
Accumulated depreciation	(28,558)	(5,425)	(2,022)	(16,881)	(7,740)	(25,318)	(9,210)	—	(95,154)
Net carrying amount	235,938	2,196	707	13,894	20,047	10,015	2,195	1,676	286,668
At 1 January 2009, net of accumulated depreciation	235,938	2,196	707	13,894	20,047	10,015	2,195	1,676	286,668
Additions	264	—	—	2,554	5,488	248	210	1,078	9,842
Deemed acquisition of subsidiaries (note 43(b))	—	—	—	154	138	—	—	—	292
Disposals	(4,627)	—	—	(176)	(1,286)	(34)	—	(681)	(6,804)
Transfer	1,941	—	—	—	—	—	—	(1,941)	—
Depreciation provided during the year	(8,373)	(765)	(273)	(3,743)	(4,545)	(1,801)	(783)	—	(20,283)
Exchange realignment	195	—	—	16	29	12	—	4	256
At 31 December 2009, net of accumulated depreciation	225,338	1,431	434	12,699	19,871	8,440	1,622	136	269,971
At 31 December 2009:									
Cost	260,732	7,621	2,729	31,289	27,457	31,225	11,615	136	372,804
Accumulated depreciation	(35,394)	(6,190)	(2,295)	(18,590)	(7,586)	(22,785)	(9,993)	—	(102,833)
Net carrying amount	225,338	1,431	434	12,699	19,871	8,440	1,622	136	269,971

Certain of the Group's leasehold buildings were pledged to banks to secure banking facilities granted to the Group (note 39).

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

The carrying value of land and buildings shown above comprises:

	2010 HK$'000	2009 HK$'000
Land and buildings situated in Hong Kong:		
Long term leases	**80,005**	81,811
Medium term leases	**5,592**	5,749
	85,597	87,560
Buildings situated in Mainland China:		
Long term leases	**64,766**	66,666
Medium term leases	**69,831**	71,112
	134,597	137,778
	220,194	225,338

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
31 December 2010			
At 31 December 2009 and at 1 January 2010:			
Cost	1,566	630	2,196
Accumulated depreciation	(746)	(154)	(900)
Net carrying amount	820	476	1,296
At 1 January 2010, net of accumulated depreciation	820	476	1,296
Additions	—	7	7
Depreciation provided during the year	(313)	(63)	(376)
At 31 December 2010, net of accumulated depreciation	507	420	927
At 31 December 2010:			
Cost	1,566	637	2,203
Accumulated depreciation	(1,059)	(217)	(1,276)
Net carrying amount	507	420	927

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company *(Continued)*

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
31 December 2009			
At 31 December 2008 and at 1 January 2009:			
Cost	1,566	630	2,196
Accumulated depreciation	(433)	(91)	(524)
Net carrying amount	1,133	539	1,672
At 1 January 2009, net of accumulated depreciation	1,133	539	1,672
Depreciation provided during the year	(313)	(63)	(376)
At 31 December 2009, net of accumulated depreciation	820	476	1,296
At 31 December 2009:			
Cost	1,566	630	2,196
Accumulated depreciation	(746)	(154)	(900)
Net carrying amount	820	476	1,296

16. INVESTMENT PROPERTIES

	Group	
	2010 HK$'000	2009 HK$'000
Carrying amount at 1 January	**297,094**	250,294
Disposals during the year	**(3,038)**	(1,170)
Net profit from a fair value adjustment	**32,620**	47,557
Exchange realignment	**11,647**	413
Carrying amount at 31 December	**338,323**	297,094

All the Group's investment properties were situated in Mainland China and were held under long term leases.

The revaluation of the above investment properties was carried out by Savills Valuation and Professional Services Limited, an independent firm of professionally qualified valuers, on an open market, existing use basis, on 31 December 2010. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 46(a).

At 31 December 2010, the Group's investment properties with an aggregate carrying amount of HK$123,070,000 (2009: HK$95,056,000) were pledged to secure banking facilities granted to the Group (note 39).

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2010 HK$'000	2009 HK$'000
Carrying amount at 1 January	**2,308,712**	2,280,602
Additions	**—**	296,617
Disposal of a subsidiary (note 44(b))	**(54,816)**	—
Transfer to properties under development (note 26.1)	**(398,604)**	(255,297)
Write-back of impairment during the year	**51,708**	31,136
Amortised during the year	**(42,176)**	(47,916)
Exchange realignment	**77,072**	3,570
Carrying amount at 31 December	**1,941,896**	2,308,712
Current portion	**(42,551)**	(49,839)
Non-current portion	**1,899,345**	2,258,873

17. PREPAID LAND LEASE PAYMENTS *(Continued)*

The Group's leasehold land is situated in Mainland China and is held under the following lease terms:

	Group	
	2010	2009
	HK$'000	HK$'000
Long term leases	**1,040,661**	1,410,480
Medium term leases	**901,235**	898,232
	1,941,896	2,308,712

At 31 December 2010, the Group's prepaid land lease payments with an aggregate carrying amount of HK$893,268,000 (2009: HK$496,096,000) were pledged to secure banking facilities granted to the Group (note 39).

18. GOODWILL

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January and 31 December:		
Cost	**37,634**	37,634
Accumulated impairment	**(37,634)**	(37,634)
Net carrying amount	**—**	—

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the travel bags products cash-generating unit and display products cash-generating unit for impairment testing.

The goodwill of all cash-generating units has been fully impaired in the prior year.

19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

		Group	
		2010	2009
	Note	**HK$'000**	HK$'000
Share of net assets		**66,351**	129,503
Loans to jointly-controlled entities	(i)	**1,016,276**	699,304
		1,082,627	828,807
Classified as held for sale (note 33)		**—**	(102,539)
		1,082,627	726,268

Note:

(i) The loans to jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the loans approximate to their fair values.

19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

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	**138,631**	19,026
Non-current assets	**1,304,453**	855,502
Current liabilities	**(8,359)**	(745,025)
Non-current liabilities	**(1,368,374)**	—
Net assets	**66,351**	129,503
Share of the jointly-controlled entities' results:		
Other income	**116**	1,573
Total expenses	**(9,930)**	(18,165)
Loss after tax	**(9,814)**	(16,592)

Particulars of the Group's principal jointly-controlled entities are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Benefit East Investments Limited	Ordinary shares of US$1 each	British Virgin Islands ("BVI")	25	25	25	Investment holding
Chongqing Champion Globe Company Limited	Registered capital of HK$413 million	PRC	25	25	25	Property development and investment
Chongqing Champion King Company Limited	Registered capital of HK$288 million	PRC	25	25	25	Property development and investment
Chongqing Sino Land Company Limited	Registered capital of HK$595 million	PRC	25	25	25	Property development and investment

The above table lists the jointly-controlled entities of the Group 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 jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

20. INVESTMENTS IN SUBSIDIARIES

	Company 2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**159,921**	159,921
Capital contribution in respect of employee share-based compensation	**2,291**	2,291
	162,212	162,212

The amounts due from subsidiaries included in the Company's current assets of HK$11,849,883,000 (2009: HK$11,845,235,000) are unsecured and interest-free, and have no fixed terms of repayment except for an amount of HK$1,860,656,000 (2009: HK$1,749,071,000) that bears interest at HIBOR + 1.9% per annum (2009: HIBOR + 1.4% per annum). The carrying amounts of these amounts approximate to their fair values.

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company	Principal activities
Ample Win Limited	Hong Kong	Ordinary HK$1	100	Investment holding
C C Land Management Limited	Hong Kong	Ordinary HK$1	100	Corporate management
Charm Best Investment Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Cheer Gain Development Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Dominio Mark International Ltd.#	BVI	Ordinary US$1	100	Investment holding
Dragon Pioneer Development Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Empire New Assets Limited	BVI/Hong Kong	Ordinary US$100	100	Property holding
Excel Sky (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Global Palace Investments Limited	BVI/Hong Kong	Ordinary US$1,000	100	Property holding
Good Wave International Limited#	BVI	Ordinary US$1	100	Investment holding
Grand Fortune Enterprises Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Harbour Crest Holdings Limited#	BVI	Ordinary US$1	100	Investment holding
Ho Yeung Group Limited#	BVI	Ordinary US$1	100	Investment holding
Hoi Tin Universal Limited (note c)	Hong Kong	Ordinary HK$1,000,000	60	Sale of soft luggage, travel bags, backpacks and briefcases
Hoi Tin Universal Travel Goods (Suzhou) Limited## (海天環球旅游用品(蘇州)有限公司) (note c)	PRC/Mainland China (wholly-owned foreign enterprise)	Registered US$5,000,000	60	Manufacture and sale of soft luggage, travel bags, backpacks and briefcases
Join Wise Enterprises Limited	Hong Kong	Ordinary HK$1	100	Investment holding

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company	Principal activities
Joyview Group Limited#	BVI	Ordinary US$1	100	Investment holding
Keen Star Limited#	BVI	Ordinary US$2	100	Investment holding
King Place Investments Limited	BVI/Hong Kong	Ordinary US$100	100	Property holding
Marvel Leader Investments Limited# (note a)	BVI	Ordinary US$50,000	100	Investment holding
Massive Vast Group Limited#	BVI	Ordinary US$1	100	Investment holding
Mega Star International Investment Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Merry Full Investments Limited#	BVI	Ordinary US$1	100	Investment holding
Qualipak Development Limited# (note a)	BVI	Ordinary US$10,000	100	Investment holding
Qualipak Finance Limited	Hong Kong	Ordinary HK$2	100	Provision of financial services
Qualipak Manufacturing Limited	Hong Kong	Ordinary HK$100 Non-voting deferred HK$22,303,857 (note b)	100	Manufacture and sale of watch boxes, gift boxes, spectacles cases, bags and pouches and display units
Starthigh International Limited#	BVI	Ordinary US$1	100	Investment holding
Theme Production House Limited*	Hong Kong	Ordinary HK$1,000,000	51	Trading of acrylic products and display units
Victor Shiny Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Victory Joy Investments Limited#	BVI	Ordinary US$1	100	Investment holding
Wealthy New Limited#	BVI	Ordinary US$1	100	Investment holding
Win Peak Group Limited#	BVI	Ordinary US$1	100	Investment holding
Winning Hand Management Limited	BVI/Mainland China	Ordinary US$1	100	Property holding
Wisdom Way Limited	Hong Kong	Ordinary HK$2	100	Property holding
Worthwell Investments Limited	BVI/Hong Kong	Ordinary US$50,000	100	Investment holding
Young Comfort Development Limited (note c)	Hong Kong	Ordinary HK$10,000	60	Manufacture and sale of soft luggage, travel bags, backpacks and briefcases
Chengdu Guojia Cheer Gain Property Company Limited**/### (成都國嘉志得置業有限公司)	PRC/Mainland China	Registered RMB1,375,000,000	51	Property development and investment

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company	Principal activities
Chengdu Shengshi Jingwei Real Estate Investment Company Limited**/### (成都盛世經緯房地產投資有限公司)	PRC/Mainland China	Registered RMB50,000,000	51	Property development and investment
Chengdu Zhongyi Property Development Company Limited**/### (成都眾怡房地產開發有限公司)	PRC/Mainland China	Registered RMB200,000,000	51	Property development and investment
Chongqing Juxin Property Development (Group) Company Limited**/## (重慶聚信房地產開發(集團)有限公司)	PRC/Mainland China	Registered RMB469,200,000	100	Property development and investment
Chongqing Lucky Boom Realty Company## (重慶瑞昌房地產有限公司)	PRC/Mainland China	Registered US$50,000,000	100	Property development and investment
Chongqing Top Construction Realty Company## (重慶卓建房地產有限公司)	PRC/Mainland China	Registered HK$700,000,000	100	Property development and investment
Chongqing Top Pioneer Realty Company## (重慶頂添置業有限公司)	PRC/Mainland China	Registered US$50,000,000	100	Property development and investment
Chongqing Verakin Real Estate Company Limited**/### (重慶同景置業有限公司)	PRC/Mainland China	Registered RMB302,800,000	61	Property development and investment
Chongqing Verakin Wenlong Real Estate Company Limited**/### (重慶同景文龍置地有限公司)	PRC/Mainland China	Registered RMB50,000,000	31	Property development and investment
Chongqing Victor Shiny Real Estate Development Company Limited## (重慶浚亮房地產開發有限公司)	PRC/Mainland China	Registered US$30,000,000	100	Property development and investment
Chongqing Zhong Yu Property Development Company Limited## (重慶中渝物業發展有限公司)	PRC/Mainland China	Registered US$131,000,000	100	Property development and investment
Chongqing Shuaitong Property Development Company Limited**/## (重慶帥通物業發展有限公司)	PRC/Mainland China	Registered RMB10,000,000	100	Property development and investment
Sichuan Hengchen Real Estate Development Company Limited**/### (四川恒辰房產開發有限公司)	PRC/Mainland China	Registered RMB50,000,000	60	Property development and investment
Sichuan Jingdu Real Estate Company Limited**/### (四川經都置業有限公司)	PRC/Mainland China	Registered RMB82,000,000	60	Property development and investment
Sichuan Senxin Real Estate Company Limited**/## (四川森信置業有限公司)	PRC/Mainland China	Registered US$29,800,000	100	Property development and investment

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company	Principal activities
Sichuan Star Massive Realty Limited## (四川星浩置業有限公司)	PRC/Mainland China	Registered US$15,000,000	100	Property development and investment
Sichuan Yongqiao Land Company Limited**/## (四川雍橋置業有限公司)	PRC/Mainland China	Registered RMB100,000,000	100	Property development and investment
Yunnan Zhong Yu Land Development Company Limited**/### (雲南中渝置地發展有限公司)	PRC/Mainland China	Registered RMB50,000,000	70	Property development and investment

\# These are investment holding companies which have no specific principal place of operations.
\## These companies are registered as wholly-owned foreign enterprises under PRC law.
\### These companies are registered as Sino-foreign joint ventures under PRC law.
* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.
** Direct translation from the Chinese name which is for identification purposes only.

Notes:

(a) Except for Marvel Leader Investments Limited and Qualipak Development Limited, the equity interests of all principal subsidiaries are indirectly held by the Company.

(b) The non-voting deferred shares have restricted rights on the distribution of profits, capital and voting.

(c) Hoi Tin Universal Limited directly holds the entire interests in Hoi Tin Universal Travel Goods (Suzhou) Limited and Young Comfort Development Limited.

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.

21. INVESTMENTS IN ASSOCIATES

	Group	
	2010 HK$'000	2009 HK$'000
Share of net assets	**1,105**	1,743
Goodwill on acquisition	**31,438**	31,438
	32,543	33,181
Provision for impairment	**(31,438)**	(31,438)
	1,105	1,743

The goodwill arising from the acquisition of associates is set out below.

	2010 HK$'000	2009 HK$'000
At 1 January and 31 December:		
Cost	**31,438**	31,438
Accumulated impairment	**(31,438)**	(31,438)
Net carrying amount	**—**	—

21. INVESTMENTS IN ASSOCIATES *(Continued)*

Impairment testing of goodwill

Goodwill arising from the acquisition of interests in associates has been allocated to the corkscrews and kitchenware products cash-generating unit and the entire goodwill was fully impaired in the prior year.

Particulars of the principal associates are as follows:

Name	Place of incorporation/ registration	Particulars of issued shares held	Percentage of ownership interest attributable to the Group	Principal activities
Technical International Holdings Limited	BVI	Ordinary shares of US$1 each	30	Investment holding
T Plus Limited	Hong Kong	Ordinary shares of HK$1 each	30	Design, trading and marketing of corkscrews and kitchenware
Technical Development (HK) Limited	Hong Kong	Ordinary shares of HK$1 each	30	Design, trading and marketing of corkscrews and kitchenware
Technical (HK) Manufacturing Limited	Hong Kong	Ordinary shares of HK$1 each	30	Design, trading and marketing of corkscrews and kitchenware

The above table lists the associates of the Group 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 associates would, in the opinion of the directors, result in particulars of excessive length.

All the above associates are held by wholly-owned subsidiaries of the Company and were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network. They have been accounted for using the equity method in these financial statements.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts or financial statements:

	2010 HK$'000	2009 HK$'000
Assets	**32,991**	31,920
Liabilities	**(29,307)**	(26,111)
Revenue	**124,320**	106,750
Loss	**(2,125)**	(3,348)

22. CONVERTIBLE NOTE RECEIVABLE

	Group	
	2010 HK$'000	2009 HK$'000
Unlisted convertible note:		
Loan portion, at amortised cost	**37,178**	35,650
	37,178	35,650
Classified as current asset	**(37,178)**	—
	—	35,650

22. CONVERTIBLE NOTE RECEIVABLE *(Continued)*

At 31 December 2010, the Group held an unlisted convertible note with a principal amount of HK$37,500,000 (2009: HK$37,500,000), which was issued by a company listed on the Stock Exchange. The convertible note confers rights to the bearers to convert the whole or part of the outstanding principal amount into shares of the issuer at a conversion price of HK$15.83 per share in the defined period. The convertible note bears interest at a rate of 2% per annum.

The convertible note can be redeemed by the issuer at its face value at any time from the date of issue until the maturity date of the convertible note, and can only be redeemed by the Group at its face value upon maturity in June 2011 to the extent of the amount not previously converted.

The loan portion of the convertible note is classified as loans and receivable and its carrying value is determined based on an effective interest rate of 6.47% on initial recognition. The fair value of the conversion option derivative is determined using the Black-Scholes Option Pricing model.

23. HELD-TO-MATURITY INVESTMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Unlisted debt investments, at amortised cost	**114,969**	—
	114,969	—

The effective interest rates of the held-to-maturity investments are ranged from 12% to 15% per annum and these investments mature in 2015.

24. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Listed equity investment, at fair value	**181,553**	260,322
Unlisted equity investments, at cost	**640,938**	640,277
	822,491	900,599

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$107,255,000 (2009: gain of HK$128,351,000).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 31 December 2010, the unlisted equity investments with a carrying amount of HK$640,938,000 (2009: HK$640,277,000) were stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

The market value of the Group's listed available-for-sale investment at the date of approval of these financial statements was approximately HK$191,630,000.

25. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010	2009
	HK$'000	HK$'000
Listed equity investments in Hong Kong, at market value	**131,006**	11,595
Listed equity investments in the PRC, at market value	**—**	37
	131,006	11,632

The above investments at 31 December 2010 and 2009 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets as at fair value through profit or loss.

The market value of the Group's equity investments at fair value through profit or loss at the date of approval of these financial statements was approximately HK$137,237,000.

26.1 PROPERTIES UNDER DEVELOPMENT

	Group	
	2010	2009
	HK$'000	HK$'000
At beginning of year	**10,407,580**	7,752,498
Acquisition of a subsidiary (note 43(a))	**109,154**	—
Deemed acquisition of subsidiaries (note 43(b))	**—**	1,724,700
Additions (including development costs and capitalised interest)	**2,691,332**	867,024
Disposals during the year	**—**	(60,126)
Write-back of impairment during the year	**310,452**	29,986
Transfer from interests in land use rights for property development (note 26.2)	**2,395,121**	54,221
Transfer to completed properties held for sale (note 26.3)	**(1,901,843)**	(394,892)
Transfer from land development rights (note 27)	**—**	166,462
Transfer from prepaid land lease payments (note 17)	**398,604**	255,297
Exchange realignment	**362,715**	12,410
At end of year	**14,773,115**	10,407,580

Properties under development expected to be completed:

	Group	
	2010	2009
	HK$'000	HK$'000
Beyond normal operating cycle included under non-current assets	**7,164,334**	5,920,718
Within normal operating cycle included under current assets	**7,608,781**	4,486,862
	14,773,115	10,407,580

Properties under development expected to be completed within normal operating cycle and recovered:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**2,799,133**	1,050,530
After one year	**4,809,648**	3,436,332
	7,608,781	4,486,862

The Group's properties under development are situated in Mainland China and are held under the following leases:

	2010	2009
	HK$'000	HK$'000
Long term leases	**12,408,600**	8,821,151
Medium term leases	**2,364,515**	1,586,429
	14,773,115	10,407,580

At 31 December 2010, the Group's properties under development with an aggregate carrying amount of HK$4,302,850,000 (2009: HK$3,476,569,000) (note 39) were pledged to secure banking facilities granted to the Group.

At 31 December 2009, the Group's properties under development with an amount of HK$361,048,000 were pledged to secure banking facilities granted to a former shareholder of a subsidiary acquired by the Group.

26.2 INTERESTS IN LAND USE RIGHTS FOR PROPERTY DEVELOPMENT

	Group	
	2010	2009
	HK$'000	HK$'000
At beginning of year	**986,864**	389,098
Additions	**1,737,836**	565,626
Assets included as held for sale (note 33(a))	**(58,907)**	—
Disposal of subsidiaries (note 44)	**(294,093)**	—
Write-back of impairment during the year	**—**	85,749
Transfer to properties under development (note 26.1)	**(2,395,121)**	(54,221)
Exchange realignment	**23,421**	612
At end of year	**—**	986,864

The Group's interests in land use rights for property development were in respect of the rights to use certain land situated in Mainland China over fixed periods and held under the following leases:

	2010	2009
	HK$'000	HK$'000
Long term leases	**—**	979,471
Medium term leases	**—**	7,393
	—	986,864

26.3 COMPLETED PROPERTIES HELD FOR SALE

	Group	
	2010	2009
	HK$'000	HK$'000
At beginning of year	**233,011**	352,682
Transfer from properties under development (note 26.1)	**1,901,843**	394,892
Properties sold during the year	**(1,124,460)**	(516,266)
Exchange realignment	**(3,413)**	1,703
At end of year	**1,006,981**	233,011

The Group's completed properties held for sale are situated in Mainland China and are held under the following leases:

	2010	2009
	HK$'000	HK$'000
Long term leases	**615,105**	57,650
Medium term leases	**391,876**	175,361
	1,006,981	233,011

At 31 December 2009, the Group's completed properties held for sale with an aggregate carrying amount of HK$45,766,000 were pledged to secure banking facilities granted to the Group (note 39).

27. LAND DEVELOPMENT RIGHTS

The land development rights refer to a contractual arrangement between Sichuan Jingdu Real Estate Company Limited ("Sichuan Jingdu"), a 60%-owned subsidiary of the Group, and certain local government authorities for the development of two pieces of land in Chengdu, PRC.

Sichuan Jingdu is responsible for providing funds for the relevant government authorities to carry out the necessary layout work and tenant relocation that bring the pieces of land to a condition ready for sale. Upon completion of the land development, the respective pieces of land will be put out for public auctions by the relevant government authorities and Sichuan Jingdu is entitled to a share in the range of 30% to 60% of the profits arising from the land auctions.

	Group 2009 HK$'000
At beginning of year	166,270
Transfer to properties under development upon acquisition of the relevant land by the Group (note 26.1)	(166,462)
Exchange realignment	192
At end of year	—

28. INVENTORIES

	Group	
	2010 **HK$'000**	2009 HK$'000
Raw materials	**24,565**	18,124
Work in progress	**32,305**	16,060
Finished goods	**25,300**	17,226
	82,170	51,410

29. TRADE AND BILLS RECEIVABLES

	Group	
	2010 **HK$'000**	2009 HK$'000
Trade and bills receivables	**114,691**	73,944
Impairment	**(1,590)**	(1,042)
	113,101	72,902

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 60 days, extending up to 105 days 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. No credit terms are granted to the customers of the Group's property development and investment business. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the due date and net of provisions, is as follows:

	Group					
	2010			2009		
	Neither past due nor impaired **HK$'000**	**Past due but not impaired** **HK$'000**	**Total** **HK$'000**	Neither past due nor impaired HK$'000	Past due but not impaired HK$'000	Total HK$'000
Less than 1 month	**88,279**	**16,471**	**104,750**	59,367	9,425	68,792
1 to 2 months	**—**	**2,464**	**2,464**	—	1,315	1,315
2 to 3 months	**—**	**3,209**	**3,209**	—	1,717	1,717
Over 3 months	**—**	**2,678**	**2,678**	—	1,078	1,078
	88,279	**24,822**	**113,101**	59,367	13,535	72,902

29. TRADE AND BILLS RECEIVABLES *(Continued)*

Trade and bills receivables included discounted bills with recourse of HK$32,994,000 (2009: HK$14,411,000) at 31 December 2010. The maturity date of the discounted bills with recourse is within three months from the inception date of the discounted bills.

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 to be fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The movements in the provision for impairment of trade receivables are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**1,042**	2,256
Impairment/(write-back) of impairment (notes 5 and 6)	**524**	(492)
Written off during the year as uncollectible	**—**	(723)
Exchange realignment	**24**	1
At 31 December	**1,590**	1,042

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$1,590,000 (2009: HK$1,042,000), with a carrying amount before provision of HK$1,796,000 (2009: HK$1,215,000). The individually impaired trade receivables relate to customers that were in financial difficulties, and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**231,876**	58,808	**596**	598
Deposits and other receivables	**167,398**	279,767	**8**	8
Amount due from non-controlling shareholders of subsidiaries	**311,711**	—	**—**	—
	710,985	338,575	**604**	606

As at 31 December 2010, business tax on deposits received from pre-sale of properties imposed by the relevant PRC tax authorities amounted to HK$130,284,000 (2009: HK$20,332,000). It is classified as and included in "Prepayments" above.

The amounts due from non-controlling shareholders of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

31. DEPOSITS WITH BROKERAGE COMPANIES

Deposits with brokerage companies are carried at an average fixed interest rate of 0.04% (2009: 0.19%). The fair values of the deposits with brokerage companies approximate to their carrying amounts.

32. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
	Notes	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Cash and bank balances		**4,928,901**	2,783,962	**148**	254
Time deposits		**951,081**	1,000,633	**—**	—
		5,879,982	3,784,595	**148**	254
Less: Pledged time deposits	(a)	**(153,774)**	(1,000)	**—**	—
Restricted bank balances	(b)	**(1,165,456)**	(533,237)	**—**	—
Time deposits with original maturity over three months		**—**	(993,913)	**—**	—
Cash and cash equivalents		**4,560,752**	2,256,445	**148**	254

Notes:

(a) The time deposits were pledged to secure general banking facilities granted to the Group (note 39).

(b) Restricted bank balances represent deposits placed with certain PRC banks and the usages of which are restricted to PRC property development activities.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$4,949,913,000 (2009: HK$1,500,875,000). 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 one day and three 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 time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

33. NON-CURRENT ASSET AND A DISPOSAL GROUP HELD FOR SALE

31 December 2010

The assets and liabilities related to the 60% equity interest in Sichuan Hengchen Real Estate Development Company Limited ("Sichuan Hengchen") have been presented as held for sale following the decision of the board of directors of the Company (the "Board") on 30 November 2010 to dispose of Sichuan Hengchen for a consideration of RMB60 million (equivalent to HK$71 million). Sichuan Hengchen is principally engaged in property development and investment. The disposal of Sichuan Hengchen is expected to complete in 2011.

(a) The major classes of assets and liabilities of Sichuan Hengchen classified as held for sale as at 31 December 2010 are as follows:

	Notes	**2010 HK$'000**
Assets		
Property, plant and equipment	15	**305**
Interests in land use rights for property development	26.2	**58,907**
Prepayments and other receivables		**816**
Cash and bank balances		**5,775**
Assets classified as held for sale		**65,803**
Liabilities		
Trade payables		**2,115**
Other payables and accruals		**4,952**
Liabilities directly associated with the assets classified as held for sale		**7,067**
Net assets directly associated with the disposal group		**58,736**

33. NON-CURRENT ASSET AND A DISPOSAL GROUP HELD FOR SALE *(Continued)*

31 December 2010 *(Continued)*

(b) Cumulative income recognised in other comprehensive income relating to the disposal group classified as held for sale:

	2010 **HK$'000**
Exchange fluctuation reserve	**6,480**

31 December 2009

On 30 November 2009, the Group entered into a share transfer agreement with its joint venture partner to dispose of its 50% equity interest in Sichuan Zhong Yu Property Development Company Limited, a jointly-controlled entity, for a total consideration of HK$266,196,000. The disposal was completed on 26 March 2010 and a gain on disposal (before tax expense) of HK$164,802,000 was recognised in other income and gains in the consolidated income statement. As at 31 December 2009, investment in jointly-controlled entity classified as held for sale amounted to HK$102,539,000 (note 19).

34. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	Group	
	2010 **HK$'000**	2009 HK$'000
Within 1 month	**584,882**	120,790
1 to 2 months	**40,549**	28,727
2 to 3 months	**27,495**	61,727
Over 3 months	**308,737**	708,667
	961,663	919,911

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days. As at 31 December 2009, included in the trade payables balance was an amount of HK$254,554,000 arising from the acquisition of a parcel of land which was interest-bearing at 5.31% per annum and secured by the pledge of the Group's equity interests in Chengdu Zhongyi Property Development Company Limited. The amount was fully settled during the year.

35. OTHER PAYABLES AND ACCRUALS

	Group		**Company**	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Deposits received	**5,887,887**	1,514,515	**—**	—
Other payables	**141,632**	78,650	**354**	705
Accruals	**47,467**	67,225	**13,365**	9,599
	6,076,986	1,660,390	**13,719**	10,304

Other payables are non-interest-bearing and are normally settled within one year.

36. CALL OPTION LIABILITY

	Group	
	2010 **HK$'000**	2009 HK$'000
Call option liability	**75,766**	68,297

On 31 August 2009, the Group entered into a shareholders' agreement (the "Shareholders' Agreement") with Verakin Group Company Limited ("Verakin Group"), a non-controlling shareholder of Chongqing Verakin Real Estate Company Limited ("CQ Verakin" and 51%-owned by the Group).

36. CALL OPTION LIABILITY *(Continued)*

Pursuant to the Shareholders' Agreement, the Group agreed to acquire an additional 10% equity interest (the "Additional Interest") in CQ Verakin from Verakin Group at a cash consideration of RMB25 million (the "Consideration"). The Group also granted Verakin Group a buy-back option (the "Call Option") in respect of the Additional Interest. The Call Option is exercisable within three years from the date of the Shareholders' Agreement and subject to the fulfilment of certain operating conditions by CQ Verakin. The exercise price of the Call Option shall be equal to (i) the sum of the Consideration plus a premium of 1% per month on the Consideration calculated for the period from the completion date of the Shareholders' Agreement to the completion date on which the Call Option is exercised (the "Option Period"); and (ii) any additional capital contributions made by the Group to CQ Verakin in respect of the Additional Interest during the Option Period.

The fair value of the Call Option was estimated at the date of grant using the Binominal Option Pricing Model and the change in fair value at each reporting date is recognised in the consolidated income statement.

37. DUE TO A RELATED PARTY

The related party is a company controlled by Mr. Cheung Chung Kiu ("Mr. Cheung"), a director of the Company. The balance is unsecured, interest-free, and has no fixed terms of repayment. The carrying amount of this balance approximates to its fair value.

38. LOANS FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The directors consider that the carrying amounts of the loans from non-controlling shareholders of subsidiaries approximate to their fair values. Except for an amount of HK$30,085,000 (2009: HK$29,071,000) which bears interest at 7% per annum, the amounts are unsecured, interest-free and have no fixed terms of repayment.

39. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2010			2009		
Group	**Contractual interest rate**	**Maturity**	**HK$'000**	Contractual interest rate	Maturity	HK$'000
Current						
Bank overdraft	**Higher of prime rate or bank's funding rate**	**On demand**	**2,253**	—	—	—
Discounted bills with recourse	**Bank's funding rate + (1.375% to 1.5%)**	**2011**	**32,994**	Bank's funding rate + (1.375% to 1.5%)	2010	14,411
Bank loans — secured	**RMB base lending rate/ RMB base lending rate x (1 + 8% to 15%)**	**2011**	**1,182,236**	RMB base lending rate/ RMB base lending rate x (1 + 10%)	2010	372,524
Bank loans — unsecured	**HIBOR + 1.9%**	**2011**	**172,396**	HIBOR + 1.4%	2010	189,122
			1,389,879			576,057
Non-current						
Bank loans — secured	**RMB base lending rate/ RMB base lending rate x (1 + 10%)**	**2012-2018**	**1,210,629**	RMB base lending rate/ RMB base lending rate x (1 + 5% to 25%)	2011-2012	606,488
Bank loans — unsecured	**HIBOR + 1.9%**	**2012-2013**	**1,688,260**	HIBOR + 1.4%	2011	1,559,949
			2,898,889			2,166,437
			4,288,768			2,742,494
Analysed into:						
Bank and other borrowings repayable:						
Within one year or on demand			**1,389,879**			576,057
In the second year			**1,504,512**			1,842,750
In the third to fifth years, inclusive			**1,363,822**			323,687
Beyond five years			**30,555**			—
			4,288,768			2,742,494

39. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	2010			2009		
Company	**Contractual interest rate**	**Maturity**	**HK$'000**	Contractual interest rate	Maturity	HK$'000
Current						
Bank loans — unsecured	**HIBOR + 1.9%**	**2011**	**172,396**	HIBOR + 1.4%	2010	189,122
Non-current						
Bank loans — unsecured	**HIBOR + 1.9%**	**2012-2013**	**1,688,260**	HIBOR + 1.4%	2011	1,559,949
			1,860,656			1,749,071

Notes:

(a) Certain of the Group's bank loans are secured by certain of the Group's assets with aggregate carrying amounts as listed below:

	Notes	**2010 HK$'000**	2009 HK$'000
Property, plant and equipment	15	**5,592**	5,749
Investment properties	16	**123,070**	95,056
Prepaid land lease payments	17	**893,268**	496,096
Properties under development	26.1	**4,302,850**	3,476,569
Completed properties held for sale	26.3	**—**	45,766
Time deposits	32	**153,774**	1,000

(b) All borrowings bear interest at floating interest rate.

(c) The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
Hong Kong Dollars (HK$)	**1,862,909**	1,749,071
United States dollars (US$)	**32,994**	14,411
Renminbi (RMB)	**2,392,865**	979,012
	4,288,768	2,742,494

(d) The carrying amounts of the Group's bank borrowings approximate to their fair values.

(e) In addition, certain subsidiaries of the Company have guaranteed the Company's bank loans up to HK$2,750,000,000 (2009: HK$1,755,000,000). The Company's bank loans are also secured by a specific performance obligation imposed on Mr. Cheung and pursuant to which Mr. Cheung is required to control 35% or more of the beneficial shareholding interest in the issued capital of the Company, to carry 35% or more of the voting rights and to have management control of the Company. Non-compliance with the aforesaid obligation by Mr. Cheung would constitute an event of default under the relevant loan agreement.

40. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Revaluation of properties HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of available-for-sale investments HK$'000	Total HK$'000
At 1 January 2009	1,873,003	2,007	24,423	1,899,433
Deemed acquisition of subsidiaries (note 43(b))	7,950	—	—	7,950
Deferred tax charged to equity during the year	—	—	32,088	32,088
Deferred tax credited to the income statement during the year (note 11)	(23,637)	(155)	—	(23,792)
Exchange realignment	2,956	(2)	39	2,993
At 31 December 2009 and 1 January 2010	**1,860,272**	**1,850**	**56,550**	**1,918,672**
Acquisition of a subsidiary (note 43(a))	**3,373**	**—**	**—**	**3,373**
Deferred tax charged to equity during the year	**—**	**—**	**(26,814)**	**(26,814)**
Deferred tax charged to the income statement during the year (note 11)	**29,890**	**6**	**—**	**29,896**
Exchange realignment	**64,091**	**(2)**	**1,964**	**66,053**
At 31 December 2010	**1,957,626**	**1,854**	**31,700**	**1,991,180**

Deferred tax assets

Group

	Provision for land appreciation tax HK$'000	Losses available for offsetting taxable profits HK$'000	Total HK$'000
At 1 January 2009	—	1,419	1,419
Deferred tax credited/(charged) to the income statement during the year (note 11)	9,793	(637)	9,156
Exchange realignment	—	2	2
At 31 December 2009 and 1 January 2010	**9,793**	**784**	**10,577**
Deferred tax credited/(charged) to the income statement during the year (note 11)	**(827)**	**809**	**(18)**
Exchange realignment	**340**	**23**	**363**
At 31 December 2010	**9,306**	**1,616**	**10,922**

40. DEFERRED TAX *(Continued)*

For the presentation purpose, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the net deferred tax balances of the Group for financial reporting purposes:

	2010 **HK$'000**	2009 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**1,980,258**	1,908,095

The Company's deferred tax liabilities are in respect of deferred tax charged/credited to the income statement during the year, arising from the difference between depreciation allowance and the related depreciation.

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% or 10%. 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. As at 31 December 2010, there was no temporary difference associated with investments in subsidiaries and jointly-controlled entities in Mainland China for which deferred tax liabilities have not been recognised (2009: Nil).

The Group has tax losses arising in Hong Kong of HK$11,292,000 (2009: HK$12,046,000) and in Mainland China of HK$143,962,000 (2009: HK$96,674,000) that are available indefinitely and due to expire within four to five years, respectively, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

41. SHARE CAPITAL

Shares

	2010 **HK$'000**	2009 HK$'000
Authorised:		
5,000,000,000 (2009: 5,000,000,000) ordinary shares of HK$0.10 (2009: HK$0.10) each	**500,000**	500,000
Issued and fully paid:		
2,559,957,258 (2009: 2,572,633,258) ordinary shares of HK$0.10 (2009: HK$0.10) each	**255,996**	257,263

During the year, the Company repurchased a total of 12,676,000 shares at an average price of HK$2.80 per share in the open market on the Stock Exchange, all of which were subsequently cancelled by the Company.

41. SHARE CAPITAL *(Continued)*

A summary of transactions during the year with reference to the above movement in the Company's issued ordinary 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	2,144,633,258	214,463	7,087,594	7,302,057
Placement of new shares	428,000,000	42,800	2,490,960	2,533,760
Share issue expenses	—	—	(55,971)	(55,971)
At 31 December 2009 and 1 January 2010	**2,572,633,258**	**257,263**	**9,522,583**	**9,779,846**
Repurchase of shares	**(12,676,000)**	**(1,267)**	**(34,380)**	**(35,647)**
At 31 December 2010	**2,559,957,258**	**255,996**	**9,488,203**	**9,744,199**

Share options

Details of the Company's share option scheme are set out in note 45 to the financial statements.

42. 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 73.

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 January 2009		7,087,594	158,331	218,172	135,128	7,599,225
Total comprehensive loss for the year		—	—	(42,362)	—	(42,362)
Placement of new shares	41	2,490,960	—	—	—	2,490,960
Share issue expenses	41	(55,971)	—	—	—	(55,971)
Final 2008 dividend approved		—	—	(42,893)	—	(42,893)
Equity-settled share option arrangements	45	—	—	—	43,976	43,976
At 31 December 2009 and 1 January 2010		**9,522,583**	**158,331**	**132,917**	**179,104**	**9,992,935**
Total comprehensive loss for the year		**—**	**—**	**(18,171)**	**—**	**(18,171)**
Repurchase of shares	41	**(34,380)**	**—**	**—**	**—**	**(34,380)**
Final 2009 dividend approved	13	**—**	**—**	**(76,799)**	**—**	**(76,799)**
Equity-settled share option arrangements	45	**—**	**—**	**—**	**19,826**	**19,826**
At 31 December 2010		**9,488,203**	**158,331**	**37,947**	**198,930**	**9,883,411**

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Qualipak Development Limited at the date on which its shares were acquired by the Company, and the nominal value of the Company's shares issued and issuable for the acquisition.

43. BUSINESS COMBINATION

Year ended 31 December 2010

(a) Acquisition of a subsidiary

On 10 February 2010, the Group entered into a share transfer agreement with the Verakin Group, a non-controlling shareholder of the Group's subsidiary, to acquire a 51% equity interests in Chongqing Verakin Wenlong Real Estate Company Limited ("Verakin Wenlong") and a shareholder's loan owed by Verakin Wenlong to the Verakin Group for a cash consideration of RMB43,407,000 (equivalent to HK$49,355,000). The acquisition enables the Group to enhance its property portfolio and market coverage in Western China where the property markets have strong and sustained growth. Verakin Wenlong is principally engaged in property development in Mainland China. The acquisition was completed on 23 February 2010.

The Group has elected to measure the non-controlling interest in Verakin Wenlong at the non-controlling interests' proportionate share of Verakin Wenlong's identifiable net assets.

The fair values of the identifiable assets and liabilities of Verakin Wenlong as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment	15	**447**
Properties under development	26.1	**109,154**
Prepayments, deposits and other receivables		**677**
Cash and bank balances		**26,359**
Other payables		**(34,557)**
Shareholders' loan		**(38,625)**
Deferred tax liabilities	40	**(3,373)**
Non-controlling interests		**(29,440)**
Total identifiable net assets at fair value		**30,642**
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	5	**(1,648)**
		28,994
Satisfied by:		
Cash		**49,355**
Shareholder's loan		**(20,361)**
		28,994

An analysis of the cash flows in respect of the acquisition of Verakin Wenlong is as follows:

	HK$'000
Cash consideration	**(49,355)**
Cash and bank balances acquired	**26,359**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(22,996)**

The result of the subsidiary acquired during the year had no significant impact on the Group's consolidated revenue or profit for the year.

43. BUSINESS COMBINATION *(Continued)*

Year ended 31 December 2009

(b) Deemed acquisition of subsidiaries

In November and December 2009, the Group reached a number of agreements with the joint venture partner of Chengdu Guojia Cheer Gain Property Company Limited ("Guojia Cheer Gain"), a then 50% jointly-controlled entity of the Group, for the contribution of additional capital, the change of profit sharing ratio and the change of the board of directors of Guojia Cheer Gain (collectively the "Guojia Cheer Gain Reorganisation"). Upon completion of the Guojia Cheer Gain Reorganisation in December 2009, Guojia Cheer Gain became a 51%-owned subsidiary of the Group. Guojia Cheer Gain and its subsidiaries (collectively the "Guojia Group") are principally engaged in property development in Mainland China.

The fair values of the identifiable assets and liabilities of the Guojia Group as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment	15	292
Properties under development	26.1	1,724,700
Prepayments, deposits and other receivables		61,578
Tax recoverable		580
Restricted bank balances		266,238
Cash and cash equivalents		834,759
Trade payables		(291,345)
Other payables		(726,995)
Loan from a non-controlling shareholder of subsidiary		(544,664)
Interest-bearing bank borrowings		(215,791)
Deferred tax liabilities	40	(7,950)
Non-controlling interests		(222,330)
Total identifiable net assets at fair value		879,072
Reclassification of investments in a jointly-controlled entity		(874,458)
Gain on deemed bargain purchase of subsidiaries recognised in other income and gains in the consolidated income statement	5	(4,614)
		—

An analysis of the cash flows in respect of the acquisition of the Guojia Group is as follows:

	HK$'000
Cash and bank balances acquired	834,759
Net inflow of cash and cash equivalents included in cash flows from investing activities	834,759

The results of the subsidiaries acquired during prior year had no significant impact on the Group's consolidated turnover or loss for that year.

43. BUSINESS COMBINATION *(Continued)*

Year ended 31 December 2009 *(Continued)*

(c) Acquisition of a subsidiary that is not a business

In December 2009, the Group entered into an agreement to acquire a 96.5% equity interest in Chengdu Shengshi Jingwei Real Estate Investment Company Limited ("Chengdu Shengshi") at a consideration of RMB71,217,000 (equivalent to HK$80,884,000). Chengdu Shengshi is principally engaged in property development in Chengdu, the PRC. Up to the date of acquisition, Chengdu Shengshi has not carried out any significant business transactions except for securing the rights to acquire certain parcels of land in Chengdu.

The above acquisition has been accounted for by the Group as an acquisition of assets as the entity acquired by the Group does not constitute a business.

The net assets acquired by the Group in the above transaction are as follows:

	HK$'000
Net assets acquired:	
Interests in land use rights for property development	107,679
Cash and bank balances	5,668
Trade and other payables	(29,530)
Non-controlling interests	(2,933)
Satisfied by cash	80,884

An analysis of the cash flows in respect of the acquisition of Chengdu Shengshi is as follows:

	HK$'000
Cash consideration	(80,884)
Cash and bank balances acquired	5,668
Net outflow of cash and cash equivalents included in cash flows from investing activities	(75,216)

44. DISPOSAL OF SUBSIDIARIES

(a) On 12 February 2010, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire interest in Wisdom Gain Group Limited ("Wisdom Gain"), a then 60%-owned subsidiary of the Group, a shareholder's loan owed by Wisdom Gain to the Group of HK$242,426,000 and a promissory note receivable from a non-controlling shareholder of Wisdom Gain amounting to HK$70,110,000, for an aggregate consideration of HK$340 million. The transaction was completed on 12 February 2010.

	Notes	**2010 HK$'000**
Net assets disposed of:		
Interests in land use rights for property development	26.2	**285,972**
Cash and bank balances		**297**
Prepayments and other receivables		**125**
Other payables and accruals		**(30,266)**
Shareholder's loan		**(242,426)**
Non-controlling interests		**(2,114)**
		11,588
Promissory note receivable		**70,110**
Exchange reserve release upon disposal of Wisdom Gain		**(5,242)**
Gain on disposal of Wisdom Gain	5	**21,118**
		97,574
Satisfied by:		
Cash		**340,000**
Shareholder's loan		**(242,426)**
		97,574

44. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

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

	2010 HK$'000
Cash consideration	**340,000**
Cash and bank balances disposed of	**(297)**
Net inflow of cash and cash equivalents in respect of the disposal of Wisdom Gain	**339,703**

(b) On 5 July 2010, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire share capital of Kee Fat International Limited ("Kee Fat"), a then wholly-owned subsidiary of the Group and a shareholder's loan owed by Kee Fat to the Group of HK$61,013,000 for a total consideration of HK$66,000,000. The disposal was completed on 17 August 2010.

	Notes	2010 HK$'000
Net assets disposed of:		
Interests in land use rights for property development	26.2	**8,121**
Prepaid land lease payments	17	**54,816**
Cash and bank balances		**959**
Shareholder's loan		**(61,013)**
Other payables and accruals		**(59,683)**
		(56,800)
Exchange reserve release upon disposal of Kee Fat		**(1,021)**
Gain on disposal of Kee Fat	5	**62,808**
		4,987
Satisfied by:		
Cash		**66,000**
Shareholder's loan		**(61,013)**
		4,987

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

	2010 HK$'000
Cash consideration	**66,000**
Cash and bank balances disposed of	**(959)**
Net inflow of cash and cash equivalents in respect of the disposal of Kee Fat	**65,041**

45. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") which was adopted at the special general meeting of the Company held on 29 April 2005. During the year, 51,634,000 (2009: 17,500,000) share options were granted, of which 46,734,000 share options (2009: Nil) were granted for the replacement of same number of share options granted in prior years, under the Scheme.

Under the Scheme, share options may be granted to directors and employees of the Group and those who have contributed or will contribute to the Group, at any time within 10 years after its adoption, at the discretion of the Board. The following is a summary of the Scheme.

For the purpose of this section, reference to the "Eligible Group" means (i) the Company and each of its substantial shareholders; (ii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of the Company or any substantial shareholder referred to in (i) above; (iii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (ii) above; (iv) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iii) above; and (v) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iv) above; and reference to "Employee" means any full-time or part-time employee (including any executive and non-executive director or proposed executive and non-executive director) of any member of the Eligible Group.

Purpose

The purposes of the Scheme are to recognise the contribution of and to motivate Employees and other person(s) who may make a contribution to the Group and to provide incentives and to help the Group retain its existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long-time business objectives of the Group.

Participants

The participants include any director, officer and Employee of any member of the Eligible Group; and any executive, officer or employee of any business, consultant, professional and other advisers to any member of the Eligible Group or any person proposed to be appointed to any of the aforesaid positions who, in the sole opinion of the Board, has contributed or is expected to contribute to the Group.

Maximum number of shares available for subscription

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

Maximum entitlement of each participant

Unless approved by the shareholders of the Company at a general meeting, the total number of shares issued and to be issued upon the exercise of options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the issued share capital of the Company.

Maximum period for exercising an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board to each grantee. Such period of time shall not exceed 10 years from the date of grant of the option.

Basis of determining the exercise price

The exercise price per share shall be determined by the Board and shall be at least the higher of:

(i) the closing price of shares as stated in daily quotation sheet of the Stock Exchange on the date on which the option is offered, which must be a trading day;

(ii) the average closing price of shares as stated in daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date as mentioned in (i) above; and

(iii) the nominal value of the shares.

A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

Life of the Scheme

The Scheme shall remain in force for a period of 10 years from 29 April 2005 to 28 April 2015.

45. SHARE OPTION SCHEME *(Continued)*

The movements of share options under the Scheme during the year are as follows:

	2010 Weighted average exercise price HK$ per share	2010 Number of options '000	2009 Weighted average exercise price HK$ per share	2009 Number of options '000
At 1 January	**4.62**	**64,234**	5.12	46,734
Granted during the year	**3.31**	**51,634**	3.27	17,500
Replaced during the year	**5.12**	**(46,734)**	—	—
At 31 December	**3.30**	**69,134**	4.62	64,234

There was no share options exercised during the year (2009: Nil).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2010

Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
17,500	**3.27**	**07-05-2009 to 06-05-2019**
46,734	**3.31**	**03-09-2010 to 02-09-2020**
4,900	**3.31**	**01-01-2011 to 02-09-2020**
69,134		

2009

Number of options '000	Exercise price* HK$ per share	Exercise period
6,000	4.81	01-01-2008 to 15-02-2017
6,425	4.95	01-01-2008 to 10-12-2016
2,200	5.26	01-01-2008 to 18-04-2017
4,000	5.37	01-01-2008 to 26-04-2017
7,989	4.95	01-01-2009 to 10-12-2016
2,500	5.26	01-01-2009 to 18-04-2017
80	5.27	01-04-2010 to 24-03-2018
80	5.27	01-04-2011 to 24-03-2018
6,450	5.27	10-07-2008 to 07-08-2017
6,450	5.27	01-07-2009 to 07-08-2017
1,000	5.27	03-01-2009 to 28-10-2017
1,000	5.27	03-01-2010 to 28-10-2017
280	5.27	18-02-2009 to 01-11-2017
280	5.27	18-02-2010 to 01-11-2017
800	5.27	28-03-2009 to 02-01-2018
800	5.27	28-03-2010 to 02-01-2018
200	5.27	30-01-2009 to 28-10-2017
200	5.27	30-01-2010 to 28-10-2017
17,500	3.27	07-05-2009 to 06-05-2019
64,234		

* 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.

45. SHARE OPTION SCHEME *(Continued)*

The fair value of the share options granted during the year was HK$18,859,000 (2009: HK$26,024,000), and the Group recognised a share option expense of HK$19,826,000 (2009: HK$43,976,000) during the year.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2010	2009
Dividend yield (%)	**0.91**	0.61
Expected volatility (%)	**71.88**	72.46
Risk-free interest rate (%)	**1.945**	2.118

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 69,134,000 (2009: 64,234,000) 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 69,134,000 (2009: 64,234,000) additional ordinary shares of the Company and additional share capital of HK$6,913,000 (2009: HK$6,423,000) and share premium of HK$221,220,000 (2009: HK$290,071,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 69,134,000 share options outstanding under the Scheme, which represented approximately 2.7% of the Company's shares in issue as at that date.

46. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16 to the financial statements) and some other properties under operating lease arrangements, with leases negotiated for terms ranging from 6 months to 20 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 31 December 2010, 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	**8,528**	7,209
In the second to fifth years, inclusive	**35,959**	24,362
After five years	**75,381**	2,246
	119,868	33,817

During the year, no contingent rentals receivable was recognised by the Group.

(b) As lessee

The Group leases certain of its manufacturing plants, office properties and quarters under operating lease arrangements. The leases for the manufacturing plants, office properties and quarters are negotiated for terms of 1 to 5 years.

As at 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**6,447**	2,961
In the second to fifth years, inclusive	**3,854**	12
	10,301	2,973

47. COMMITMENTS

In addition to the operating lease commitments detailed in note 46(b) above, the Group had the following commitments in respect of property development expenditure at the end of the reporting period:

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted, but not provided for	**2,772,716**	3,644,721

The Group had the following share of commitments of jointly-controlled entities in respect of property development expenditure at the end of the reporting period:

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted, but not provided for	**51,238**	476,016

At the end of the reporting period, the Company did not have any significant commitments.

48. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	**—**	—	**61,000**	51,000
Jointly-controlled entity	**350,000**	—	**350,000**	—
Associates	**9,000**	13,500	**9,000**	13,500
	359,000	13,500	**420,000**	64,500

As at 31 December 2010, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$35,248,000 (2009: HK$14,411,000), and the banking facilities guaranteed by the Group to a jointly-controlled entity and associates were utilised to the extent of approximately HK$350,000,000 (2009: Nil) and HK$2,942,000 (2009: HK$5,914,000), respectively.

49. FINANCIAL GUARANTEES

At the end of the reporting period, the Group had the following financial guarantees:

	Group	
	2010	2009
	HK$'000	HK$'000
Guarantees in respect of mortgage facilities provided for certain customers	**2,288,646**	614,935

The Group have arranged bank financing for certain purchasers of their property units and provided guarantees to secure the obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificates which will generally be available within one year upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loans by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group are responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the banks and the banks are entitled to take over the legal titles and possession of the related properties. The guarantee period starts from the dates of grant of the mortgages. The directors of the Company consider that the fair value of the guarantees is not significant and in the case of default on payments, the net realisable value of the related properties will exceed the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore no provision has been made in the financial statements for the guarantees.

50. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had no significant transactions with related parties during the year.

(b) Other transactions with related parties

Details of the Group's loans to its jointly-controlled entities, and the amount due to a related party as at the end of the reporting period are set out in notes 19 and 37 respectively.

(c) During the year, certain of the Group's buildings and prepaid land lease payments with an aggregate carrying amount of HK$15,162,000 (2009: HK$15,579,000) were provided to a family member of a director for the operation of a school free of charge.

(d) Compensation of key management personnel of the Group

	2010 **HK$'000**	2009 HK$'000
Short term employee benefits	**32,818**	30,622
Equity-settled share option expense	**14,754**	34,968
Total compensation paid to key management personnel	**47,572**	65,590

Further details of directors' emoluments are included in note 9 to the financial statements.

The above related party transactions do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

51. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2010, the Group held the following financial instruments measured at fair value:

Assets measured at fair value as at 31 December 2010:

	Level 1 **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Total** **HK$'000**
Available-for-sale investment	**181,553**	**—**	**—**	**181,553**
Equity investments at fair value through profit or loss	**131,006**	**—**	**—**	**131,006**
	312,559	**—**	**—**	**312,559**

Assets measured at fair value as at 31 December 2009:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale investment	260,322	—	—	260,322
Equity investments at fair value through profit or loss	11,632	—	—	11,632
	271,954	—	—	271,954

51. FAIR VALUE HIERARCHY *(Continued)*

Liability measured at fair value as at 31 December 2010:

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Call option liability	**—**	**—**	**75,766**	**75,766**

Liability measured at fair value as at 31 December 2009:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Call option liability	—	—	68,297	68,297

During the year, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3.

The movements in fair value measurements in Level 3 during the year are as follows:

	2010 HK$'000	2009 HK$'000
Call option liability:		
At 1 January	**68,297**	—
Granted during the year	**—**	60,224
Fair value loss recognised in the income statement included in other expenses	**5,281**	8,073
Exchange realignment	**2,188**	—
At 31 December	**75,766**	68,297

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include equity investments, held-to-maturity investments, available-for-sale investments, derivative financial instruments, convertible note receivable, trade and other receivables, trade and other payables, cash and bank balances, bank borrowings and short term deposits. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2.4.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, price risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its interest rate risk, and will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/loss before tax. There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit/loss before tax** HK$'000
2010		
HK$	**100**	**(12,906)**
US$	**100**	**3,234**
EUR	**100**	**13**
RMB	**150**	**38,356**
HK$	**(100)**	**12,906**
US$	**(100)**	**(3,234)**
EUR	**(100)**	**(13)**
RMB	**(150)**	**(38,356)**

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit/loss before tax HK$'000
2009		
HK$	100	1,382
US$	100	(6,560)
EUR	100	(24)
RMB	150	(7,828)
HK$	(100)	(1,382)
US$	(100)	6,560
EUR	(100)	24
RMB	(150)	7,828

Foreign currency risk

The Group has currency exposure as the majority of its sales from packaging products and travel bags products businesses were denominated in US$, which are pegged to HK$. Most of the assets and liabilities of this business are denominated in HK$ except for certain cash and cash equivalents denominated in RMB.

The Group's property development and investment business are located in Mainland China and all transactions are conducted in RMB. Most of the assets and liabilities of this business are denominated in RMB except for certain cash and cash equivalents denominated in HK$ and US$.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of the RMB against HK$ and US$ may have impact on the operating results of the Group.

The Group currently does not have a foreign currency hedging policy. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of currencies other than the functional currencies of the relevant operating units, with all other variables held constant, of the Group's profit/(loss) before tax (due to changes in the fair value of monetary assets and liabilities). There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in rates	**Increase/ (decrease) in profit/loss before tax** HK$'000
2010		
If RMB weakens against US$	**7%**	**6,039**
If RMB strengthens against US$	**(7%)**	**(6,039)**
If HK$ weakens against RMB	**7%**	**573**
If HK$ strengthens against RMB	**(7%)**	**(573)**
2009		
If RMB weakens against US$	7%	(568)
If RMB strengthens against US$	(7%)	568
If HK$ weakens against RMB	7%	(1,351)
If HK$ strengthens against RMB	(7%)	1,351

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and other receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group's maximum exposures to credit risk are the carrying amounts of trade and bills receivables and other receivables as disclosed in notes 29 and 30, respectively. In addition, the Group reviews the recoverable amount of each individual trade debtor at the end of each reporting period to ensure that adequate impairment losses have been made for irrecoverable amounts.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure the obligation of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 49.

Price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale investments (note 24) and equity investments at fair value through profit or loss (note 25) as at 31 December 2010. The Group's listed investments are listed on the Hong Kong and Shanghai stock exchanges and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchanges at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year are as follows:

	31 December 2010	**High/low 2010**	31 December 2009	High/low 2009
Hong Kong — Hang Seng Index	**23,035**	**24,989/ 18,972**	21,873	22,945/ 11,345
Shanghai — A Share Index	**2,940**	**3,443/ 2,498**	3,437	3,644/ 1,956

The following table demonstrates the sensitivity to every 10% decrease (2009: 10% decrease) in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

	Carrying amount of equity investments HK$'000	**Increase/ (decrease) in profit/loss before tax** HK$'000	**Decrease in other components of equity** HK$'000
2010			
Equity investments at fair value through profit or loss listed in Hong Kong	**131,006**	**(13,101)**	**—**
An available-for-sale investment listed in Shanghai	**181,553**	**—**	**(18,155)**
Total	**312,559**	**(13,101)**	**(18,155)**
2009			
Equity investments at fair value through profit or loss listed in Hong Kong	11,632	1,163	—
An available-for-sale investment listed in Shanghai	260,322	—	(26,032)
Total	271,954	1,163	(26,032)

The Group's management manages the above exposure by maintaining a well-diversified and low value of risk factor investment portfolio.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and have available funding through an adequate amount of committed credit facilities to meet its construction commitments and other business operations.

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

Group			2010			
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to 12 months HK$'000**	**1 to 5 years HK$'000**	**Beyond 5 years HK$'000**	**Total HK$'000**
Interest-bearing bank and other borrowings	**2,253**	**83,829**	**1,506,628**	**3,034,935**	**32,003**	**4,659,648**
Loans from non-controlling shareholders	**688,303**	—	—	—	—	**688,303**
Trade payables	—	**961,663**	—	—	—	**961,663**
Other payables	—	—	**141,632**	—	—	**141,632**
Consideration payable on acquisition of subsidiaries	—	—	**1,100**	—	—	**1,100**
	690,556	**1,045,492**	**1,649,360**	**3,034,935**	**32,003**	**6,452,346**
Financial guarantees issued: Maximum amount guaranteed	**2,647,646**	—	—	—	—	**2,647,646**

			2009		
	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	—	221,707	421,734	2,209,946	2,853,387
Loans from non-controlling shareholders	21,537	—	586,607	—	608,144
Trade payables	—	665,357	254,554	—	919,911
Other payables	—	78,650	—	—	78,650
Due to a related party	20,000	—	—	—	20,000
Consideration payable on acquisition of subsidiaries	—	—	1,100	—	1,100
	41,537	965,714	1,263,995	2,209,946	4,481,192
Financial guarantees issued: Maximum amount guaranteed	628,435	—	—	—	628,435

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Company

	2010				
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to 12 months HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Interest-bearing bank borrowings	**—**	**14,350**	**216,688**	**1,777,328**	**2,008,366**
Other payables	**—**	**—**	**354**	**—**	**354**
	—	**14,350**	**217,042**	**1,777,328**	**2,008,720**
Financial guarantees issued:					
Maximum amount guaranteed	**420,000**	**—**	**—**	**—**	**420,000**

	2009				
	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Interest-bearing bank borrowings	—	194,804	17,269	1,560,138	1,772,211
Other payables	—	705	—	—	705
	—	195,509	17,269	1,560,138	1,772,916
Financial guarantees issued:					
Maximum amount guaranteed	64,500	—	—	—	64,500

Capital management

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

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 2009.

The Group monitors capital using a net gearing ratio, which is net debts divided by equity attributable to owners of the parent. Net debts include interest-bearing bank and other borrowings less cash and bank balances and time deposits. The net gearing ratios as at the ends of the reporting periods were as follow:

Group

	2010 HK$'000	2009 HK$'000
Interest-bearing bank and other borrowings (note 39)	**4,288,768**	2,742,494
Less: Cash and bank balances and time deposits (note 32)	**(5,879,982)**	(3,784,595)
Net cash	**(1,591,214)**	(1,042,101)
Equity attributable to owners of the parent	**12,265,726**	11,807,635
Net gearing ratio	**N/A**	N/A

53. EVENTS AFTER THE REPORTING PERIOD

(a) On 1 February 2011, CQ Verakin entered into an agreement to acquire from Verakin Group a 51% interest of the registered capital in, and a 51% share of the aggregate shareholder's loans advanced or to be advanced to, Chongqing Lian Xing Investment Company Limited ("Chongqing Lian Xing") for a total consideration of RMB106,915,000. Chongqing Lian Xing has three land plots lying adjacent to the Verakin New Park City owned by CQ Verakin, which can be developed as an extension of the project. The acquisition was in line with the business strategy of the Company to expand its quality land bank and real estate development in Western China.

(b) On 22 March 2011, the Group acquired a parcel of land located in the Jinyang New District, Guiyang, Guizhou Province through listing-for-sale with a total consideration of RMB728,000,000. The acquisition was in line with the business strategy of the Company to extend its land bank to other key cities in Western China.

54. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 29 March 2011.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

RESULTS

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**1,916,975**	1,080,638	1,395,643	910,759	794,984
PROFIT/(LOSS) BEFORE TAX	**402,339**	(7,275)	(1,306,474)	390,710	633,353
Income tax credit/(expense)	**(146,778)**	(35,651)	227,837	512,901	(2,436)
PROFIT/(LOSS) FOR THE YEAR	**255,561**	(42,926)	(1,078,637)	903,611	630,917
Attributable to:					
Owners of the parent	**260,082**	(58,358)	(837,145)	905,495	627,871
Non-controlling interests	**(4,521)**	15,432	(241,492)	(1,884)	3,046
	255,561	(42,926)	(1,078,637)	903,611	630,917

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**266,935**	269,971	286,668	284,911	267,654
Investment properties	**338,323**	297,094	250,294	197,250	128,262
Prepaid land lease payments	**1,899,345**	2,258,873	2,222,536	25,061	25,510
Investments in jointly-controlled entities	**1,082,627**	726,268	1,210,921	894,452	—
Investments in associates	**1,105**	1,743	2,747	36,333	33,300
Held-to-maturity investments	**114,969**	—	—	—	—
Available-for-sale investments	**822,491**	900,599	150,757	426,174	46,612
Properties under development	**7,164,334**	5,920,718	6,901,012	7,804,480	6,424,561
Interests in land use rights for property development	**—**	986,864	389,098	2,060,442	—
Other non-current assets	**—**	35,650	34,212	683,690	66,122
Non-current assets	**11,690,129**	11,397,780	11,448,245	12,412,793	6,992,021
Current assets	**15,720,394**	9,146,110	4,203,601	3,854,649	1,778,590
Current liabilities	**(9,315,552)**	(3,913,701)	(2,037,542)	(2,603,943)	(1,181,407)
Net current assets	**6,404,842**	5,232,409	2,166,059	1,250,706	597,183
Non-current liabilities	**(4,879,147)**	(4,074,532)	(3,726,660)	(3,009,197)	(2,155,769)
Non-controlling interests	**(950,098)**	(748,022)	(612,034)	(808,019)	(6,677)
Equity attributable to owners of the parent	**12,265,726**	11,807,635	9,275,610	9,846,283	5,426,758