天譽置業（控股）有限公司
SKYFAME REALTY (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 00059)

Annual Report 2010

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

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

Independent Non-executive Directors:

Choy Shu Kwan
Cheng Wing Keung, Raymond
Chung Lai Fong

COMPANY SECRETARY

Cheung Lin Shun

AUDIT COMMITTEE

Choy Shu Kwan *(Chairman)*
Cheng Wing Keung, Raymond
Chung Lai Fong

REMUNERATION COMMITTEE

Chung Lai Fong *(Chairman)*
Choy Shu Kwan
Cheng Wing Keung, Raymond
Yu Pan

NOMINATION COMMITTEE

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

SHARE LISTING

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

COMPANY'S WEBSITE

http://www.sfr59.com

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Guangzhou, Guangdong Province, the PRC
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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18 Harcourt Road, Hong Kong
Telephone: (852) 2111 2259
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REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
6 Front Street, Hamilton, HM 11, Bermuda

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Industrial and Commercial Bank of China Limited
China Bohai Bank Co., Limited

AUDITOR

BDO Limited
Certified Public Accountants

LEGAL ADVISERS

Hong Kong Laws:

Leung & Associates
Angela Ho & Associates
Wilkinson & Grist

Bermuda Laws:

Conyers Dill & Pearman

PRC Laws:

廣東經綸律師事務所(Greenen Law Office)
金杜律師事務所(King & Wood)

CHAIRMAN'S STATEMENT

The financial year of 2010 was challenging and difficult. The Company and its subsidiaries undergone unprecedented problems led by the debt crisis spread from late 2009 as triggered by the acceleration of loan repayment lodged by the trustee acting for the investors of the convertible notes in an outstanding amount of US$192 million and the demand for repayment of a loan due to two financial institutions headed by Lehman Brothers Commercial Corporation Asia Limited (In liquidation) ("LBCCAL") with principal of HK$220 million which was due in January 2009.

After the management has taken full force for actions to successfully realise Westin Project and Tianhe Project in late 2009 and mid-2010 respectively at reasonably satisfactory prices during the depressed market at the prevailing times to raise funds for the settlement of the debts due to the convertible noteholders and LBCCAL, the year-long dispute was finally put an end in October 2010. The mutual settlements with the creditors and the Company offered a win-win situation to all parties. The most important outcome to the Group is that it resumed its normal operation that had been unavoidably deterred by the debt disputes.

In November 2010, the management succeeded in obtaining the long-expected land use right certificate for the Zhoutouzui Project, an important milestone turning key for the commencement of the construction of the project which is expected to take place in the second quarter of 2011.

The settlement of the debts rendered the Group improved liquidity and lowered gearing positions. Thanks to the experience gained during the year, the management understands that it is crucial to maintain a conservative approach in the Group's expansion plan that needs to be supported by adequate working capital. The directors had analyzed cash flow projections of the Group and believed that the liquid resources held currently and to be obtained in the imminent future by the Group can render sufficient financial resources for its existing development projects in Zhoutouzui and Guiyang and for future expansions into new project developments, should suitable opportunities arise.

Since the financial turmoil in 2008, the worldwide loose monetary policies in leading economies have brought recovery in the general global economy, but in a different extent in different economies, amongst mainland China is experiencing the strongest growth. However, the heated economy in the mainland has led to increasing inflationary pressure and rising property prices that have not been curtailed by governmental measures. The management will keep a close eye on the impacts of the austerity measures and is developing flexible strategy to counter the upcoming challenges in the coming years.

We have been a prominent player in the market with a decade-long focus of high-end properties in Guangzhou and this mission has not been changed. We do not forget the supports extended to us in midst of the difficult times during the year by our customers, contractors and suppliers, bankers and employees. In expressing our thanks to these business affiliates, we will endeavor to execute our mission and remain a trustworthy developer who brings a high standard of performance to our customers.

Yu Pan
Chairman

Hong Kong, 15 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Business review

For the year, the Group recorded a total turnover of HK$423 million, representing a 39% growth when compared with last year thanks to the completion of the property units in Guiyang Project that were sold and recorded as property sales of HK$405 million in the second half of the year. This stream of income compensates the loss of revenue generated from the hotel operation and the declined leasing income caused by the disposal of the Group's main revenue generating asset, a hotel tower at The Westin Guangzhou and office building at the Skyfame Tower, in last December 2009. Nonetheless, the Group maintains a stable leasing income from the Tianyu Garden Phase II which generated leasing income of HK$18 million for the year.

The revenue from the properties sold in Guiyang during the year represents 96% of the total 856 residential units completed in the first phase of the development. As an effort to boost sales so as to promote market awareness and generate cash flow at the difficult times of the Group during the year, sales were contracted at attractive and affordable prices averaged at approximately HK$4,600 (RMB4,000) per sq.m., leading to a gross profit of HK$54 million but a relatively low profit margin of 13%.

Due to the concentration on property development in the current year instead of being a hotel owner as in previous years, there have been changes in the mode of operation where one can notice from the Group's operating expenses. The hotel operation did not contribute much to the bottom line in the profit and loss account in 2009 due to the substantial depreciation charge and overheads incurred. For the current year, operating expenses decreased by 58% to HK$75 million. Notwithstanding the foregoing and the fact that operating expenses for the year were exceptionally burdened by legal and professional fees of HK$14 million incurred in the debt restructuring and application for resumption of trading of shares, the business operation of the Group achieved an operating profit of HK$10 million (2009: HK$5 million (restated)).

Nonetheless, the Group recorded a profit attributable to the owners of HK$999 million which is a combined effect of the following factors: (1) the successfully implemented debt restructuring program pursuant to which the convertible notes in the principal amount of US$192 million (the "Notes") and a loan of HK$220 million in principal value (the "Sky Honest Loan") have been compromised at a reduced amount equivalent to 80% of the outstanding principal with all accrued interests waived. The restructuring program has resulted in a gain represented by the reduction in liabilities embedded by the Notes and the Sky Honest Loan of HK$1,078 million; (2) a substantial drop in finance costs to HK$165 million (as compared with HK$1,883 million in the corresponding last year) which was impacted mainly by the recognition of the Notes as liability and all accrued interests booked in full as a result of the accelerated repayment demand lodged by the noteholders in late 2009 that brought a charge of HK$1,542 million in last year, a reduction in interests incurred which were previously charged on the disposed Westin Project and the reduced interest charged on the Sky Honest Loan as a result of the debt restructuring, and (3) the revaluation surplus of HK$134 million arising on the revaluation of the Group's commercial podium at the Tianyu Garden Phase II.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK (Continued)

Business review (Continued)

To raise fund to repay the noteholders and Sky Honest Loan creditor, besides the disposal of the Westin Project in 2009, in July 2010, the Company entered into an agreement with a third party to dispose of the entire equity interest in the subsidiary Huan Cheng, which has been engaged in the development of the Tianhe Project, at a gross consideration of approximately HK$1,270 million (RMB1,090 million) plus adjustments for other assets of the project company disposed of, and finance costs and development costs to be borne by the Company. The transaction was completed in September 2010 and the first instalment payment of the consideration received from the purchaser was largely used for the full settlement of the Notes and Sky Honest Loan in October 2010. Instalment payments totalling approximately HK$911 million (RMB770 million), inclusive of the partial early instalment payment of approximately HK$201 million (RMB170 million), have been received from the purchaser of Tianhe Project up to the date of this report. Despite the completion of the disposal transaction, the criteria for recognition of revenue set out in HKAS 18 "Revenue" have not been met due to the fact that the due performance of the Company's obligations under the agreement as to the timing of the completion of the construction and the overruns in construction costs is uncertain at the moment. The associated costs cannot be ascertained reliably and hence the revenue arising from the disposal is not recognised in the current year and deferred to a time when substantial part of the associated costs can be ascertained reliably. Given the normal timeframe for the construction of properties as planned, the Directors expect that the revenue from and gain on the disposal will be fully recognised by the end of 2013 when the properties are expected to be completed.

The Group is currently holding an investment property and two pieces of land for real estate development, with details as follows:

Investment property

A 20,000 sq.m. commercial podium at Tianyu Garden Phase II in Tianhe District, Guangzhou. The property is now 70% occupied, tenanted with renowned corporations and the US consulate.

Properties development

Guiyang Project

The development, which the Group holds a 55% stake, consists of high-end residential apartments of a total GFA of approximately 449,000 sq.m. for residential apartments and GFA of approximately 142,000 sq.m. for commercial complex, community facilities and carparking spaces. The first phase of the development, comprising three blocks of residential apartments, club house, carparks and common facilities with GFA of 133,000 sq.m., were completed of which 96% of the units were delivered to buyers since July 2010 and sale proceeds were recorded as revenue for the year. The remaining areas will be constructed in two phases, consisting of nine blocks of residential and commercial buildings, common utilities and carparking spaces with GFA of 458,000 sq.m. The second phase of four blocks of residential buildings with GFA of 161,000 sq.m. is under construction and starting from September 2010, all of the second phase development were launched for pre-sale with satisfactory performance. GFA of approximately 72,000 sq.m. have been contracted at sale prices ranging from approximately HK$4,600 (RMB3,900) to HK$6,100 (RMB5,200) per sq.m. so far. The management expects the second phase development will be delivered to the buyers in late 2011 and 2012.

The third phase of the development, consisting of five residential buildings with common facilities and carparking spaces of GFA of 245,000 sq.m., will be completed in late 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK (Continued)

Business review (Continued)

Properties development (Continued)

Zhoutouzui Project

The project is held by a sino-foreign cooperative joint venture enterprise which is jointly controlled by the Company and two other independent third parties, namely 廣州越秀企業（集團）公司 (Guangzhou Yuexiu Enterprise Group Ltd) and 廣州港集團有限公司 (Guangzhou Port Group Co. Ltd), the former being the original land use right holder with no vested interest in the project and the latter an original user of the land who is entitled to share 28% in GFA of the completed properties. Under the joint venture agreement, the Group has to finance all construction costs of the entire development.

Properties that are planned to be developed on the site of 86,557 sq.m. in size are a total of 7 towers consisting of residential apartments, offices, service apartments, car parking facilities and a commercial complex in GFA of approximately 146,000 s.q.m., 28,000 s.q.m., 13,000 s.q.m., 98,000 s.q.m., and 5,000 s.q.m. respectively. The site, opposite to the renounced White Swan Hotel, offers a full waterfront view of the Pearl River. The project company has obtained the land use right certificate in November 2010 and plans to commence construction in the second quarter of 2011, pending the issue of the construction permit which is subject to the completion of governmental review of the detailed construction plans.

Going concern

The completion of the debt restructuring program mentioned in the aforesaid paragraphs brought the Group with a stable financial position. The liabilities of the Group have been substantially reduced as a result of the full discharge of the Notes and Sky Honest Loan. In addition, the cash inflows from the pre-sale of properties under construction in Guiyang Project enable the project financially self-sufficient. The instalments received and to be received from the purchaser of Tianhe Project also adds onto the working capital of the Group that facilitates the commencement of construction of the Zhoutouzui Project without financial constraints and reliance on bank borrowing. Based on the marked improvements in the liquidity and gearing positions, the financial statements of the Group for the year are prepared on a going concern basis.

Outlook

Subsequent to the settlement of the claims of the noteholders and Sky Honest Loan creditor, the Group's operations have resumed normal and its assets are secured free from turbulence. The Group's free cash at the end of the reporting period will further increase when the second instalment of approximately HK$414 million (RMB350 million) is received in full from the purchaser of Tianhe Project in the second quarter of 2011 of which approximately HK$201 million (RMB170 million) has been received up to the date of this report. With all these resources in hand, the Group is in a strong position to sustain a stable growth through its existing development projects as well as by seeking other acquisition opportunities.

Though we see a steady recovery in the global economy since the aftermath of the financial tsunami broken out in 2008, the economies in the emerging markets, the PRC in particular, are heated with rising prices of commodities and properties. The central government of the mainland China has continued in imposing austerity measures to cool down the uprising prices and such curtailing strategies are expected to continue in the coming years. We foresee that more stringent control measures are on the pipeline that will put forward severe threats to players in the field. The Group is fortunate enough to have survived from the year-long financial crisis and the debt restructuring has paved a strong foundation for the Group to sustain a strong presence in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure and liquidity

As at 31 December 2010, the Group's indebtedness comprised a mortgage loan and construction loan totaling approximately HK$244 million (RMB206 million), a money market loan of approximately HK$526 million (US$67.7 million) maturing in one year and secured by a short-term bank deposit of approximately HK$568 million (RMB480 million), other unsecured borrowings due to two third parties totaling HK$122 million and advances from a non-controlling shareholder of a subsidiary totaling HK$221 million. The total indebtedness, exclusive of the money market loan that is backed by a bank deposit, amounting to HK$587 million, represents a decrease of HK$2,222 million when compared with the corresponding balance in last year. The decrease is explained by the extinguishment of the Notes and Sky Honest Loan upon the full implementation of the debt restructuring program in October 2010.

The gearing ratio of the Group as at 31 December 2010 was 21%, based on the net debt of HK$516 million (represented by indebtedness comprising bank and other borrowings (including money market loan), loan from non-controlling shareholder of a subsidiary, net of cash and bank balances and bank deposit backing up the money market loan) to the equity attributable to owners of HK$1,919 million plus net debt of HK$516 million as at 31 December 2010. The ratio dropped substantially as a reflection of the reduction in liabilities level and the enlarged equity as at the year-end date.

For the purpose of our assessment of the gearing position of the Group, indebtedness excludes deferred income of HK$1,107 million that is the estimated net consideration for the disposal of Tianhe Project for which the gain and revenue will be recognised at the time when the associated costs relating to the performance of the obligations of the Company can be ascertained.

The current assets totaling HK$1,828 million as at 31 December 2010 show an increase of HK$104 million. The current assets comprise the current portion of the consideration receivable for the disposal of Tianhe Project and the balance instalment for the disposal of Westin Project totaling HK$654 million, bank deposits of HK$630 million (represented by a restricted deposit of HK$568 million used to back up for guarantee extended for the money market loan facility and pre-sale proceeds received from buyers of HK$62 million that will be used for payment of construction costs incurred in the Guiyang Project) and completed unsold properties and properties under development in the Guiyang Project costing HK$133 million and HK$362 million respectively.

Together with the increased current asset level, the liquidity position of the Group is improved in the sense that the net current liabilities of HK$1,149 million in last year turned into a position of net current assets of HK$585 million as at 31 December 2010. The improvement is due to the extinguishment of liabilities as a result of the debt restructuring implemented in the year that caused a substantial reduction in short-term liabilities to HK$1,242 million as at 31 December 2010 from HK$2,873 million as at 31 December 2009. The improvement in liquidity relieves the Group's financial pressure in meeting with its short-term creditors.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Borrowings and pledge of assets

To secure for banking facilities granted to operating subsidiaries for working capital and construction costs by a commercial bank in the mainland China, mortgages of property interests in Tianyu Garden Phase II and works in progress and the land of the Guiyang Project were mortgaged in favour of the lending bank. In addition, bank deposits, being cash received from property buyers, of approximately HK$62 million as at 31 December 2010 were restricted for construction costs of properties under construction. To secure a back-to-back guarantee given by a local bank in the mainland China to a Hong Kong-based bank for a money market loan facility of US$67.7 million, a bank deposit of approximately HK$568 million was placed in a bank account in the mainland China. Since the completion of the debt restructuring program, the shares of certain intermediate holding companies of the property developing subsidiaries of the Group previously charged in respect of the Notes and Sky Honest Loan were released.

FOREIGN CURRENCY MANAGEMENT

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

Due to the steady appreciation of RMB against HK and US dollars during the year, a foreign exchange gain arises on consolidation of the assets and liabilities of the PRC subsidiaries, resulting an exchange reserve of HK$315 million as at 31 December 2010 that is added to the equity of the Group. Since the US and HK dollars are pegged whilst RMB moves in gradual and upward trend against the US and HK dollars, the Group foresees no significant possible foreign currency adverse exposure in the foreseeable future but appreciations in the exchange rates of RMB against HK and US dollars. Such fluctuations will not have unfavourable effect on the financial position of the Group. For these reasons, the Group does not hedge against its foreign currency risk. However, any permanent or significant changes in the exchange rates in RMB for HK and US dollars and in the peg system of US dollars with HK dollars may have possible impact on the Group's results and financial position.

CONTINGENT LIABILITIES

The Group provides guarantees to the extent of HK$218 million as at 31 December 2010 in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

EMPLOYEES

To keep pace with the growth of the Group after the acquisitions of projects, the Group recruits suitable staff in capable caliber. As at 31 December 2010, other than the Executive Directors, the Group employed 142 staff for property development and central management. Employees are remunerated according to qualifications and experience, job nature and performance. Remuneration packages are aligned with job markets in the business territories.

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yu Pan *(Chairman)*

Aged 46, joined the Company in December 2004 when he took control of the Company through acquisition of a controlling interest in the Company. He has over 21 years of experience in the development of high-end residential, commercial and hotel projects in the PRC. Mr. Yu is a founder of the prestigious real estate company – Guangzhou Tianyu Real Estate Development Company Limited set up in July 1997 from which the Group acquired some projects in 2007. He oversees the strategic planning and corporate development of the Group.

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

Aged 46, joined the Company in May 2005. He holds a Master degree in Business Administration awarded by The Northeast Louisiana University in the USA. Mr. Lau has over 17 years of working experience in the senior management of corporations engaged in property agency and development in Hong Kong and the PRC.

Mr. Wong Lok

Aged 53, joined the Company in August 2005. He has over 25 years of working experience in senior management of corporations engaged in property and general trading in Hong Kong and the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Choy Shu Kwan

Aged 56, joined the Company in December 2004. He holds a Master degree in Business Administration and has over 27 years of extensive experience in banking and investment management. Mr. Choy worked for the CITIC group for 20 years in Hong Kong and before his resignation in 2007, he was the managing director of CITIC Capital Markets Limited. He is also an independent non-executive director of Poly (Hong Kong) Investments Limited.

Mr. Cheng Wing Keung, Raymond

Aged 51, joined the Company in December 2004. He is a practising solicitor in Hong Kong. Mr. Cheng holds an honour degree in laws in The University of London and a Master degree of Business Administration awarded by The University of Strathclyde, Scotland. Mr. Cheng also holds a Diploma in Chinese Professional Laws in the Chinese University of Political Science and Law, PRC. Mr. Cheng has over 23 years of experience in corporate, company secretarial and listing affairs. At present, Mr. Cheng is an independent non-executive director in three other listed companies in Hong Kong, namely China Investment Fund Company Limited, Emperor Capital Group Limited and Sino Resources Group Limited.

Ms. Chung Lai Fong

Aged 43, joined the Company in December 2004. She is a practising barrister in Hong Kong. Ms. Chung holds a Bachelor of Laws (Honours) degree, a Bachelor of Arts (Honours) Degree in Accountancy and a Master of Laws in Chinese Law. She is also a fellow member of the Association of Chartered Certified Accountants (UK) and a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators (UK) and the Hong Kong Institute of Chartered Secretaries. Ms. Chung has over 15 years of professional experience in accounting, taxation, company secretarial, regulatory and corporate affairs. Ms. Chung is also as an independent non-executive director of Far City Mining Limited, a company listed on Canadian National Stock Exchange.

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Ms. Cheung Lin Shun

Aged 48, joined the Group in March 2005. She is a professional qualified accountant in Hong Kong and is in charge of the financial, accounting and company secretarial matters at the corporate level of the Group. Ms. Cheung holds a Master degree in Professional Accountancy awarded by The Hong Kong Polytechnic University. Ms. Cheung is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. She has over 25 years of experience in auditing, corporate secretarial, accounting and corporate finance obtained from an international accounting firm and a number of listed companies in Hong Kong.

SENIOR MANAGEMENT

Mr. Wen Xiao Bing

Aged 42, is the Chief Executive Officer of Guangzhou management office in charge of overall management of the property development and investment business in the PRC. He holds a Bachelor Degree in History from Beijing University and is a professional qualified economist specialized in labor economics in the PRC. Mr. Wen has over 20 years of working experience in managerial positions in corporations in the PRC.

Mr. Lin Sheng Jie

Aged 45, is the Chief Financial Officer of Guangzhou management office in charge of all general finance operations in the PRC. Mr. Lin was a Bachelor Degree graduate in finance and accountancy of Guangdong University of Business Studies and has over 20 years of working experience in the finance and accounting in property development, finance and hotel investment in the PRC, Thailand and Hong Kong.

Mr. Li Le Wei

Aged 54, is the Chief Operating Officer of Guangzhou management office in charge of all property development operations in the PRC. Mr. Li graduated from Guangdong Radio & TV University and has over 23 years of working experience in hotel and property management in Guangzhou.

Ms. Yuan Hong Fang

Aged 39, is the Assistant Chief Administrative Officer of Guangzhou management office in charge of the planning and development of overall administration. Ms. Yuan graduated from Lingnan College, Sun Yat-sen University and holds a Master Degree in Business Management and has over 16 years of working experience in finance, administration and property management.

Mr. Liu Long De

Aged 58, is the General Manager in charge of Tianhe Project in Guangzhou and oversees the management and operation of the project. Mr. Liu holds a Bachelor Degree in Electrical Engineering from Qingdao University and is a professionally qualified senior engineer in the PRC. Mr. Liu has over 25 years of experience in property development and management.

Mr. Tang Gao Xin

Aged 43, is the Deputy General Manager in charge of Zhoutouzui Project in Guangzhou and oversees the management and operation of the project. Mr. Tang is a graduate with bachelor degree major in Architecture (Industrial and Civil) from Hunan University and is a professionally qualified civil engineer. Mr. Tang has over 17 years of experience in property development and management.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to enhance its corporate governance standards by emphasizing transparency, independence, accountability, responsibility and fairness. The Company exercises corporate governance through the board of directors of the Company (the "Board") and various committees with designated functions. The Company has complied with the applicable code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2010.

None of the directors of the Company (the "Directors") is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the 2010 financial statements, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules except for code provision A2.1, where the roles of chairman and chief executive officer of the Company is not separated as required but is currently performed by the same individual.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

As at 31 December 2010, the Board comprised six Directors as follows:

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

Independent Non-executive Directors
Mr. Choy Shu Kwan
Mr. Cheng Wing Keung, Raymond
Ms. Chung Lai Fong

Mr. Jerry Wu resigned as an independent non-executive director of the Company on 1 August 2010.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

The Board held seven meetings in 2010. The record of attendance of each Director is as follows:

Name of Director	Number of Board Meetings Attended
Executive Directors	
Mr. Yu Pan *(Chairman)*	6/7
Mr. Lau Yat Tung, Derrick *(Deputy Chairman)*	4/7 *(Note)*
Mr. Wong Lok	7/7
Independent Non-executive Directors	
Mr. Choy Shu Kwan	7/7
Mr. Cheng Wing Keung, Raymond	7/7
Ms. Chung Lai Fong	6/7
Mr. Jerry Wu *(resigned on 1 Aug 2010)*	4/4

Note: The low attendance of Mr. Lau Yat Tung, Derrick is due to his being hospitalized during the three months from September to the year end date. He is in the course of recovering and is not working on full time basis as at the report date.

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

REMUNERATION COMMITTEE

As at 31 December 2010, the Remuneration Committee comprises four Directors: the Chairman, Mr. Yu Pan and all three Independent Non-executive Directors, namely, Mr. Choy Shu Kwan, Mr. Cheng Wing Keung, Raymond and Ms. Chung Lai Fong (Chairman of the Remuneration Committee). Mr. Jerry Wu resigned as member of Remuneration Committee on 1 August 2010.

The Remuneration Committee held two meetings in 2010 and all the members attended both meetings. The matters discussed included (i) the adjustment of the remuneration of Independent Non-executive Directors; and (ii) the 2010 remuneration strategies in making annual discretionary bonuses and incremental pay-rise.

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

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

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

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

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

5. to review the expenses reimbursement policy.

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

NOMINATION COMMITTEE

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

The Nomination Committee held a meeting on 11 March 2011 to (i) review the term of service of all the Non-executive Directors; and (ii) recommend the retiring Directors for re-election in 2011 Annual General Meeting. All the members attended the meeting.

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

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

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

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

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE (Continued)

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

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

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

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

AUDIT COMMITTEE

As at 31 December 2010, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Choy Shu Kwan (Chairman of the Audit Committee), Mr. Cheng Wing Keung, Raymond and Ms. Chung Lai Fong. Mr. Jerry Wu resigned as member of Audit Committee on 1 August 2010.

The Audit Committee held two meetings in 2010 to (i) review the financial statements for the year ended 31 December 2009 and the six months ended 30 June 2010 before submission to the Board for approval; (ii) consider the findings disclosed in the bi-annual internal audit reports prepared by the Internal Audit Department and (iii) review the effectiveness of the Group's internal controls with discussion with the Chief Internal Auditor. The external auditors and Chief Internal Auditor were present at the meeting held on 29 April 2010 to present their findings to the committee members on the audit of the financial statements for the year ended 31 December 2009 and the bi-annual internal audit report. The record of attendance of its members is as follows:

Name of Director	Number of Audit Committee Meetings Attended
Mr. Choy Shu Kwan	2/2
Mr. Cheng Wing Keung, Raymond	2/2
Ms. Chung Lai Fong	2/2
Mr. Jerry Wu *(resigned on 1 August 2010)*	2/2

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

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

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

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

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

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

In a meeting held on 11 March 2011, the Audit Committee reviewed the annual results for the year ended 31 December 2010.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

Messrs. BDO Limited was re-appointed by the shareholders as the Company's auditors during 2010. Their engagement of the audit for 2010 has been reviewed and approved by the Audit Committee by a written resolution dated 12 January 2011.

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

Nature of service	**Fees paid** *(HK$)*
Audit services	
– Current year	820,000
– Over-provision for prior years	(37,000)
Non-audit services	
– Reporting accountants	1,119,800
– Disbursements	32,500
TOTAL	**1,935,300**

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognizes the importance of good communications with all shareholders. The Company's general meetings are a valuable forum for the Board to communicate directly with the shareholders. The members of the Board and committee members and the external auditors are present to answer shareholders' questions in the meetings. Meeting circulars are distributed to all shareholders before the annual general meeting and special general meetings in accordance with the timeline requirement as laid down in the Listing Rules and the bye-laws of the Company. The results of the poll will be published in the Stock Exchange's and Company's websites.

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

Due to the noteholders' demand to accelerate the full repayment of the convertible notes issued by the Company and the appointments of receivers by the trustee acting for the convertible noteholders and appointment of provisional liquidators by a creditor in early November 2009, trading in Shares was suspended since 3 November 2009. On 7 June 2010 and 9 June 2010, the Company successfully entered into settlement agreements with the noteholders and creditor about a debt restructuring scheme which was fully implemented on 13 October 2010. The provisional liquidators were discharged on 9 July 2010 while receivers appointed by the noteholders and a creditor were discharged on 23 July 2010 and 15 July 2010 respectively, soon after the restoration agreements have been entered into with the noteholders. Since the suspension of trading of shares in November 2009, the Company has made appropriate and timely announcements to keep shareholders and the market informed of the developments of the debt restructuring scheme and all material information to appraise the Group's liquidity, operations and financial position. The Company is applying for the resumption of the trading of shares and is now in the final progress, subject to the further review by and approval to be received from The Stock Exchange of Hong Kong Limited.

CORPORATE GOVERNANCE REPORT

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (Continued)

The 2011 annual general meeting will be held at Empire Room 1, M/Floor, Empire Hotel Hong Kong Wanchai, 33 Hennessy Road, Wanchai, Hong Kong on Monday, 23 May 2011 at 11:00 a.m..

INTERNAL CONTROLS

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

The internal auditor reported to the Board through the Audit Committee with findings on regular audits and recommendations on the effectiveness of the controls during the year 2010. Interim and annual internal audit reports issued by the internal audit department have also been discussed and reviewed by the Audit Committee. While there have been no material issues noted, audit improvements were identified and remedial actions being taken by the management. The independent audits on the internal control systems covered key financial and operational areas, compliance controls and risk management.

Licensing for ISO9001:2008

During the year, as part of the management's effort to build up an image of a quality and trustworthy developer, the management implemented an accreditation program leading to a qualification as a licensed ISO9001:2008 player in real estate development. The program will enhance the internal control systems of the Group in the management of its performance so as to promote the standard in customers' expectation achievement and build up trustworthiness to the customers.

The program, involving the setting up of clear documentation flows for the purpose of a smooth implementation and control, is now under testing and is expected to be in full implementation in 2011. Given a successful implementation, the program will surely help improvement of internal controls of the Group.

DIRECTORS' REPORT

The directors of the Company (the "Directors") herein present their annual report together with the audited consolidated financial statements for the year ended 31 December 2010.

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

(a) Settlement agreements with the holders of convertible notes and lenders of a term loan of HK$220,000,000

Since November 2009, the Company started off a series of negotiations with the holders of the convertible notes (the "Noteholders") in an outstanding principal amount of US$192,000,000 (the "Notes" or "convertible notes") and the lenders of a term loan of HK$220,000,000 ("Sky Honest Loan") as triggered by the lodgement of a notice to accelerate the full repayment of the Notes and appointments of receivers by the trustee and security trustee (collectively the "Trustee") acting for the Noteholders. On 7 June 2010 and 9 June 2010, the Company and certain of its subsidiaries entered into agreements respectively with, among others, the Trustee and Lehman Brothers Commercial Corporation Asia Limited (In Liquidation) ("LBCCAL") (as facility and security agent acting for the lenders of Sky Honest Loan), namely the Noteholders Agreement and Restructuring Agreement, setting out the terms including the compromised amounts of the debts to be settled and obligations of the Company and the subsidiaries.

(b) Settlement with a creditor

On 28 July 2010, a supplemental settlement agreement was entered into between the Company and a creditor of a subsidiary who was the petitioner of the winding-up order issued on 6 November 2009. Pursuant to the supplemental settlement agreement, those terms in a settlement agreement reached on 27 January 2010 between the same parties were amended in order that the repayment period of the outstanding debt due to the creditor in a principal amount of approximately HK$38,674,000 plus accrued interests was extended to 31 December 2010. On 30 December 2010 and 8 March 2011, the due date for repayment of the principal and interest was further extended to 30 April 2011 by other two supplemental agreements entered into between a subsidiary and the creditor.

(c) Dismissal of winding-up petition and discharge of provisional liquidators

In view of the moratorium, the petitioner for the winding-up order made an application for the discharge of the winding-up order and subsequently on 9 July 2010, the High Court of the Hong Kong Special Administrative Region (the "High Court") discharged the winding-up order of the Company and dismissed the provisional liquidators of the Company ("Provisional Liquidators") appointed by the High Court on 6 November 2009.

(d) Discharge of receivers

Pursuant to the two agreements entered into with the Trustee and LBCCAL mentioned in (a) above, receivers appointed by the creditors by reason of defaults under the trust deed dated 4 May 2007 (the "Trust Deed") and the loan agreement of the Sky Honest Loan were discharged on 23 July 2010 and 15 July 2010 respectively. Simultaneously, the boards of directors of the subsidiaries of the Company under receivership were restored to their original positions at the time prior to the appointment of receivers and operations of the Group have resumed normal since then.

DIRECTORS' REPORT

DEBT RESTRUCTURING, DISMISSAL OF WINDING-UP PETITION AND DISCHARGE OF PROVISIONAL LIQUIDATORS AND RECEIVERS (Continued)

(e) Settlement of the Notes and Sky Honest Loan

To raise fund to repay the Notes and Sky Honest Loan, besides the disposal of the Westin Project in 2009, in July 2010, the Group entered into an agreement with a third party to dispose of the entire equity interest in the subsidiary, which holds the interest in the Tianhe Project, at a gross consideration of RMB1,090,000,000 (equivalent to approximately HK$1,270,100,000), plus adjustments for other assets of the project company disposed of, and finance costs and development costs to be borne by the Company. The transaction was completed in September 2010 and the first instalment payment of the consideration received from the disposal was largely used for full settlement of the obligations under the Noteholders Agreement and Restructuring Agreement. Consequently, the Notes were cancelled on 28 October 2010 and the Sky Honest Loan was discharged on 14 October 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries are property development, property investment, hotel operation and provision of related ancillary services.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by operating segments is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on pages 28 to 29.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2010.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year ended 31 December 2010.

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

SHARE OPTIONS

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

On 22 August 2006, the Company granted 63,850,000 options to subscribe for the Company's Shares under the 2005 Scheme. During the year ended 31 December 2010, 150,000 share options were lapsed. There were 45,900,000 share options outstanding as at 31 December 2010. Details of the share options scheme are set out in note 41 to the financial statements.

RESERVES

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

DISTRIBUTABLE RESERVES

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Act 1981 of Bermuda. At 31 December 2010, the Company does not have reserve (net of the Company's contributed surplus) available for cash distribution and/or distribution in specie as computed in accordance with generally accepted accounting principles of Hong Kong. The Company's share premium account in the amount of approximately HK$1,225 million may be distributed in the form of fully paid bonus shares.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group are set out in note 19 to the financial statements.

CONVERTIBLE NOTES

All the convertible notes of the Group were settled during the year and details of which are set out in note 35 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 2.0% and 3.8%, respectively, of the Group's total sales for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 20.4% and 66.3%, respectively, of the Group's total purchases for the year.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

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

DIRECTORS' REPORT

DIRECTORS AND SERVICE CONTRACTS

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

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

Independent Non-executive Directors
Mr. Choy Shu Kwan
Mr. Cheng Wing Keung, Raymond
Ms. Chung Lai Fong
Mr. Jerry Wu *(resigned on 1 August 2010)*

Mr. Wong Lok and Mr. Choy Shu Kwan will retire from office at the forthcoming annual general meeting and being eligible, will offer themselves for re-election in accordance with clause 87(1) of the Company's bye-laws and the Code on Corporate Governance Practices.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

DIRECTORS' REPORT

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

As at 31 December 2010, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required, (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in the Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), to be notified to the Company and the Stock Exchange, are as follows:

(a) Interests in the Shares or underlying Shares

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

Notes:

1. These Shares comprised (i) 94,336,000 existing Shares; and (ii) 963,776,271 existing Shares held directly by Grand Cosmos Holdings Limited ("Grand Cosmos"). The entire issued share capital of Grand Cosmos was held by Sharp Bright International Limited ("Sharp Bright"), the entire issued share capital of which was held by Mr. Yu Pan.

2. For the purposes of this section, the shareholding percentage in the Company was calculated on the basis of 1,477,687,450 Shares in issue as at 31 December 2010.

DIRECTORS' REPORT

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

(b) Interests in underlying Shares arising from share options

As at 31 December 2010, the following Directors had interests as beneficial owners in options to subscribe for Shares granted under the 2005 Scheme:

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

Note: For the purpose of this section, the shareholding percentage in the Company was calculated on the basis of 1,477,687,450 Shares in issue as at 31 December 2010.

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2010, Mr. Yu Pan, the Chairman of the Company, is also a director and substantial shareholder of a company listed on the Shenzhen Stock Exchange, namely 綠景地產股份有限公司 (Lujing Real Estate Co., Ltd.) ("LJR") which is engaged in the residential real estate development business in the mass market in the PRC. Save as the aforesaid, none of the Directors and his/her respective associates had any interests in any business, which competes or is likely to compete, either directly or indirectly, with the Company's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder of the Company).

Pursuant to a deed of non-competition dated 6 July 2006, Mr. Yu has undertaken to the Company that for so long as he remains as a Director or a controlling shareholder of the Company, all enquiries and actual or potential business opportunities received by him (and/or his associates) in relation to property development project management and property investment in the PRC (the "Business Opportunities") shall be referred by Mr. Yu to the Company on a timely basis and the Business Opportunities must be first offered or made available to the Group.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

At 31 December 2010, so far as known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Interests in the Shares or underlying Shares

Name of Shareholder	**Capacity**	**Number of Shares and underlying Shares**		**Approximate percentage** *(note 2)*
Sharp Bright	Interest of controlled corporation	963,776,271 *(note 1)*	(long)	65.22%
Grand Cosmos	Beneficial owner	963,776,271 *(note 1)*	(long)	65.22%

Notes:

1. 963,776,271 existing Shares were held directly by Grand Cosmos. As the entire issued share capital of Grand Cosmos was held by Sharp Bright, Sharp Bright was deemed to be interested in the Shares in which Grand Cosmos was interested by virtue of the SFO. As the entire issued share capital of Sharp Bright was held by Mr. Yu Pan, Mr. Yu Pan was deemed to be interested in the Shares in which Sharp Bright was interested by virtue of SFO.

2. For the purpose of this section, the shareholdings percentage in the Company was calculated on the basis of 1,477,687,450 Shares in issue as at 31 December 2010.

Save as disclosed above, as at 31 December 2010, the Company had not been notified by any persons or corporations who had long or short position in the Shares and/or underlying Shares, which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

CONNECTED TRANSACTIONS

Save as the transactions stated in note 48 to the consolidated financial statements, none of the Directors, substantial shareholders or controlling shareholders of the Company and their respective associates was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at 31 December 2010 which was significant in relation to the business of either the Group or has any material personal interest.

In the opinion of the Directors who do not have any interest in those transactions as referred to in note 48, the transactions were carried out on normal commercial terms and in the ordinary and usual course of business of the Group.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the 2010 financial statements, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules except for code provision A2.1, where the roles of chairman and chief executive officer of the Company is not separated as required but is currently performed by the same individual.

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

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

During the year, the Company has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 to the Listing Rules. Specific confirmation has been obtained from all Directors to confirm compliance with the Model Code throughout the year ended 31 December 2010.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

RETIREMENT BENEFITS SCHEMES

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

PRE-EMPTIVE RIGHTS

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

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 105.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' REPORT

AUDITOR

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

On behalf of the Board

Yu Pan
Chairman

Hong Kong, 15 March 2011

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of Skyfame Realty (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 28 to 104, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act, 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 auditor's 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 auditor considers 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.

INDEPENDENT AUDITOR'S REPORT

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.

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

Hong Kong, 15 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated) *(Note 5(a))*
Revenue	*8*	**422,812**	304,780
Cost of sales and services		**(353,965)**	(122,854)
Gross profit		**68,847**	181,926
Other income		**16,188**	2,840
Sales and marketing expenses		**(10,522)**	(29,407)
Administrative expenses		**(64,528)**	(150,731)
Fair value changes in investment properties	*20*	**133,759**	14,769
Write-down of properties under development		**–**	(70,623)
Fair value changes in financial derivative liabilities in relation to convertible notes		**–**	93,162
Gain on debt extinguishment	*9*	**1,077,764**	–
Share of loss of associate, net of tax		**(8,537)**	–
Gain on disposal of a subsidiary, net of tax	*42(b)*	**–**	284,353
Finance costs	*10*	**(164,590)**	(1,883,222)
Finance income		**4,323**	1,062
Profit (loss) before income tax	*11*	**1,052,704**	(1,555,871)
Income tax (expense) credit	*15*	**(53,970)**	464
PROFIT (LOSS) FOR THE YEAR		**998,734**	(1,555,407)
Other comprehensive income:			
Exchange differences arising on foreign operations		**92,662**	4,717
Realisation of exchange differences upon disposal of a subsidiary	*42(b)*	**–**	(157,575)
		92,662	(152,858)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,091,396**	(1,708,265)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated) *(Note 5(a))*
Profit (loss) for the year attributable to:			
– Owners of the Company	*16*	**987,522**	(1,548,450)
– Non-controlling interests		**11,212**	(6,957)
		998,734	(1,555,407)
Total comprehensive income for the year attributable to:			
– Owners of the Company		**1,079,148**	(1,701,339)
– Non-controlling interests		**12,248**	(6,926)
		1,091,396	(1,708,265)
Earnings (loss) per share	*17*		
– Basic		**HK66.83 cents**	(HK104.79 cents)
– Diluted		**HK66.83 cents**	(HK104.79 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000 (Restated) (Note 5(a))	As at 1 January 2009 HK$'000 (Restated) (Note 5(a))
Non-current assets				
Property, plant and equipment	19	**2,840**	1,111	1,046,987
Prepaid lease payments		**–**	–	237,966
Investment properties	20	**568,182**	416,951	401,543
Properties held for development	21	**2,262,817**	1,564,059	1,458,142
Goodwill	22	**16,214**	15,562	68,316
Interest in an associate	23	**–**	631,094	–
Consideration receivable for disposal of a subsidiary – non-current portion	24	**84,718**	–	–
		2,934,771	2,628,777	3,212,954
Current assets				
Properties held for sale	27	**133,121**	–	960,202
Properties under development	21	**362,388**	325,750	211,999
Inventories		**–**	–	19,542
Consideration receivable for disposal of subsidiaries – current portion	24	**653,673**	1,213,031	–
Trade and other receivables	29	**19,303**	31,956	33,900
Restricted and pledged deposits	30	**630,213**	38,547	67,737
Cash and cash equivalents	31	**28,820**	114,719	53,720
		1,827,518	1,724,003	1,347,100
Assets classified as held for sale		**–**	–	713,399
		1,827,518	1,724,003	2,060,499
Current liabilities				
Trade and other payables	32	**258,458**	418,071	219,761
Bank and other borrowings – current portion	34	**804,689**	277,627	280,228
Convertible notes	35	**–**	2,057,326	–
Loan from non-controlling shareholder of a subsidiary – current portion	36	**47,998**	–	–
Deferred income		**–**	–	3,779
Income tax payable		**130,937**	120,052	48,080
		1,242,082	2,873,076	551,848
Liabilities associated with assets classified as held for sale		**–**	–	108,884
		1,242,082	2,873,076	660,732
Net current assets (liabilities)		**585,436**	(1,149,073)	1,399,767
Total assets less current liabilities		**3,520,207**	1,479,704	4,612,721

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	As at 31 December 2010 HK$'000	2009 HK$'000 (Restated) (Note 5(a))	As at 1 January 2009 HK$'000 (Restated) (Note 5(a))
Non-current liabilities				
Other payable		–	–	63,573
Bank and other borrowings – non-current portion	34	**87,003**	239,150	1,042,480
Convertible notes	35	–	–	306,337
Financial derivative liabilities	35	–	–	93,162
Loan from non-controlling shareholder of a subsidiary – non-current portion	36	**173,225**	234,690	273,968
Deferred income	37	**1,106,861**	–	–
Deferred tax liabilities	38	**197,441**	157,405	276,693
		1,564,530	631,245	2,056,213
Net assets		**1,955,677**	848,459	2,556,508
Capital and reserves				
Share capital	39	**14,777**	14,777	14,777
Reserves	40	**1,903,724**	815,874	2,516,997
Equity attributable to owners of the Company		**1,918,501**	830,651	2,531,774
Non-controlling interests		**37,176**	17,808	24,734
Total equity		**1,955,677**	848,459	2,556,508

On behalf of the Board

Yu Pan
Director

Lau Yat Tung, Derrick
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Interests in subsidiaries	25	**2,146,056**	2,622,232
Current assets			
Amounts due from subsidiaries	25	**22,409**	15,167
Prepayments and other receivables		**420**	696
Restricted and pledged deposits	30	**–**	16,885
Cash and cash equivalents	31	**292**	51
		23,121	32,799
Current liabilities			
Accruals and other payables	32	**4,895**	16,288
Financial guarantee contract	33	**41,870**	52,260
Other borrowings	34	**47,348**	–
Amounts due to subsidiaries	25	**866,411**	–
Convertible notes	35	**–**	2,057,326
		960,524	2,125,874
Net current liabilities		**(937,403)**	(2,093,075)
Net assets		**1,208,653**	529,157
Capital and reserves			
Share capital	39	**14,777**	14,777
Reserves	40	**1,193,876**	514,380
Total equity		**1,208,653**	529,157

On behalf of the Board

Yu Pan
Director

Lau Yat Tung, Derrick
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company													
	Share capital	Share premium	Contributed surplus reserve	Share-based payment reserve	Property revaluation reserve	Merger reserve	Statutory reserves	Foreign exchange reserve	Capital reserve	Other reserves	Retained profits (accumulated losses)	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2009														
At 1 January 2009, as previously stated	14,777	1,224,954	15,497	12,713	31,479	(301,662)	6,108	376,128	–	6,158	1,134,543	2,520,695	24,734	2,545,429
Effect of change in accounting policy on land use rights *(Note 5(a))*	–	–	–	–	–	–	–	234	–	–	10,845	11,079	–	11,079
As restated	14,777	1,224,954	15,497	12,713	31,479	(301,662)	6,108	376,362	–	6,158	1,145,388	2,531,774	24,734	2,556,508
Loss for the year	–	–	–	–	–	–	–	–	–	–	(1,548,450)	(1,548,450)	(6,957)	(1,555,407)
Other comprehensive income	–	–	–	–	–	–	–	(152,889)	–	–	–	(152,889)	31	(152,858)
Total comprehensive income for the year	–	–	–	–	–	–	–	(152,889)	–	–	(1,548,450)	(1,701,339)	(6,926)	(1,708,265)
Transfer among reserves	–	–	–	–	–	–	–	–	–	(6,158)	6,158	–	–	–
Recognition of equity-settled share-based payment expenses	–	–	–	216	–	–	–	–	–	–	–	216	–	216
At 31 December 2009	14,777	1,224,954	15,497	12,929	31,479	(301,662)	6,108	223,473	–	–	(396,904)	830,651	17,808	848,459
Year ended 31 December 2010														
At 1 January 2010	**14,777**	**1,224,954**	**15,497**	**12,929**	**31,479**	**(301,662)**	**6,108**	**223,473**	**–**	**–**	**(396,904)**	**830,651**	**17,808**	**848,459**
Profit for the year	–	–	–	–	–	–	–	–	–	–	987,522	987,522	11,212	998,734
Other comprehensive income	–	–	–	–	–	–	–	91,626	–	–	–	91,626	1,036	92,662
Total comprehensive income for the year	–	–	–	–	–	–	–	91,626	–	–	987,522	1,079,148	12,248	1,091,396
Contribution from non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	8,702	–	–	8,702	7,120	15,822
Reallocation of lapsed options from share-based payment reserve to retained profits	–	–	–	(42)	–	–	–	–	–	–	42	–	–	–
At 31 December 2010	**14,777**	**1,224,954**	**15,497**	**12,887**	**31,479**	**(301,662)**	**6,108**	**315,099**	**8,702**	**–**	**590,660**	**1,918,501**	**37,176**	**1,955,677**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated) (Note 5(a))
Net cash from operating activities	42(a)	**45,944**	93,234
Investing activities			
Interest received		**4,323**	1,062
Consideration received for disposal of a subsidiary in prior year		**1,108,840**	–
Disposal of subsidiaries, net of cash disposed of	42(b)	**557,422**	(31,651)
Capital contributions to an associate		**(124,906)**	–
Additions to properties held for/under development		**(308,439)**	(242,511)
Payment of construction costs of completed properties in prior year		**–**	(60,720)
Purchase of property, plant and equipment		**(2,174)**	(2,488)
Proceeds from disposal of property, plant and equipment		**75**	144
Net cash from (used in) investing activities		**1,235,141**	(336,164)
Financing activities			
(Increase) decrease in restricted and pledged deposits		**(592,221)**	29,229
New bank and other borrowings		**606,833**	487,348
Repayment of bank and other borrowings		**(200,036)**	(172,962)
Settlement of convertible notes		**(1,175,580)**	–
Short-term loan advance from a director		**2,000**	15,031
Repayment of short-term loan from a director		**(2,000)**	(15,031)
Repayment of loan from non-controlling shareholder of a subsidiary		**(7,289)**	(39,664)
Net cash (used in) from financing activities		**(1,368,293)**	303,951
Net (decrease) increase in cash and cash equivalents		**(87,208)**	61,021
Effect of foreign exchange rate changes		**1,309**	(22)
Cash and cash equivalents at beginning of year		**114,719**	53,720
Cash and cash equivalents at end of year	31	**28,820**	114,719

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. GENERAL

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

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

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

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

(a) Settlement agreements with the holders of convertible notes and lenders of a term loan of HK$220,000,000

Since November 2009, the Company started off a series of negotiations with the holders of the convertible notes (the "Noteholders") in an outstanding principal amount of US$192,000,000 (the "Notes" or "convertible notes") and the lenders of a term loan of HK$220,000,000 ("Sky Honest Loan") as triggered by the lodgement of a notice to accelerate the full repayment of the Notes and appointments of receivers by the trustee and security trustee (collectively the "Trustee") acting for the Noteholders. On 7 June 2010 and 9 June 2010, the Company and certain of its subsidiaries entered into agreements respectively with, among others, the Trustee and Lehman Brothers Commercial Corporation Asia Limited (In Liquidation) ("LBCCAL") (as facility and security agent acting for the lenders of Sky Honest Loan), namely the Noteholders Agreement and Restructuring Agreement, setting out the terms including the compromised amounts of the debts to be settled and obligations of the Company and the subsidiaries.

(b) Settlement with a creditor

On 28 July 2010, a supplemental settlement agreement was entered into between the Company and a creditor of a subsidiary who was the petitioner of the winding-up order issued on 6 November 2009. Pursuant to the supplemental settlement agreement, those terms in a settlement agreement reached on 27 January 2010 between the same parties were amended in order that the repayment period of the outstanding debt due to the creditor in a principal amount of approximately HK$38,674,000 plus accrued interests was extended to 31 December 2010. On 30 December 2010 and 8 March 2011, the due date for repayment of the principal and interest was further extended to 30 April 2011 by other two supplemental agreements entered into between a subsidiary and the creditor.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

(c) Dismissal of winding-up petition and discharge of provisional liquidators

In view of the moratorium, the petitioner for the winding-up order made an application for the discharge of the winding-up order and subsequently on 9 July 2010, the High Court of the Hong Kong Special Administrative Region (the "High Court") discharged the winding-up order of the Company and dismissed the provisional liquidators of the Company ("Provisional Liquidators") appointed by the High Court on 6 November 2009.

(d) Discharge of receivers

Pursuant to the two agreements entered into with the Trustee and LBCCAL mentioned in (a) above, receivers appointed by the creditors by reason of defaults under the trust deed dated 4 May 2007 (the "Trust Deed") and the loan agreement of the Sky Honest Loan were discharged on 23 July 2010 and 15 July 2010 respectively. Simultaneously, the boards of directors of the subsidiaries of the Company under receivership were restored to their original positions at the time prior to the appointment of receivers and operations of the Group have resumed normal since then.

(e) Settlement of the Notes and Sky Honest Loan

To raise fund to repay the Notes and Sky Honest Loan, besides the disposal of the Westin Project in 2009, in July 2010, the Group entered into an agreement with a third party to dispose of the entire equity interest in the subsidiary, which holds the interest in the Tianhe Project, at a gross consideration of RMB1,090,000,000 (equivalent to approximately HK$1,270,100,000). The transaction was completed in September 2010 and the first instalment payment of the consideration received from the disposal was utilised for full settlement of the obligations under the Noteholders Agreement and Restructuring Agreement. Consequently, the Notes were cancelled on 28 October 2010 and the Sky Honest Loan was discharged on 14 October 2010.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

(a) Impact of new/revised HKFRSs which are effective during the year

In the current year, the Group has applied the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial period beginning on 1 January 2010:

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 2 (Amendments)	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
Amendments to HKAS 39	Eligible Hedged Items
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK – Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

The revised accounting policies are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact on the consolidated financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Accordingly, such transactions are recognised within equity. When control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year as there is no such transaction during the year.

HKAS 17 (Amendments) – Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concludes that the classification of such leases as operating leases continues to be appropriate. Hence, the adoption of the amendment has had no impact on the consolidated financial statements during the current and prior years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

(a) Impact of new/revised HKFRSs which are effective during the year (Continued)

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

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

Under the requirements of HK Interpretation 5, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. The adoption of the interpretation has had no material impact on the consolidated financial statements during the current and prior years as the Group's existing accounting policies are already in compliance with the interpretation.

Other than these, adoption of the other new or revised HKFRSs has had no material effects on the Group's consolidated financial statements nor resulted in substantial changes to the Group's accounting policies.

(b) Potential impact arising on new/revised HKFRSs not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets[3]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKFRS 9	Financial Instruments[5]

1 *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*

2 *Effective for annual periods beginning on or after 1 January 2011.*

3 *Effective for annual periods beginning on or after 1 July 2011.*

4 *Effective for annual periods beginning on or after 1 January 2012.*

5 *Effective for annual periods beginning on or after 1 January 2013.*

The Directors are in the process of making an assessment of the potential impact of these new/revised HKFRSs and they anticipate that the application of these new/revised HKFRSs will have no material impact on the Group's consolidated financial statements.

4. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except that the investment properties are stated at their fair values as explained in the accounting policies set out in note 5.

(c) Basis of presentation

As detailed in note 2, for the period from 1 January 2010 to 23 July 2010, the Company was under provisional liquidation where Provisional Liquidators had been appointed by the High Court and receivers had been appointed by LBCCAL and the Noteholders, resulting that the boards of directors of certain subsidiaries of the Company had been replaced by representatives of the receivers.

Yaubond Limited ("Yaubond") had been previously owned as to 51% and 49% respectively by Sky Honest Investments Corp. ("Sky Honest") and Nicco Limited, both of which were indirect wholly-owned subsidiaries of the Company. Upon the appointment of receivers to Sky Honest over the security assets under the security documents of Sky Honest Loan on 9 November 2009, the Group lost control of its 51% equity interest in Yaubond, which holds the entire interest in 廣州寰城實業發展有限公司 (Guangzhou Huan Cheng Real Estate Development Company Limited) ("Huan Cheng"), and directors nominated by the receivers were appointed to the boards of directors of Yaubond and Sky Honest. The Company lost control to govern the operations of Yaubond, but was only able to exercise significant influence in the determination of the financial and operating policies of Yaubond as a result of losing the 51% voting power at the board of directors of Yaubond. Accordingly, the Group's interest in Yaubond and Huan Cheng was classified as interest in an associate in the published consolidated statements of financial position of the Group as at 31 December 2009 and 30 June 2010, and the results of Yaubond and Huan Cheng were included in the consolidated statement of comprehensive income as share of loss of associate for the period from 1 January 2010 to 23 July 2010.

Nonetheless, since the dismissal of winding-up petition by the High Court on 9 July 2010, on 15 July 2010 and 23 July 2010, the boards of directors of Sky Honest and Yaubond were restored respectively, and the Company has been able to exercise unilateral control over all its subsidiaries. As such, the Group's interest in Yaubond and Huan Cheng has been re-classified from "interest in an associate" to "interests in subsidiaries". The corresponding line items of the underlying assets and liabilities of Yaubond and Huan Cheng were consolidated in the consolidated statement of financial position of the Group.

4. BASIS OF PREPARATION (Continued)

(c) Basis of presentation (Continued)

Upon the disposal of the subsidiary Huan Cheng completed in September 2010 as detailed in note 37, the underlying assets and liabilities in relation to the Tianhe Project, the interest of which was previously directly held by Huan Cheng, mainly comprising cost of properties held for development and deferred tax liabilities, were not derecognised, but instead all aggregated and classified as the separate item "net assets of the Tianhe Project" under properties held for development in the consolidated statement of financial position. Further details are set out in notes 21, 37 and 42(b).

As at 31 December 2010, Yaubond becomes wholly-owned by Fine Luck Group Limited, a wholly-owned subsidiary of the Company, upon the implementation of an internal corporate restructuring completed in December 2010.

(d) Use of estimates and judgements

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

(e) Functional and presentation currency

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

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

5. PRINCIPAL ACCOUNTING POLICIES

(a) Change in accounting policy on land use rights

During the year ended 31 December 2010, the Group changed its accounting policy for land use rights which are held for development for sale. Land use rights which are held for development for sale meet the definition of both inventories under HKAS 2 "Inventories" and leasehold land and land use rights under HKAS 17 "Leases". Previously, land use rights that are held for development for sale were classified as prepaid lease payments and were amortised on a straight-line basis over the period of the lease in accordance with HKAS 17. Amortisation of prepaid lease payments during the development phase was capitalised as part of the construction cost of the property. Amortisation charges incurred prior to development and following completion of the property were recognised in profit or loss. Subsequent to the change in accounting policy, land use rights which are held for development for sale are classified as inventories under properties held for/under development in accordance with HKAS 2 and measured at the lower of cost and net realisable value.

Management believes that the new classification of land use rights as inventories results in a more relevant presentation of the financial position of the Group, and of its performance for the period. The revised treatment reflects management's intent regarding the use of land use rights and results in a presentation consistent with industry practice.

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Change in accounting policy on land use rights (Continued)

The change in accounting policy has been accounted for retrospectively in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the consolidated financial statements have been restated by reversing the amortisation charged in prior years. The effect on the consolidated financial statements is as follows:

	2010	2009
	HK$'000	*HK$'000*
Consolidated statement of comprehensive income		
Decrease in administrative expenses	**(329)**	(8,735)
Increase in income tax expense	**–**	1,922
Decrease in gain on disposal of a subsidiary	**–**	17,658
	(329)	10,845
Increase in profit (loss) attributable to owners of the Company	**181**	10,845
Increase in profit attributable to non–controlling interests	**148**	–
Increase in profit (loss) for the year	**329**	10,845
Increase in earnings (loss) per share attributable to ordinary owners of the Company (basic and diluted)	**HK0.01 cents**	HK0.73 cents

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Change in accounting policy on land use rights (Continued)

	As at 31 December		As at 1 January
	2010	2009	2009
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position			
Decrease in prepaid lease payments			
– non-current	**(1,273,706)**	(501,942)	(498,584)
Increase in properties held for development			
– non-current	**1,247,491**	501,942	495,275
Increase in properties held for sale	**45,674**	–	386,394
Increase in properties under development			
– current	**–**	127,423	125,731
Decrease in prepaid lease payments – current	**(19,121)**	(127,423)	(494,718)
Increase in deferred tax liabilities	**–**	–	3,019
Increase in retained profits	**181**	–	10,845
Increase in foreign exchange reserve	**9**	–	234
Increase in non–controlling interests	**148**	–	–

(b) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Business combination from 1 January 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Business combination and basis of consolidation (Continued)

Business combination from 1 January 2010 (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Business combination prior to 1 January 2010

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

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Business combination and basis of consolidation (Continued)

Business combination prior to 1 January 2010 (Continued)

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests resulting in gains and losses for the Group are recognised profit or loss. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary.

(c) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

(d) Associates

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

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

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

(e) Jointly controlled entities

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

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Jointly controlled entities (Continued)

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

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

(f) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

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

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

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

(g) Property, plant and equipment

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

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

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment (Continued)

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

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

Furniture, fixtures and equipment	2 to 5 years
Motor vehicles	4 to 5 years

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

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

(h) Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Changes in fair value are recognised in profit or loss for the period in which they arise.

(i) Properties held for/under development

Properties held for/under development are stated at cost, less any identified impairment loss. The cost of properties comprises land costs, development expenditure, professional fees and borrowing costs capitalised. Land costs include prepaid lease payments representing up-front payments to acquire long-term interests in lessee occupied properties.

(j) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost represents the carrying amount of properties held for/under development upon the completion of the construction of properties. Net realisable value represents the estimated selling price of properties sold in the ordinary course of business less estimated costs to be incurred in selling the properties.

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Prepaid lease payments

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

(l) Financial instruments

(i) Financial assets

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

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

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired 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 and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

– significant financial difficulty of the debtor;
– a breach of contract, such as a default or delinquency in interest or principal payments;
– granting concession to a debtor because of debtors' financial difficulty; and
– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

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

(iii) Financial liabilities

The Group classifies its financial liabilities into the category of financial liabilities of amortised cost. The Group's accounting policy for this category is as follows:

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

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

(iv) Convertible debts

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

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method, until extinguished on conversion or maturity. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Financial instruments (Continued)

(iv) Convertible debts (Continued)

When the convertible notes are converted, the carrying amount of the liability portion together with the fair value of the conversion derivative at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the convertible notes are redeemed, and difference between the redemption amount and the carrying amounts of both components is recognised in profit or loss.

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

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

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

(vii) Financial guarantee contracts

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

(viii) Derecognition

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

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Financial instruments (Continued)

(viii) Derecognition (Continued)

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

(m) Revenue recognition

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

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

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

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

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

(n) Income taxes

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Income taxes (Continued)

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(o) Foreign currency

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Foreign currency (Continued)

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

(p) Employee benefits

(i) Defined contribution pension plan

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

(ii) Termination benefits

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

(q) Share-based payments

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

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

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

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

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

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Impairment of non-financial assets other than goodwill (Continued)

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

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

(s) Capitalisation of borrowing costs

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

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

(t) Provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Leasing

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

The Group as lessor

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

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(u) Leasing (Continued)

The Group as lessee

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

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

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Consideration receivable for disposal of a subsidiary

In assessing the final instalment amount to be received from the disposal of the subsidiary previously engaged in the Tianhe Project, management has to take into assumptions that there is no overrun in construction costs due to the delay in construction and the estimate of the construction cost of the project and finance costs to be incurred. Such estimates are based on management's past experience and hence its judgement on stable market conditions in the supply of labour and materials, the progress of construction and a prospective view on the trend of interest rates charged by commercial banks. Any material change in the estimates in subsequent periods, the carrying amount of the consideration receivable may be significantly affected.

Impairment of non-financial assets other than goodwill

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

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

6. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

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

Income taxes and deferred taxes

The Group is subject to taxation in the PRC and Hong Kong. Significant judgement is required in determining the amount of the provision for taxation and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will have impact on the income tax and/or deferred tax provisions in the period in which such determination is made.

Land appreciation taxes

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

7. SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment, the Group is currently organised into three operating divisions – property development, property investment and hotel operation and related ancillary services ("hotel operation"). As management of the Group considers that all consolidated revenue are attributable to the markets in the PRC and consolidated non-current assets are substantially located in the PRC, no geographical information is presented. The Group's reportable segments are as follows:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

7. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

	Property development HK$'000	Property investment HK$'000	Hotel operation HK$'000	Total HK$'000
Year ended 31 December 2010				
Reportable segment revenue				
– external, and consolidated revenue	**404,989**	**17,823**	**–**	**422,812**
Operating results	**22,263**	**8,188**	**4,512**	**34,963**
Add: Depreciation	**237**	**45**	**4**	**286**
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	**22,500**	**8,233**	**4,516**	**35,249**
Fair value changes in investment properties	**–**	**133,759**	**–**	**133,759**
Share of loss of associate, net of tax	**–**	**–**	**(8,537)**	**(8,537)**
Bad debts recovered	**41**	**–**	**–**	**41**
Capital expenditure	**289,705**	**–**	**37,461**	**327,166**
As at 31 December 2010				
Assets				
Reportable segment assets	**3,501,726**	**571,077**	**29,495**	**4,102,298**
Liabilities				
Reportable segment liabilities	**1,512,375**	**14,482**	**46,583**	**1,573,440**
Year ended 31 December 2009 (Restated) (Note 5(a))				
Reportable segment revenue				
– external, and consolidated revenue	44,912	16,118	243,750	304,780
Operating results	12,724	4,350	22,249	39,323
Add: Depreciation and amortisation	200	6	59,431	59,637
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	12,924	4,356	81,680	98,960
Fair value changes in investment properties	–	14,769	–	14,769
Write-down of properties under development	(70,623)	–	–	(70,623)
Impairment loss on trade and other receivables	(534)	–	–	(534)
Gain on disposal of a subsidiary, net of tax	123,210	–	161,143	284,353
Capital expenditure	252,958	–	666	253,624
As at 31 December 2009				
Assets				
Reportable segment assets	2,461,888	417,946	1,318,519	4,198,353
Liabilities				
Reportable segment liabilities	727,930	18,712	40,926	787,568
As at 1 January 2009 (Restated) (Note 5(a))				
Assets				
Reportable segment assets	3,399,140	403,731	1,242,211	5,045,082
Liabilities				
Reportable segment liabilities	594,419	21,995	69,893	686,307

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

7. SEGMENT REPORTING (Continued)

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

	2010 *HK$'000*	2009 *HK$'000* (Restated) *(Note 5(a))*
Results		
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	**35,249**	98,960
Unallocated corporate expenses before depreciation and amortisation	**(24,790)**	(30,170)
	10,459	68,790
Depreciation and amortisation		
– Reportable segment	**(286)**	(59,637)
– Unallocated	**(188)**	(4,525)
	9,985	4,628
Fair value changes in investment properties	**133,759**	14,769
Write-down of properties under development	**–**	(70,623)
Fair value changes in financial derivative liabilities in relation to convertible notes	**–**	93,162
Gain on debt extinguishment	**1,077,764**	–
Share of loss of associate, net of tax	**(8,537)**	–
Gain on disposal of a subsidiary, net of tax	**–**	284,353
Finance costs	**(164,590)**	(1,883,222)
Finance income	**4,323**	1,062
Consolidated profit (loss) before income tax	**1,052,704**	(1,555,871)
Capital expenditure incurred during the year		
– Reportable segment	**327,166**	253,624
– Unallocated	**2,045**	1,419
	329,211	255,043

7. SEGMENT REPORTING (Continued)

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

	As at 31 December		As at 1 January
	2010	2009	2009
	HK$'000	*HK$'000*	*HK$'000*
			(Restated) *(Note 5(a))*
Assets			
Reportable segment assets	**4,102,298**	4,198,353	5,045,082
Restricted and pledged deposits	**630,213**	38,547	67,737
Cash and cash equivalents	**28,820**	114,719	53,720
Unallocated corporate assets	**958**	1,161	106,914
Consolidated total assets	**4,762,289**	4,352,780	5,273,453
Liabilities			
Reportable segment liabilities	**1,573,440**	787,568	686,307
Income tax payable	**130,937**	120,052	48,080
Deferred tax liabilities	**197,441**	157,405	276,693
Financial derivative liabilities	**–**	–	93,162
Convertible notes	**–**	2,057,326	306,337
Unallocated bank and other borrowings	**891,692**	369,083	1,290,440
Unallocated corporate liabilities	**13,102**	12,887	15,926
Consolidated total liabilities	**2,806,612**	3,504,321	2,716,945

8. REVENUE

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

	2010	2009
	HK$'000	*HK$'000*
Sale of properties	**404,270**	–
Rental income	**18,542**	61,030
Hotel operation	**–**	243,750
	422,812	304,780

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For the year ended 31 December 2010

9. GAIN ON DEBT EXTINGUISHMENT

	2010			2009
	Other borrowings	Convertible notes	Total	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 34(c))	*(Note 35)*		
Write-down of principal	**44,000**	**299,977**	**343,977**	–
Reversal of accrued interests	**50,771**	**683,016**	**733,787**	–
Gain recognised in profit or loss	**94,771**	**982,993**	**1,077,764**	–

10. FINANCE COSTS

	Notes	2010 *HK$'000*	2009 *HK$'000*
Interest on convertible notes wholly repayable within five years			
– amortisation for the year	*35*	**119,282**	238,865
– at acceleration of liabilities payable to the Noteholders	*35*	**–**	1,542,122
– interest surcharges	*35*	**4,153**	–
Interest on bank and other borrowings			
– wholly repayable within five years		**43,269**	72,955
– wholly repayable after five years		**5,069**	72,662
Interest surcharges on other borrowings	*34(c)*	**616**	–
Interest on short-term loan from a director		**29**	97
Others		**–**	241
		172,418	1,926,942
Less: Amount capitalised as properties held for/under development			
Interest on convertible notes wholly repayable within five years		**–**	(44,182)
Interest on bank and other borrowings wholly repayable within five years		**(8,212)**	(9,357)
		(8,212)	(53,539)
		164,206	1,873,403
Other borrowing costs		**384**	21,029
Less: Amount capitalised as properties held for/under development		**–**	(11,210)
		384	9,819
Finance costs charged to profit or loss		**164,590**	1,883,222

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

11. PROFIT (LOSS) BEFORE INCOME TAX

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

	Notes	**2010** **HK$'000**	2009 HK$'000 (Restated) *(Note 5(a))*
Cost of materials sold		–	24,065
Cost of properties sold		**314,308**	–
Staff costs, including directors' emoluments	*12*	**19,318**	67,841
Auditors' remuneration			
– current year		**820**	1,104
– over-provision for prior year		**(37)**	–
Depreciation of property, plant and equipment	*19*	**533**	59,213
Less: Amount capitalised as properties held for/under development	*21*	**(59)**	(31)
Total depreciation charged to profit or loss		**474**	59,182
Amortisation of prepaid lease payments		–	4,980
Gain on disposal of property, plant and equipment		–	(32)
Exchange gain, net		**(15,268)**	(207)
Impairment loss on trade and other receivables		–	534
Bad debts recovered		**(41)**	–
Direct operating expenses incurred for rental income		**3,320**	6,940

12. STAFF COSTS

	2010 **HK$'000**	2009 HK$'000
Staff costs (including directors' emoluments) comprise:		
Basic salaries and other benefits	**23,258**	67,225
Bonuses	**5,900**	6,441
Equity-settled share-based payment expenses	–	216
Contributions to defined contribution pension plans	**1,576**	2,358
	30,734	76,240
Less: Amount capitalised as properties held for/under development	**(11,416)**	(8,399)
Staff costs charged to profit or loss	**19,318**	67,841

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

13. DIRECTORS' EMOLUMENTS

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

	Fees HK$'000	Salaries and other benefits HK$'000 (note (a))	Bonuses HK$'000 (note (b))	Equity-settled share-based payment expenses HK$'000	Contributions to defined contribution pension plan HK$'000	Total HK$'000
2010						
Executive directors						
Yu Pan	–	1,912	675	–	12	2,599
Lau Yat Tung, Derrick	–	821	256	–	12	1,089
Wong Lok	–	260	–	–	12	272
Independent non-executive directors						
Choy Shu Kwan	180	–	–	–	–	180
Cheng Wing Keung, Raymond	180	–	–	–	–	180
Chung Lai Fong	180	–	–	–	–	180
Jerry Wu *(resigned on 1 August 2010)*	105	–	–	–	–	105
	645	2,993	931	–	36	4,605
2009						
Executive directors						
Yu Pan	–	2,010	–	–	12	2,022
Lau Yat Tung, Derrick	–	819	–	29	12	860
Wong Lok	–	260	–	–	12	272
Independent non-executive directors						
Choy Shu Kwan	187	–	–	6	–	193
Cheng Wing Keung, Raymond	187	–	–	6	–	193
Chung Lai Fong	187	–	–	6	–	193
Jerry Wu	187	–	–	–	–	187
	748	3,089	–	47	36	3,920

Notes:

(a) Salaries and other benefits included basic salaries, housing and other allowances and benefits-in-kind; and

(b) Bonuses were not contractual but were discretionarily provided based on the Directors' performance. The amounts of entitlement were subject to approval by the Remuneration Committee of the Company.

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

14. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group during the year, two (2009: one) are Directors whose emoluments are included in note 13 above. The emoluments of the remaining three (2009: four) individuals are as follows:

	2010	2009
	HK$'000	*HK$'000*
Basic salaries and other benefits	**2,983**	4,615
Bonuses	**1,007**	607
Equity-settled share-based payment expenses	**–**	39
Contributions to defined contribution pension plans	**82**	116
	4,072	5,377

Their emoluments are within the following bands:

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

15. INCOME TAX EXPENSE (CREDIT)

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 5(a))
Current tax		
PRC corporate tax		
– current year	**16,487**	–
– over-provision in respect of prior years	**–**	(3,397)
PRC LAT		
– current year	**4,043**	–
	20,530	(3,397)
Deferred tax *(Note 38)*		
– current year	**33,440**	2,933
Total income tax expense (credit)	**53,970**	(464)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

15. INCOME TAX EXPENSE (CREDIT) (Continued)

No provision for Hong Kong profits tax has been made for the year ended 31 December 2010 (2009: Nil) as the Group has no estimated assessable profits in respect of operation in Hong Kong. The applicable Hong Kong profits tax rate is 16.5% (2009: 16.5%) for the year.

Enterprise income tax arising from other regions of the PRC is calculated at 25% (2009: 25%) of the estimated assessable profits.

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

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

	2010 *HK$'000*	2009 *HK$'000* (Restated) *(Note 5(a))*
Profit (loss) before income tax	**1,052,704**	(1,555,871)
Tax calculated at the applicable income tax rate of 25% (2009: 25%)	**263,176**	(388,968)
Effect of different tax rates of entities operating in other jurisdictions	**(79,046)**	171,780
Tax effect of expenses not deductible for tax purposes	**35,672**	313,025
Tax effect of revenue not subject to tax	**(180,502)**	(92,183)
Tax effect of tax losses not recognised during the year	**5,055**	5,714
Tax effect of utilisation of tax losses not recognised in prior years	**(7,660)**	–
Tax effect of land appreciation tax	**4,043**	–
Over-provision in respect of prior years	**–**	(3,397)
Tax effect of other temporary differences not recognised	**3,867**	(5,879)
Others	**9,365**	(556)
Income tax expense (credit)	**53,970**	(464)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$679,496,000 (2009: loss of HK$1,900,355,000).

17. EARNINGS (LOSS) PER SHARE

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

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 5(a))
Profit (loss) for the purposes of basic and diluted earnings (loss) per share	**987,522**	(1,548,450)
	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**1,477,687**	1,477,687

For the years ended 31 December 2010 and 2009, basic earnings (loss) per share are same as diluted earnings (loss) per share as any effect from the Company's options and convertible notes is anti-dilutive.

18. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2010 (2009: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

19. PROPERTY, PLANT AND EQUIPMENT

The Group	Notes	Hotel properties and leasehold improvements HK$'000	Office building and leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2009		1,060,247	50,550	57,847	5,600	1,174,244
Additions		–	11	2,351	126	2,488
Disposals		–	–	(270)	–	(270)
Reclassified to properties held for sale		–	(50,555)	–	–	(50,555)
Disposal of a subsidiary	*42(b)*	(1,061,932)	–	(58,314)	(3,401)	(1,123,647)
Exchange differences		1,685	(6)	96	8	1,783
At 31 December 2009 and at 1 January 2010		–	–	1,710	2,333	4,043
Additions		–	–	1,537	637	2,174
Transfer from interest in an associate	*23(a)*	–	–	77	–	77
Disposals		–	–	(84)	–	(84)
Exchange differences		–	–	95	37	132
At 31 December 2010		–	–	3,335	3,007	6,342
Accumulated depreciation						
At 1 January 2009		99,768	2,500	22,325	2,664	127,257
Depreciation for the year		44,793	715	12,749	956	59,213
Disposals		–	–	(158)	–	(158)
Reclassified to properties held for sale		–	(3,215)	–	–	(3,215)
Disposal of a subsidiary	*42(b)*	(144,776)	–	(33,823)	(1,835)	(180,434)
Exchange differences		215	–	49	5	269
At 31 December 2009 and at 1 January 2010		–	–	1,142	1,790	2,932
Depreciation for the year		–	–	261	272	533
Disposals		–	–	(9)	–	(9)
Exchange differences		–	–	39	7	46
At 31 December 2010		–	–	1,433	2,069	3,502
Net book value						
At 31 December 2010		–	–	1,902	938	2,840
At 31 December 2009		–	–	568	543	1,111

20. INVESTMENT PROPERTIES

The Group	**2010** HK$'000	2009 HK$'000
At beginning of year	**416,951**	401,543
Changes in fair value	**133,759**	14,769
Exchange differences	**17,472**	639
At end of year	**568,182**	416,951

Details of assessment of the fair value are set out in note 28.

21. PROPERTIES HELD FOR/UNDER DEVELOPMENT

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

		As at 31 December		As at 1 January
The Group	*Notes*	**2010** *HK$'000*	2009 *HK$'000*	2009 *HK$'000*
			(Restated) *(Note 5(a))*	(Restated) *(Note 5(a))*
Land use right	*(a)*	**147,041**	150,334	199,127
Premium paid for the acquisition of the interest of the land, demolition and settlement costs		**1,122,118**	1,360,753	1,981,571
Construction cost		**399,852**	242,700	101,711
Net assets of the Tianhe Project	*(b)*	**815,440**	–	–
Others		**140,754**	206,645	171,226
		2,625,205	1,960,432	2,453,635
Less: Accumulated write-down in value		–	(70,623)	(71,151)
		2,625,205	1,889,809	2,382,484
Less: Assets classified as held for sale		–	–	(712,343)
		2,625,205	1,889,809	1,670,141
Representing:				
Properties held for development – non-current assets		**2,262,817**	1,564,059	1,458,142
Properties under development – current assets		**362,388**	325,750	211,999
		2,625,205	1,889,809	1,670,141

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

21. PROPERTIES HELD FOR/UNDER DEVELOPMENT (Continued)

Notes:

(a) Land use right comprises cost of acquiring rights to using certain pieces of land, which are all located in the PRC, for property development over fixed periods of time which are to be defined within the range between 40 and 70 years.

(b) The equity interest in Huan Cheng, holding company of the Tianhe Project, was disposed of in September 2010. Nonetheless, the revenue and costs associated with the disposal are not recognised in profit and loss for the current year until the revenue and associated costs can be reliably measured and the contracted obligations of the Group have been preformed. Accordingly, the underlying assets and liabilities of the Tianhe Project are not derecognised, but instead all aggregated and classified as "net assets relating to the Tianhe Project" in the properties held for development as at 31 December 2010 as shown above. Components of the "net assets of the Tianhe Project" are disclosed in the movement below. Details of the disposal are set out in notes 37 and 42(b).

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

The Group	*Notes*	**2010** **HK$'000**	2009 *HK$'000*
			(Restated) *(Note 5(a))*
At beginning of year, as previously stated		**1,260,444**	1,049,135
Effect of change in accounting policy on land use rights	*5(a)*	**629,365**	621,005
At beginning of year, as restated		**1,889,809**	1,670,140
Additions			
– Capitalisation of depreciation of properties, plant and equipment		**59**	31
– Capitalisation of finance costs		**8,212**	64,749
– Other land and development costs		**297,779**	222,728
		306,050	287,508
Net assets of the Tianhe Project			
– Transfer from interest in an associate upon discharge of receivers	*23(a)*	**871,421**	–
– Additions of development costs		**37,462**	–
– Transfer of deferred tax liabilities upon disposal of Huan Cheng	*37, 38*	**(112,482)**	–
– Transfer of other assets and liabilities upon disposal of Huan Cheng	*37*	**(4,844)**	–
– Exchange differences		**23,883**	–
		815,440	–
Completed properties transferred to properties held for sale (including accumulated write-down in value)		**(457,695)**	–
Write-down in value charged to profit or loss		**–**	(70,623)
Exchange differences		**71,601**	2,784
At end of year		**2,625,205**	1,889,809

22. GOODWILL

The Group	Notes	2010 HK$'000	2009 HK$'000
Cost			
At beginning of year		**82,179**	134,827
Transfer to properties held for development in relation to the Tianhe Project	*21, 37*	**(4,545)**	–
Eliminated on disposal of a subsidiary	*42(b)*	**–**	(52,862)
Exchange differences		**3,444**	214
At end of year		**81,078**	82,179
Accumulated impairment loss			
At beginning of year		**66,617**	66,511
Transfer to properties held for development in relation to the Tianhe Project	*21, 37*	**(4,545)**	–
Exchange differences		**2,792**	106
At end of year		**64,864**	66,617
Net book value			
At end of year		**16,214**	15,562

Goodwill acquired through business combinations has been allocated to the following CGU, namely property development, for impairment testing:

Project	Attributable CGU	2010 HK$'000	2009 HK$'000
Zhoutouzui Project	Property development *(Note)*	**16,214**	15,562

Note: Zhoutouzui Project refers to the development project located at Zhoutouzui, Haizhu District, Guangzhou, the PRC. The Group acquired 51% interest in the Zhoutouzui Project in 2006 and further increased its interest to 100% through a step-up acquisition which was completed on 4 June 2007. The carrying amount of property development costs in relation to the Zhoutouzui Project is included in properties held for development (as disclosed in note 21).

Impairment test for goodwill

The goodwill relates to the CGU within the operational segment of property development. The recoverable amount of the CGU is determined using value-in-use calculation. This calculation uses cash flow projection based on financial budget of this CGU which is approved by management covering a five-year period with key assumptions including revenue, direct costs and other operating expenses being referenced to past performance and management's reasonable expectations on the business outlook of this CGU.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

22. GOODWILL (Continued)

Impairment test for goodwill (Continued)

Key assumptions are as follows:

CGU	Discount rate	Operating margin	Growth rate after the fifth year from the start of projection
As at 31 December 2010			
Property development	**8.00%**	**31%**	**5%**
As at 31 December 2009			
Property development	8.00%	25% – 31%	5%

Discount rate is based on the Group's management's assessment of specific risks related to the CGU. Operating margin is based on past experience. Growth rate beyond the fifth year from the start of the projection is based on economic data pertaining to the region concerned.

No impairment loss is provided for the year ended 31 December 2010 (2009: Nil). The Directors performed an impairment test for the goodwill and concluded that the CGU of property development in relation to the Zhoutouzui Project demonstrates sufficient cashflow projection that justifies the carrying value of the goodwill. Management did not consider impairment of goodwill necessary.

23. INTEREST IN AN ASSOCIATE

The Group	**2010** ***HK$'000***	2009 *HK$'000*
Share of net assets	–	631,094

Notes:

(a) As at 31 December 2009, interest in Yaubond was classified as an interest in an associate on the ground that receivers of the security assets were appointed in November 2009 by the Sky Honest Loan lenders, to manage the secured assets under the Sky Honest Loan including 51% equity interest in Yaubond, the holding company of the entire interest in the Tianhe Project. The appointment of receivers also resulted in the change in the boards of directors of Yaubond and Sky Honest. The Directors consider that the Company has lost control to govern, but only be able to exercise significant influence in the determination of, the financial and operating policies of Yaubond as a result of losing the 51% voting power at the board of directors of Yaubond. As disclosed in notes 2(d) and 4(c), on 15 July 2010 and 23 July 2010, the boards of directors of Sky Honest and Yaubond were restored respectively, and the Company has been able to exercise unilateral control over these subsidiaries. As such, since 23 July 2010, the Group's interests in Yaubond and Huan Cheng have been re-classified from "interest in an associate" to "interests in subsidiaries". The corresponding line items of the underlying assets and liabilities of Yaubond and Huan Cheng, mainly properties held for development and deferred tax liabilities as disclosed in notes 21 and 38 respectively, were consolidated in the consolidated statement of financial position of the Group based on their carrying amounts at the time of reclassification. No gain or loss is resulted in the reclassification.

23. INTEREST IN AN ASSOCIATE

Notes: (Continued)

(b) Details of the associate as at 31 December 2009, which is unlisted, are as follows:

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

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

The Group	2010 HK$'000	2009 HK$'000
Total assets	–	740,966
Total liabilities	–	(109,872)
Net assets	–	631,094
The Group's share of net assets of associate	–	631,094
Revenue	–	–
Administrative expenses	(8,577)	–
Finance income	40	–
Loss before income tax	(8,537)	–
Income tax	–	–
Loss after income tax	(8,537)	–
The Group's share of loss of associate	(8,537)	–

24. CONSIDERATION RECEIVABLE FOR DISPOSAL OF SUBSIDIARIES

The Group	Notes	2010 HK$'000	2009 HK$'000
Westin Project	(a)	52,047	1,213,031
Huan Cheng	(b)	686,344	–
		738,391	1,213,031
Amounts due within one year included in current assets		(653,673)	(1,213,031)
Amount due after one year – Huan Cheng		84,718	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

24. CONSIDERATION RECEIVABLE FOR DISPOSAL OF SUBSIDIARIES (Continued)

Notes:

(a) The balance relates to the remaining balance of the final instalment receivable for the disposal of the Westin Project that is unsecured and interest-free. An amount of approximately HK$51,422,000 has been received subsequent to 31 December 2010 and the residual amount of approximately HK$625,000 is receivable in December 2011 according to a supplemental agreement dated 1 December 2010.

(b) The balance relates to the outstanding instalments receivable for the disposal of Huan Cheng that is unsecured and interest-free. The principal amount of the receivable is approximately HK$702,526,000 (approximately RMB593,494,000). Out of the carrying amount at amortised cost of approximately HK$686,344,000 as at 31 December 2010, a sum of approximately HK$397,205,000 has been received subsequent to 31 December 2010. Based on the agreement in relation to the disposal and the Directors' assessment on the timing of fulfillment of the Group's obligations set out in the agreement, the remaining balance of the second instalment amounting to approximately HK$212,706,000 (RMB180,000,000) after deduction of relocation cost of approximately HK$8,285,000 is receivable in April 2011. The final instalment of approximately HK$84,718,000 is receivable in 2013.

25. INTERESTS IN SUBSIDIARIES

The Company	*Notes*	**2010** *HK$'000*	2009 *HK$'000*
Unlisted investments, at cost	*(a)*	**49,208**	49,208
Amounts due from subsidiaries – non-current portion	*(b)*	**2,369,910**	2,731,278
		2,419,118	2,780,486
Less: Provision for impairment loss		**(273,062)**	(158,254)
Interests in subsidiaries – non-current portion		**2,146,056**	2,622,232
Amounts due from subsidiaries – current portion	*(c)*	**37,842**	23,205
Less: Provision for impairment loss		**(15,433)**	(8,038)
Amounts due from subsidiaries – current portion		**22,409**	15,167
		2,168,465	2,637,399
Amounts due to subsidiaries	*(c)*	**(866,411)**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

25. INTERESTS IN SUBSIDIARIES (Continued)

Notes:

(a) Details of the Company's principal subsidiaries as at 31 December 2010 are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Particulars of issued ordinary shares/paid-up capital	Percentage of equity interest held by the Company Directly	Indirectly	Principal activities
Fine Luck Group Limited #	BVI	US$1	100%	–	Investment holding
Fortunate Start Investments Limited #	BVI	US$100	–	100%	Investment holding
Graceful China Limited	Hong Kong	HK$1	100%	–	Group treasury and investment holding
廣州市創譽房地產開發有限公司 (Guangzhou Chuangyu Real Estate Development Company Limited) ("Chuangyu")	PRC	US$6,000,000	–	100%	Property investment in the PRC
廣州譽浚咨詢服務有限公司 (Guangzhou Yu Jun Consulting Service Company Limited) ("GZ Yu Jun")	PRC	HK$5,000,000	–	100%	Investment holding and provision of property development project management services in the PRC
Guangzhou Zhoutouzui Development Limited ("GZ Zhoutouzui") #	Hong Kong	HK$100	–	100%	Investment holding
貴州譽浚房地產開發有限公司 (Guizhou Yu Jun Real Estate Development Company Limited)	PRC	RMB50,000,000	–	55%	Property development in the PRC
Long World Trading Limited #	BVI	US$1	–	100%	Investment holding
Skyfame Management Services Limited	Hong Kong	HK$1	100%	–	Provision of management services to group entities
Yaubond #	BVI	US$18,813,500	–	100%	Property development
Yue Tian Development Limited	Hong Kong	HK$72,000	–	100%	Investment holding
Winprofit Investments Limited	BVI	US$100	100%	–	Investment holding

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

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

\# These entities were under receivership during the period from 1 January 2010 to 23 July 2010 (detailed in notes 2 and 4(c)).

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

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

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26. INTERESTS IN JOINTLY CONTROLLED ENTITY

The Group

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

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

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

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

The Group	**2010** *HK$'000*	2009 *HK$'000*
Non-current assets	**607,729**	564,146
Current assets	**1,960**	1,814
Current liabilities	**(6,734)**	(834)
Net assets	**602,955**	565,126
Revenue	**222**	100
Net expenses	**(12,817)**	(2,266)
Loss before income tax	**(12,595)**	(2,166)
Income tax	**–**	–
Loss after income tax	**(12,595)**	(2,166)

27. PROPERTIES HELD FOR SALE

The Group	As at 31 December **2010** **HK$'000**	2009 *HK$'000*	As at 1 January 2009 *HK$'000* (Restated) *(Note (5a))*
Completed properties held for sale	**133,121**	–	960,202

All completed properties held for sale as at 31 December 2010 were located in the PRC.

28. ANALYSIS OF PROPERTIES

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

The Group	As at 31 December **2010** **HK$'000**	2009 *HK$'000*	As at 1 January 2009 *HK$'000* (Restated) *(Note 5(a))*
Medium-term land lease in the PRC			
– Investment properties	**568,182**	416,951	401,543
– Hotel properties, including leasehold improvements	**–**	–	960,479
– Office building, including leasehold improvements	**–**	–	48,050
– Properties held for sale	**–**	–	960,202
Long-term land lease in the PRC			
– Properties held for sale	**133,121**	–	–
	701,303	416,951	2,370,274

(b) The investment properties were revalued on an open market value basis by an independent firm of professional valuers, DTZ Debenham Tie Leung Limited, Chartered Surveyors, as at 31 December 2010.

(c) The Group's investment properties and properties held for sale with carrying amounts as disclosed in note 47 are pledged to secure bank borrowings of the Group, as disclosed in note 34(a), at the end of the reporting period.

(d) Gross rental income from investment properties and properties held for sale amounted to HK$17,823,000 (2009: HK$16,118,000) and HK$496,000 (2009: HK$44,912,000) respectively during the year ended 31 December 2010.

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29. TRADE AND OTHER RECEIVABLES

The Group	Notes	2010 HK$'000	2009 HK$'000
Trade receivables, net of impairment, aged current or less than 1 month	*(a), (b)*	**76**	110
Prepaid construction costs		**7,315**	5,125
Prepaid direct costs on pre-sold properties		**3,775**	21,197
Deposits, prepayments and other receivables	*(b)*	**8,137**	5,524
		19,303	31,956

Notes:

(a) The Group has a policy of allowing an average credit period of 8 to 30 days to its trade customers. The Group's formal credit policy in place is to monitor the Group's exposure to credit risk through regular reviews of receivables and follow-up enquires on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount. None of the Group's trade receivables has been past due but not impaired at the end of the reporting period.

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

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

The Group	2010 HK$'000	2009 HK$'000
At beginning of year	**534**	–
Impairment loss recognised	**–**	534
Bad debts recovered	**(41)**	–
Exchange differences	**21**	–
At end of year	**514**	534

30. RESTRICTED AND PLEDGED DEPOSITS

		The Group		The Company	
		2010	2009	**2010**	2009
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
To secure for:					
a letter of credit issued by a bank which guarantees repayment of a money market loan	*(a)*	**568,182**	–	**–**	–
the payment of construction cost of a development project	*(b)*	**62,031**	21,643	**–**	–
the repayment of interests accrued in the convertible notes and the Sky Honest Loan	*(c)*	**–**	16,904	**–**	16,885
		630,213	38,547	**–**	16,885

Notes:

(a) As at 31 December 2010, to secure a back-to-back letter of credit issued by a local bank in the PRC to a Hong Kong-based bank to guarantee repayment of the latter's grant of a money market loan facility of US$67,700,000 (approximately HK$526,076,000) to the Group (as disclosed in note 34(b)), a bank deposit of RMB480,000,000 (approximately HK$568,182,000) was placed in the local bank in the PRC.

(b) The balance represents deposits received from buyers of pre-sold properties. These deposits shall be released only to pay construction costs of the development project in Guiyang.

(c) As at 31 December 2009, to secure for the repayment of interests accrued in the convertible notes and the Sky Honest Loan, bank deposits were charged in favour of the security trustees acting for the convertible noteholders and the lenders of the Sky Honest Loan.

31. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Short-term bank deposits	**568,182**	–	**–**	–
Cash at bank and in hand	**90,851**	153,266	**292**	16,936
	659,033	153,266	**292**	16,936
Less: Restricted and pledged deposits *(Note 30)*	**(630,213)**	(38,547)	**–**	(16,885)
	28,820	114,719	**292**	51

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32. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current or less than 1 month	**350**	750	–	–
1 to 3 months	–	71	–	–
More than 3 months but less than 12 months	–	538	–	–
More than 12 months	**3,722**	3,418	–	–
Total trade payables	**4,072**	4,777	–	–
Construction costs payable	**79,739**	17,474	–	–
Advanced payments received from customers				
– Pre-sale deposits received from buyers	**70,055**	246,188	–	–
– Receipts in advance, rental and other deposits from buyers, customers and/or tenants	**12,235**	1,980	–	–
Accrued transaction costs in relation to disposal of subsidiaries	**46,744**	72,217	–	–
Interest payable on bank and other borrowings	**10,751**	37,081	**2,831**	–
Other accrued expenses and other payables	**34,862**	38,354	**2,064**	16,288
	258,458	418,071	**4,895**	16,288

33. FINANCIAL GUARANTEE CONTRACT

The Company

During the years ended 31 December 2010 and 2009, the Company provided a corporate guarantee to secure for the repayment of a subsidiary's borrowings as disclosed in note 34(d). According to the supplemental agreements dated 30 December 2010 and 8 March 2011, the repayment deadline of the outstanding amount was extended to 30 April 2011. In November 2010, an early repayment of principal and interest totalling HK$20,000,000, of which HK$9,000,000 represents accrued interest and HK$11,000,000 represents principal, was made. As a result, the amount of guarantee is reduced to the indebtedness due by the subsidiary as at 31 December 2010.

34. BANK AND OTHER BORROWINGS

		The Group		The Company	
		2010	2009	**2010**	2009
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest-bearing, secured					
– bank borrowings					
(i) term loan and construction loan	*(a)*	**244,082**	247,103	**–**	–
(ii) money market loan	*(b)*	**526,076**	–	**–**	–
– other borrowings					
(i) Sky Honest Loan	*(c)*	**–**	220,000	**–**	–
(ii) other	*(d)*	**38,674**	49,674	**–**	–
Interest-bearing, unsecured					
– other borrowings	*(e)*	**82,860**	–	**47,348**	–
		891,692	516,777	**47,348**	–

Notes:

(a) As at 31 December 2010, the bank borrowings are secured by mortgages of ownership titles of: (i) properties held for/under development; (ii) properties held for sale and (iii) investment properties with an aggregate carrying amount of approximately HK$1,156,739,000 (2009: HK$833,796,000). The bank loans carry interest at variable market rates ranging from 5.76% to 5.85% per annum (2009: 5.35% to 7.02% per annum) as at 31 December 2010. The amounts will be fully repaid in 2012 and 2019.

(b) An amount of RMB480,000,000 (approximately HK$568,182,000) was deposited with a bank in the PRC which was used to secure a money market loan of US$67,700,000 (approximately HK$526,076,000) extended by a bank in Hong Kong. On 13 October 2010, the loan was drawn down to repay the remaining outstanding balance of the convertible notes and the Sky Honest Loan under the Noteholders Agreement and Restructuring Agreement and to finance for working capital needs of the Group.

The money market loan carries variable interest at the rate of HIBOR plus 1.8% per annum and is repayable in October 2011.

34. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(c) The Sky Honest Loan was due for repayment on 29 January 2009. On 9 November 2009, the lenders of Sky Honest Loan took enforcement action on the security assets and appointed the receivers who nominated representatives to replace the existing directors in the boards of certain subsidiaries of the Company the shares of which have been pledged in favour of the lenders mentioned above.

On 9 June 2010, the Company and certain subsidiaries entered into the Restructuring Agreement with LBCCAL pursuant to which the indebtedness due to the lenders of the Sky Honest Loan is reduced to HK$176,000,000, which is 80% of the outstanding principal of the Sky Honest Loan and the outstanding interest is waived, if the Group can satisfy the payment obligations on or before 4 October 2010, or otherwise, before 4 January 2011 subject to surcharges.

The indebtedness due for the Sky Honest Loan is written down by HK$44,000,000 and the accrued interests of approximately HK$50,771,000 are reversed, leading to a gain on debt extinguishment totalling approximately HK$94,771,000 (as disclosed in note 9) recognised in the current year.

The first instalment plus reimbursable expenses totalling HK$116,400,000 and the final instalment of HK$61,600,000 plus surcharges of HK$616,000 were paid to the lenders of the Sky Honest Loan in accordance with the Restructuring Agreement on 2 July 2010 and 13 October 2010 respectively. The share mortgages secured for the benefit of the lenders of the Sky Honest Loan were released on 14 October 2010 as a result of the discharge of the obligations of the Company and certain subsidiaries.

(d) The amount represents the balance of consideration payable for an acquisition of a subsidiary in 2006. The repayment of the debt is secured by the Company's corporate guarantee (as disclosed in note 33), carries interest at the rate of 20% per annum and is repayable by 30 April 2011.

(e) The balance represents unsecured loans from a third party bearing interest at the rate of 20% per annum and is repayable in 2011.

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

	The Group		**The Company**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
On demand or within one year	**804,689**	277,627	**47,348**	–
More than one year, but not exceeding two years	**8,286**	7,953	**–**	–
More than two years, but not exceeding five years	**32,315**	173,938	**–**	–
After five years	**46,402**	57,259	**–**	–
	891,692	516,777	**47,348**	–
Amounts due within one year included in current liabilities	**(804,689)**	(277,627)	**(47,348)**	–
Amounts due after one year	**87,003**	239,150	**–**	–

35. CONVERTIBLE NOTES

The Group and the Company

The convertible notes in the aggregate principal amount of US$200,000,000 (equivalent to approximately HK$1,562,380,000) were issued on 4 May 2007. The Notes bear a coupon of 4% per annum payable semi-annually in arrear, maturity terms of 6 years and an annual yield-to-maturity of 15%.

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

		Carrying amount		
	Nominal value	**Liability component**	**Financial derivative component**	**Total**
	US$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	192,000	306,337	93,162	399,499
Accrued interest expense				
– amortisation for the year *(note)*	–	238,865	–	238,865
– at acceleration of liabilities payable to the Noteholders	–	1,542,122	–	1,542,122
Interest paid	–	(29,998)	–	(29,998)
Fair value changes in financial derivative liabilities up to the date of extinguishment	–	–	(93,162)	(93,162)
At 31 December 2009 and at 1 January 2010	**192,000**	**2,057,326**	**–**	**2,057,326**
Accrued interest expense *(note)*	**–**	**119,282**	**–**	**119,282**
Gain on debt extinguishment *(Note 9)*				
– write-down of principal	**(38,400)**	**(299,977)**	**–**	**(299,977)**
– reversal of accrued interests	**–**	**(683,016)**	**–**	**(683,016)**
	153,600	**1,193,615**	**–**	**1,193,615**
First instalment paid	**(100,000)**	**(777,200)**	**–**	**(777,200)**
Final instalment paid	**(53,600)**	**(415,330)**	**–**	**(415,330)**
Exchange differences	**–**	**(1,085)**	**–**	**(1,085)**
At 31 December 2010	**–**	**–**	**–**	**–**

Note: Interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate of 15% per annum (2009: 60.58% per annum up to the date of default and 15% per annum since then) to the liability component.

35. CONVERTIBLE NOTES (Continued)

On 7 June 2010, the Company and certain subsidiaries and Mr. Yu Pan, controlling shareholder of the Group, entered into the Noteholders Agreement with the Trustee of the Noteholders. Pursuant to the Noteholders Agreement, the indebtedness due to the Noteholders is reduced to US$153,600,000 (approximately HK$1,193,615,000), being 80% of the outstanding face value of the Notes and the outstanding interest is waived, for the Notes if the Group can satisfy the payment obligations on or before 4 October 2010 or otherwise, before 4 January 2011 subject to surcharges.

The indebtedness due for the Notes are written down by approximately HK$299,977,000 and the accrued interests are reversed by approximately HK$683,016,000, leading to a gain on debt extinguishment of approximately HK$982,993,000 (as disclosed in note 9) recognised in the current year. Up to 13 October 2010, the first instalment and final instalment plus reimbursable expenses totalling HK$1,197,089,000 and surcharges of HK$4,153,000 have been paid to the Noteholders so as to discharge all the obligations of the Company under the Noteholders Agreement.

As at 31 December 2009, the Group's obligations under the Notes to the Noteholders are secured by (i) shares of certain subsidiaries of the Company which hold equity interest in other subsidiaries engaged in property development; and (ii) shares of the Company beneficially held by Mr. Yu Pan, details of which have been disclosed in note 48(b). The secured assets were released on 28 October 2010 as a result of the full settlement of the indebtedness.

36. LOAN FROM NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The Group

As at 31 December 2009, the balance was unsecured, interest-free and had no fixed terms of repayment but was agreed not to be repayable within eighteen months from the end of the reporting period. As at 31 December 2010, the non-controlling shareholder of the subsidiary has agreed to further extend the repayment date so that the balance, other than the amount of approximately HK$47,998,000 which is expected to be repaid within one year, is not repayable within eighteen months from 31 December 2010.

37. DEFERRED INCOME

The Group

On 26 July 2010, a framework agreement ("Agreement") for the disposal of the entire equity interest in Huan Cheng, the project company for the development of the Tianhe Project, was entered into between the Company, Yaubond and a third party, 海航酒店控股集團有限公司 (HNA Hotel Holdings Group Co. Limited) ("HNA Hotel") for a gross sale consideration ("Consideration") of RMB1,090,000,000 (approximately HK$1,270,100,000), before certain adjustments. Details of the adjustment mechanism to the Consideration and timing of the payment of the Consideration was set out in the Company's circular dated 19 August 2010 which is supplemented by a memorandum of understanding signed on 8 September 2010 by the contracting parties in relation to a reduction of the finance cost to be borne by the Group.

At the date of completion of the disposal, the Consideration (having been increased by approximately HK$44,597,000 representing adjustment of net assets transferred to HNA Hotel and reduced by future development costs and finance costs to be borne by the Group, which are estimated to be approximately HK$23,304,000 and HK$40,783,000 respectively) is estimated to be approximately HK$1,250,610,000. Netting against the adjusted Consideration by the estimated direct expenses incurred for the disposal of approximately HK$127,566,000 and the discount to present value arising from the final instalment receivable in more than one year from the end of reporting period of approximately HK$16,183,000, the net income derived from the disposal is estimated at approximately HK$1,123,044,000.

On completion of the disposal, an amount of RMB480,000,000 (approximately HK$553,761,000), being the partial payment of the first instalment of RMB600,000,000, was received from HNA Hotel. The remaining balance receivable as at 31 December 2010 of approximately RMB593,494,000 is detailed in note 24(b).

The Directors consider that the Agreement constitutes an agreement for the sale of goods/services and the criteria for recognition of revenue set out in paragraph 14 of HKAS 18 "Revenue" apply. At the end of reporting period, the Directors are uncertain about the due performance of certain obligations under the Agreement in particular, the costs to be incurred in respect of the transaction under the prevailing agreement caused by overruns in construction costs not due to the change in design plan proposed by HNA Hotel and the delay in construction of the project beyond 32 months from the date of the first instalment payment. Accordingly, the Directors are of the view that the revenue recognition criteria set out in HKAS 18 have not been fully satisfied and therefore the disposal transaction is not recognised until when substantial part of the associated costs can be ascertained reliably. The revenue and associated costs of the disposal are deferred until the construction is completed to a substantial progress where associated costs can be reliably measured. Therefore, the sale consideration net of estimated expenses is recorded as deferred income as at 31 December 2010. The underlying assets and liabilities of the Tianhe Project are not derecognised, but instead all aggregated and classified under properties held for development in the consolidated statement of financial position as detailed in notes 4(c) and 21(b).

38. DEFERRED TAX LIABILITIES

Movements of the deferred tax liabilities are as follows:

The Group	Notes	Revaluation of properties: Prepaid lease payments HK$'000	Properties held for sale HK$'000	Investment properties HK$'000	Properties held for development HK$'000	Total HK$'000
		(Restated)	(Restated)			
At 1 January 2009, as previously stated		38,466	81,740	66,572	86,896	273,674
Effect of change in accounting policy on land use rights	*5(a)*	–	3,019	–	–	3,019
As restated		38,466	84,759	66,572	86,896	276,693
(Credit) charges to profit or loss		(760)	–	3,693	–	2,933
Eliminated on disposal of a subsidiary	*42(b)*	(37,766)	(84,894)	–	–	(122,660)
Exchange differences		60	135	105	139	439
At 31 December 2009 and at 1 January 2010		–	–	70,370	87,035	157,405
Charges to profit or loss		–	–	33,440	–	33,440
Transfer from interest in an associate upon discharge of receivers	*23(a)*	–	–	–	109,274	109,274
Transfer to properties held for development in relation to the Tianhe Project	*21, 37*	–	–	–	(112,482)	(112,482)
Exchange differences		–	–	2,949	6,855	9,804
At 31 December 2010		–	–	106,759	90,682	197,441

As at 31 December 2010, the Group and the Company have estimated unutilised tax losses of approximately HK$63,442,000 (2009: HK$93,518,000) and HK$31,248,000 (2009: HK$63,431,000) respectively for offsetting against future assessable profits. The unrecognised tax losses may be carried forward indefinitely or up to five years from the year in which the loss was originated. No deferred tax asset has been recognised in respect of these balances due to the unpredictability of future profit streams.

39. SHARE CAPITAL

(a) Authorised and issued share capital

	Number of shares			Nominal value		
The Group and the Company	Ordinary share of HK$0.01 each *'000*	Convertible preference share of HK$0.01 each *'000*	Total *'000*	Ordinary share capital *HK$'000*	Convertible preference share capital *HK$'000*	Total *HK$'000*
Authorised:						
At 1 January 2009 and at 31 December 2009 and 2010	29,000,000	1,000,000	30,000,000	290,000	10,000	300,000
Issued and fully paid:						
At 1 January 2009 and at 31 December 2009 and 2010	1,477,687	–	1,477,687	14,777	–	14,777

(b) Capital management policy

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

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

The Company monitors capital using gearing ratio, which is calculated as net debt to the summation of capital and net debt. Net debt includes bank and other borrowings, convertible notes and loan from non-controlling shareholder of a subsidiary less cash and cash equivalents and restricted bank deposit backing up the money market loan. Capital represents equity attributable to owners of the Company.

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39. SHARE CAPITAL (Continued)

(b) Capital management policy (Continued)

The gearing ratio as at the end of the reporting period is calculated based on the following:

The Group	**2010** *HK$'000*	2009 *HK$'000*
Total debt	**1,112,915**	2,808,793
Less: restricted bank deposit backing up the money market loan	**(568,182)**	–
Less: cash and cash equivalents	**(28,820)**	(114,719)
Net debt	**515,913**	2,694,074
Equity attributable to owners	**1,918,501**	830,651
Capital plus net debt	**2,434,414**	3,524,725
Gearing ratio	**21.2%**	76.4%

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40. RESERVES

The Group	Notes	Share premium HK$'000	Contributed surplus reserve HK$'000	Share-based payment reserve HK$'000	Property revaluation reserve HK$'000	Merger reserve HK$'000	Statutory reserves HK$'000	Foreign exchange reserve HK$'000	Capital reserve HK$'000	Other reserves HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000
At 1 January 2009, as previously stated		1,224,954	15,497	12,713	31,479	(301,662)	6,108	376,128	–	6,158	1,134,543	2,505,918
Effect of change in accounting policy on land use rights	5(a)	–	–	–	–	–	–	234	–	–	10,845	11,079
As restated		1,224,954	15,497	12,713	31,479	(301,662)	6,108	376,362	–	6,158	1,145,388	2,516,997
Transfer among reserves		–	–	–	–	–	–	–	–	(6,158)	6,158	–
Recognition of equity-settled share-based payment expenses		–	–	216	–	–	–	–	–	–	–	216
Exchange differences arising on foreign operations		–	–	–	–	–	–	4,686	–	–	–	4,686
Eliminated on disposal of a subsidiary	42(b)	–	–	–	–	–	–	(157,575)	–	–	–	(157,575)
Loss for the year		–	–	–	–	–	–	–	–	–	(1,548,450)	(1,548,450)
At 31 December 2009		1,224,954	15,497	12,929	31,479	(301,662)	6,108	223,473	–	–	(396,904)	815,874
At 1 January 2010		**1,224,954**	**15,497**	**12,929**	**31,479**	**(301,662)**	**6,108**	**223,473**	**–**	**–**	**(396,904)**	**815,874**
Reallocation of lapsed options from share-based payment reserve to retained profits		**–**	**–**	**(42)**	**–**	**–**	**–**	**–**	**–**	**–**	**42**	**–**
Contribution from non-controlling shareholder of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,702**	**–**	**–**	**8,702**
Exchange differences arising on foreign operations		**–**	**–**	**–**	**–**	**–**	**–**	**91,626**	**–**	**–**	**–**	**91,626**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**987,522**	**987,522**
At 31 December 2010		**1,224,954**	**15,497**	**12,887**	**31,479**	**(301,662)**	**6,108**	**315,099**	**8,702**	**–**	**590,660**	**1,903,724**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

40. RESERVES (Continued)

The Company	Share premium HK$'000	Contributed surplus reserve HK$'000	Share-based payment reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000
At 1 January 2009	1,224,954	15,497	12,713	1,161,355	2,414,519
Recognition of equity-settled share-based payment expenses	–	–	216	–	216
Loss for the year	–	–	–	(1,900,355)	(1,900,355)
At 31 December 2009 and at 1 January 2010	**1,224,954**	**15,497**	**12,929**	**(739,000)**	**514,380**
Reallocation of lapsed options from share-based payment reserve to retained profits	**–**	**–**	**(42)**	**42**	**–**
Profit for the year	**–**	**–**	**–**	**679,496**	**679,496**
At 31 December 2010	**1,224,954**	**15,497**	**12,887**	**(59,462)**	**1,193,876**

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

Share premium	The amount relates to subscription for share capital in excess of nominal value. The application of the share premium account is governed by clause 150 of the Company's bye-laws and the Companies Act 1981 of Bermuda.
Contributed surplus reserve	The amount arose from the capital reduction, cancellation of share premium and part of which has been set-off against the accumulated losses of the Company as at 31 December 2004 pursuant to the capital re-organisation. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its owners out of the contributed surplus reserve under certain circumstances.
Share-based payment reserve	The reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees and non-employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 5(q).

40. RESERVES (Continued)

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

Property revaluation reserve	Gains/losses arising on revaluing the identifiable assets and liabilities of existing subsidiaries when the Group further acquired the equity interest in the subsidiaries from non-controlling shareholders prior to 1 January 2010.
Merger reserve	The amount represents the difference between the fair value of combined capital of the Company and the carrying value of the assets and liabilities of the subsidiaries transferred to the Group pursuant to the acquisition of 100% interests in Long World Trading Limited.
Statutory reserves	In accordance with relevant rules and regulations concerning foreign investment enterprise established in the PRC and the articles of association, PRC subsidiaries of the Company were required to make appropriations from net profit to the reserve fund, staff and workers' bonus and welfare fund and enterprise expansion fund, after offsetting accumulated losses from prior years, and before profit distributions are made to investors. The percentage of profits to be appropriated to the above three funds are solely determined by the board of directors, except that being a wholly foreign-owned enterprise, transfer of 10% of the net profit for each year to the statutory reserves is mandatory until the accumulated total of the fund reaches 50% of its registered capital. During the current and prior years, the Group has not made any appropriations to the staff and workers' bonus and welfare fund and enterprise expansion fund.
Foreign exchange reserve	The amount represents gains/losses arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 5(o).
Capital reserve	The amount represents the portion of contribution from the non-controlling shareholder of a subsidiary attributable to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

40. RESERVES (Continued)

(b) Distributable reserves

As at 31 December 2010, there were no distributable reserves available for distribution to owners of the Company (2009: Nil).

41. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

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

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

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

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

The options granted on 12 September 2006 are exercisable six months after the date on which the options are granted for a period up to ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company.

During the years ended 31 December 2009 and 2010, no additional share options were granted under the 2005 Scheme. No share options previously granted under the 2005 Scheme were exercised and 150,000 share options were lapsed during the year ended 31 December 2010. No share options were exercised or lapsed during the year ended 31 December 2009.

The following table discloses the details of the Company's options under the 2005 Scheme held by employees (including Directors) and non-employees outstanding as at 31 December 2010:

Date of grant	Exercise period	Exercise price	Number of options outstanding at 1 January 2010	Options lapsed during the year ended 31 December 2010	Number of options outstanding at 31 December 2010
12 September 2006	13 March 2007/2008/2009 to 31 July 2015	HK$1.31	46,050,000	(150,000)	**45,900,000**
Analysis by category:					
Directors			4,800,000	–	**4,800,000**
Other employees			36,250,000	(150,000)	**36,100,000**
Non-employees			5,000,000	–	**5,000,000**
			46,050,000	(150,000)	**45,900,000**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 5(a))
Profit (loss) before income tax	**1,052,704**	(1,555,871)
Adjustments for:		
Finance costs	**164,590**	1,883,222
Finance income	**(4,323)**	(1,062)
Equity-settled share-based payment expenses	**–**	216
Depreciation of property, plant and equipment	**474**	59,182
Amortisation of prepaid lease payments	**–**	4,980
Fair value changes in financial derivative liabilities in respect of convertible notes	**–**	(93,162)
Gain on debt extinguishment	**(1,077,764)**	–
Share of loss of associate, net of tax	**8,537**	–
Impairment loss on trade and other receivables	**–**	534
Bad debts recovered	**(41)**	–
Gain on disposal of a subsidiary, net of tax *(Note (b))*	**–**	(284,353)
Gain on disposal of property, plant and equipment	**–**	(32)
Fair value changes in investment properties	**(133,759)**	(14,769)
Write-down of properties under development	**–**	70,623
Write-back of trade and other payables	**(581)**	(1,788)
Operating profit before working capital changes	**9,837**	67,720
Decrease in properties held for sale	**327,953**	–
Decrease in inventories	**–**	12,344
Decrease (increase) in trade and other receivables	**11,694**	(19,540)
(Decrease) increase in trade and other payables	**(187,683)**	214,414
Decrease in deferred income	**–**	(1,192)
Cash generated from operations	**161,801**	273,746
Income tax paid	**(86,600)**	(7,087)
Other borrowing costs paid	**(384)**	(11,211)
Interest paid	**(28,873)**	(162,214)
Net cash from operating activities	**45,944**	93,234

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

(b) Disposal of a subsidiary

2010: Disposal of 100% equity interest in a subsidiary, Huan Cheng

Details of the disposal of Huan Cheng is set out in note 37.

	2010
	HK$'000
Satisfied by:	
Cash received	553,506
Exchange differences	5,547
Consideration receivable for disposal of a subsidiary	691,557
	1,250,610
Net cash inflow arising from the disposal:	
Cash received	553,506
Exchange differences	5,547
Direct expenses incurred	(127,566)
Direct expenses accrued (including income tax payable)	126,100
Net proceeds received	557,587
Bank balances and cash disposed of	(165)
	557,422

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

(b) Disposal of a subsidiary (Continued)

2009: Disposal of 100% interest in the Westin Project

	Notes	2009 HK$'000 (Restated) (Note 5(a))
Net assets disposed of:		
Property, plant and equipment	19	943,213
Prepaid lease payments		197,442
Properties held for sale		1,045,467
Inventories		7,214
Trade and other receivables		20,443
Cash and cash equivalents		52,890
Trade and other payables		(55,293)
Deferred income		(2,592)
Income tax payable		(17,014)
Deferred tax liabilities	38	(122,660)
Bank and other borrowings		(1,186,094)
Amount due to immediate holding company		(70,758)
Net assets disposed of		812,258
Assignment of amount due to immediate holding company		70,758
Direct expenses incurred (including taxes)		173,097
Goodwill	22	52,862
Foreign exchange reserve released		(157,575)
		951,400
Gain on disposal of a subsidiary, net of tax		284,353
Total consideration		1,235,753
Satisfied by:		
Cash received		22,722
Consideration receivable for disposal of a subsidiary		1,213,031
		1,235,753
Net cash outflow arising from the disposal:		
Cash received		22,722
Direct expenses incurred		(173,097)
Direct expenses accrued (including income tax payable)		171,614
Net proceeds received		21,239
Bank balances and cash disposed of		(52,890)
		(31,651)

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

(c) Major non-cash transactions

During the year ended 31 December 2010, as disclosed in note 23, since 23 July 2010, the Group's interests in Yaubond and Huan Cheng have been re-classified from interest in an associate to interests in subsidiaries. The corresponding line items of the underlying assets and liabilities of Yaubond and Huan Cheng were consolidated in the consolidated statement of financial position of the Group based on their carrying amounts, including properties held for development of approximately HK$871,421,000 (as disclosed in note 21) and deferred tax liabilities of approximately HK$109,274,000 (as disclosed in note 38) at the time of reclassification. No cash receipt or payment has been involved in the reclassification.

43. EMPLOYEE RETIREMENT BENEFITS

Defined contribution pension plans

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

The Group also participates in the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously participating in the defined contribution retirement plan as mentioned above. The MPF Scheme is a defined contribution pension scheme administered by independent trustees. Under the MPF Scheme, the Group and its employees are each required to make contributions to the MPF Scheme at the rate of 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. The Group's contributions vest fully in the employees when contributed into the MPF Scheme.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

44. OPERATING LEASE COMMITMENTS

Lessee

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

The Group	**2010** *HK$'000*	2009 *HK$'000*
Within one year	**2,657**	3,025
Later than one year but within five years	**–**	921
	2,657	3,946

Lessor

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

The Group	**2010** *HK$'000*	2009 *HK$'000*
Within one year	**17,672**	15,782
Later than one year but within five years	**28,336**	29,931
Later than five years	**7,746**	–
	53,754	45,713

45. CAPITAL COMMITMENTS

The Group	**2010** *HK$'000*	2009 *HK$'000*
Capital expenditure contracted but not provided for in respect of property construction and development costs	**1,226,345**	1,094,981

46. CONTINGENT LIABILITIES

The Group provides guarantees to the extent of approximately HK$218,356,000 as at 31 December 2010 (2009: Nil) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

47. PLEDGE OF ASSETS

At the end of the reporting period, the carrying amounts of the Group's assets included in the following categories in the consolidated statement of financial position were pledged to secure credit facilities granted to the Group as disclosed in note 34:

The Group	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000	At at 1 January 2009 HK$'000
		(Restated) *(Note 5(a))*	(Restated) *(Note 5(a))*
Property, plant and equipment	**–**	–	1,008,529
Prepaid lease payments	**–**	–	237,966
Properties held for/under development	**695,730**	595,555	–
Investment properties	**327,888**	238,241	401,543
Properties held for sale	**133,121**	–	888,405
Restricted and pledged deposits	**568,182**	16,904	67,737
	1,724,921	850,700	2,604,180

48. RELATED PARTY TRANSACTIONS

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

(a) Material transactions with related parties

Related party relationship	Type of transaction	2010 HK$'000	2009 HK$'000
Mr. Yu Pan, director and controlling shareholder of the Company	Interest expense on short-term loan from a director	**29**	97
Companies controlled by Mr. Yu Pan	(a) Rental income from office leasing	**–**	4,759
	(b) Revenue from hotel operation	**–**	8
Non-controlling shareholder of a subsidiary or their associates	Sale of properties	**6,503**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

48. RELATED PARTY TRANSACTIONS (Continued)

(b) Pledge of shares by the Chairman

To secure for the Notes with an outstanding principal value of US$192,000,000 issued by the Company as disclosed in note 35 at 31 December 2009, Sharp Bright and Grand Cosmos, companies wholly owned by Mr. Yu Pan, pledged their assets in favour of the Trustee of the Noteholders as follows:

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

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

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

Pursuant to the Noteholders Agreement entered with the Noteholders as disclosed in note 2(a), securities that have been appointed receivers were restored and the receivers appointed by the Noteholders were discharged on 23 July 2010. Simultaneously, the board of director of Grand Cosmos was restored to its original position at the time prior to the acceleration of the full repayment of the Notes.

The pledge of shares of the Company and charges over the assets of Sharp Bright and Grand Cosmos were released on 28 October 2010 upon full settlement of the Notes under the Noteholders Agreement on 13 October 2010.

(c) Compensation of key management personnel

The remuneration of members of key management, including directors' emoluments as disclosed in note 13, incurred during the year is as follows:

	2010	2009
	HK$'000	*HK$'000*
Short-term benefits	**10,047**	16,403
Other long-term benefits	**153**	369
Equity-settled share-based payment expenses	**–**	86
	10,200	16,858

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

49. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

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

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

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

(a) Foreign currency risk

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

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

The Group	**2010** ***HK$'000***	2009 *HK$'000*
Restricted and pledged deposits		
– US$	–	16,885
Cash and cash equivalents		
– US$	**7,678**	9
Bank and other borrowings		
– US$	**(526,076)**	–
Convertible notes		
– US$	–	(2,057,326)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

49. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (Continued)

(a) Foreign currency risk (Continued)

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

	2010		2009	
	Change in exchange rate	**Increase (decrease) in profit after income tax**	Change in exchange rate	(Decrease) increase in loss after income tax
	%	***HK$'000***	*%*	*HK$'000*
If United States dollar weakens against Renminbi	**4%**	**20,884**	5%	(81,750)
If United States dollar strengthens against Renminbi	**4%**	**(20,884)**	5%	81,750

49. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (Continued)

(b) Interest rate risk

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

The Group	2010 Effective interest rate *(% per annum)*	2010 Amount *HK$'000*	2009 Effective interest rate *(% per annum)*	2009 Amount *HK$'000*
Financial assets				
Fixed rate receivables				
– Restricted and pledged deposits	**2.25%**	**568,182**	–	–
Floating rate receivables				
– Restricted and pledged deposits	**0.36%**	**62,031**	0.00%	38,547
– Other cash at bank	**0.00% to 0.36%**	**28,645**	0.00% to 0.36%	114,062
Financial liabilities				
Non-interest bearing borrowings				
– Loan from non-controlling shareholder of a subsidiary	**–**	**221,223**	–	234,690
Fixed rate borrowings				
– Other borrowings	**20.00%**	**121,534**	20.00%	49,674
– Convertible notes	**–**	**–**	15.00%	2,057,326
Floating rate borrowings				
– Bank borrowings	**2.08% to 5.85%**	**770,158**	5.35% to 7.02%	247,103
– Other borrowings	**–**	**–**	16.75%	220,000

The Group's exposure to interest rate risk for changes in interest rates primarily relates to the Group's restricted and pledged deposits, cash at bank included in cash and cash equivalents and floating rate bank and other borrowings. During the years ended 31 December 2009 and 2010, the Group does not use derivative financial instruments to hedge its cash flow interest rate risk of the Group's borrowings. However, given management's expectation of the increasing trend of borrowing rate, in 2011, the Group entered into an interest rate swap contract to fix the interest rate of the bank borrowings of US$67,700,000 (approximately HK$526,076,000) (as disclosed in note 34(b)) at 2.55% per annum in order to hedge against the Group's future exposure to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

49. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (Continued)

(b) Interest rate risk

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

	2010		2009	
	Increase (decrease) in basis points	**Increase (decrease) in profit after income tax** ***HK$'000***	Increase (decrease) in basis points	(Decrease) increase in loss after income tax *HK$'000*
Floating rate financial assets				
Increase in floating rate	**100**	**907**	100	(1,533)
Decrease in floating rate	**(100)**	**(907)**	(100)	1,533
Floating rate financial liabilities				
Increase in floating rate	**500**	**(38,508)**	500	23,355
Decrease in floating rate	**(500)**	**38,508**	(500)	(23,355)

(c) Credit risk

The Group's exposure to credit risk arises from the consideration receivable for disposal of subsidiaries and trade and other receivables. Management has performed in-depth due diligence reviews of the operation and financial background and creditability of the purchaser of the stake interests in the Westin Project and Huan Cheng, HNA Hotel. Up to the date of this annual report, all due instalments for the sale consideration have been received from HNA Hotel in respect of the subsidiaries disposed.

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

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

49. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (Continued)

(d) Liquidity risk

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

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

The Group	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to 12 months *HK$'000*	1 to 2 years *HK$'000*	2 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
2010							
Trade and other payables	**5,774**	**57,604**	**195,080**	**–**	**–**	**–**	**258,458**
Bank and other borrowings	**17,519**	**8,061**	**813,585** *(Note)*	**13,199**	**43,837**	**51,487**	**947,688**
Loan from non-controlling shareholder of a subsidiary	**–**	**–**	**47,998**	**189,047**	**–**	**–**	**237,045**
	23,293	**65,665**	**1,056,663**	**202,246**	**43,837**	**51,487**	**1,443,191**
2009							
Trade and other payables	48,487	110,870	258,714	–	–	–	418,071
Bank and other borrowings	269,674	4,905	25,889	20,834	189,787	64,634	575,723
Convertible notes	2,057,326	–	–	–	–	–	2,057,326
Loan from non-controlling shareholder of a subsidiary	–	–	–	234,690	–	–	234,690
	2,375,487	115,775	284,603	255,524	189,787	64,634	3,285,810

Note:

The bank borrowing of US$67,700,000 (approximately HK$526,076,000), which is due within one year from the end of reporting period, is secured by a standby letter of credit issued by another bank that is secured by the Group's bank deposit of approximately HK$568,182,000 maturing at the same time of the bank borrowing.

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50. FINANCIAL INSTRUMENTS – CARRYING AMOUNT AND FAIR VALUE

The fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cashflow analysis using information from observable current market transactions.

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

	2010		2009	
	Carrying amount	**Fair value**	Carrying amount	Fair value
The Group	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Financial assets – Loans and receivables				
Trade and other receivables	**19,303**	***(Note)***	31,956	*(Note)*
Consideration receivable for disposal of subsidiaries	**738,391**	***(Note)***	1,213,031	*(Note)*
Restricted and pledged deposits	**630,213**	***(Note)***	38,547	*(Note)*
Cash and cash equivalents	**28,820**	***(Note)***	114,719	*(Note)*
Financial liabilities – Financial liabilities at amortised cost				
Trade and other payables	**258,458**	***(Note)***	418,071	*(Note)*
Bank and other borrowings	**891,692**	***(Note)***	516,777	*(Note)*
Convertible notes	**–**	**–**	2,057,326	*(Note)*
Loan from non-controlling shareholder of a subsidiary	**221,223**	***(Note)***	234,690	*(Note)*

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

51. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 15 March 2011.

FIVE YEAR FINANCIAL SUMMARY

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

	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*	*(Restated)*	
RESULTS					
For the year ended 31 December					
Revenue	**422,812**	304,780	564,650	125,631	50,329
		(Note)			
Profit (loss) before income tax	**1,052,704**	(1,555,871)	648,560	162,159	78,021
Income tax (expense) credit	**(53,970)**	464	47,173	60,782	(33,152)
Profit (loss) for the year	**998,734**	(1,555,407)	695,733	222,941	44,869
Attributable to					
– Owners of the Company	**987,522**	(1,548,450)	696,513	210,684	46,621
– Non-controlling interests	**11,212**	(6,957)	(780)	12,257	(1,752)
	998,734	(1,555,407)	695,733	222,941	44,869
FINANCIAL POSITION					
At 31 December					
Total assets	**4,762,289**	4,352,780	5,273,453	4,948,653	1,458,148
Total liabilities	**(2,806,612)**	(3,504,321)	(2,716,945)	(3,260,317)	(691,283)
Net assets	**1,955,677**	848,459	2,556,508	1,688,336	766,865
Non-controlling interests	**(37,176)**	(17,808)	(24,734)	–	(45,345)
Total equity attributable to owners of the Company	**1,918,501**	830,651	2,531,774	1,688,336	721,520

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

PARTICULARS OF MAJOR PROPERTIES

Location	Lease period	Development type	Site area	Gross floor area *(GFA)*	Effective equity interest % held	Stage of development	Anticipated completion	Open market value	Open market value	Market value attributable to the Group
			(sq.m.)	*(sq.m. approx.)*				*RMB'000 (Note 1)*	*HK$'000 (Note 1)*	*HK$'000*
(A) Details of the Group's properties held for/under development and properties held for sale at 31 December 2010 are as follows:										
1. A plot of waterfront land at the north	2009	Above ground:	86,557		72%	Will commence	Late 2014	2,930,000	3,468,277	3,468,277
of Mayong, the east of Pearl River, and	to	Office		27,585		construction in	for whole	*(Note 2 & 3)*	*(Note 2 & 3)*	*(Note 2 & 3)*
south of Zhujiang and the west of	2049/	Residential		146,077		the second	project			
Hongde Road, Zhoutouzui Haizhu District,	2059/	Service Apartment		12,845		quarter of 2011				
Guangzhou, Guangdong Province, the PRC.	2079	Commercial		8,480						
		Ancillary		9,811						
		Overhanging Layer		10,585						
		Underground:								
		Commercial		2,799						
		Carpark and facilities		97,959						
				316,141						
2. Various completed residential units,	2008	Residential	136,447		55%	Construction	Late 2013	896,000	1,060,606	583,333
retail units and car parking units of	to	– Phase 1 (completed	(excluding			of Phase 2	for whole	*(Note 2)*	*(Note 2)*	*(Note 2)*
Phase I, whole of Phase II and III of	2048-49/	and unsold)	roads)	6,057		underway and	project			
the proposed residential development	2078-79	– Phase 2		160,483		scheduled for				
known as Skyfame City, Xiaoguan		– Phase 3		197,053		completion by				
Maochong, Yunyan District, Guiyang,		Commercial		12,182		late 2012				
Guizhou Province, the PRC.		Public facilities		27,358						
		Basement		102,033						
				505,166						
				821,307				3,826,000	4,528,883	4,051,610
(B) Details of the Group's investment properties at 31 December 2010 are as follows:										
All the shops on 2/F and 5/F, units	2000	Office/retail	–	19,790	100%	–	–	480,000	568,182	568,182
402-403 of 4/F and units 140-142,	to									
6/F of commercial podium,	2040									
Tianyu Garden Phase 2,										
Nos. 136-146 Linhe Zhong Road,										
Tianhe District, Guangzhou,										
Guangdong Province, the PRC.										
Total (A to B)								**4,306,000**	**5,097,065**	**4,619,792**

Notes:

1. The properties were revalued on an open market value basis by an independent firm of professional valuers, DTZ Debenham Tie Leung Limited, Chartered Surveyors, as at 31 December 2010.

2. Valuation of open market value of the properties is based on the assumptions that the properties will be developed and completed in accordance with the Group's latest development proposal, and that all consents, approvals and licences from relevant government authorities have been obtained without onerous condition or delay.

3. The open market value has already excluded the entitlement of 28% interest over the completed properties in the development by a Chinese cooperative joint venture partner.