中國海外宏洋集團有限公司
CHINA OVERSEAS GRAND OCEANS GROUP LTD.

Stock Code : 00081

Annual Report 2010

Entering a New Development

Contents

CORPORATE AND SHAREHOLDERS' INFORMATION

CORPORATE INFORMATION

Registered Office

Suite 3012, 30/F, One Pacific Place
88 Queensway, Hong Kong

Telephone	:	(852) 2918 5181
Facsimile	:	(852) 2918 5199
Website	:	www.cogogl.com.hk

COMPANY SECRETARY

Chong Wai Sang, Edmond

REGISTRAR

Tricor Standard Limited
26/F., Tesbury Centre
28 Queen's Road East, Hong Kong

Telephone	:	(852) 2980 1333
Facsimile	:	(852) 2810 8185
E-mail	:	is-enquiries@hk.tricorglobal.com

LEGAL ADVISOR

Mallesons Stephen Jaques

AUDITORS

BDO Limited
Certified Public Accountants

PRINCIPAL BANKERS

(In Alphabetical Order)
Bank of China Limited
Bank of Communications Co., Ltd., Hong Kong Branch
Bank of Shanghai Co. Ltd.
China Construction Bank Corporation
China Merchants Bank Co., Ltd.
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hong Kong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited

SHAREHOLDERS' INFORMATION

Share Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("SEHK").

STOCK CODE

Shares

SEHK	:	00081
Bloomberg	:	81:HK
Reuters	:	0081.HK

INVESTOR RELATIONS

For any enquiries, please contact:
Mr. He Chen, Corporate Communications Department

Telephone	:	(852) 2862 5071
Facsimile	:	(852) 2529 9211
E-mail	:	chen_he@cohl.com

MEDIA RELATIONS

For any enquiries, please contact:
Ms. Wendy Chung, Corporate Communications Department

Telephone	:	(852) 2862 5073
Facsimile	:	(852) 2529 9211
E-mail	:	wendy_chung@cohl.com

BOARD OF DIRECTORS, HONOURABLE CHAIRMAN AND COMMITTEES

HONOURABLE CHAIRMAN

Kong Qingping #

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Hao Jian Min

EXECUTIVE DIRECTORS

Chen Bin *Chief Executive Officer*

Yu Shangyou

Xiang Hong

Zhu Bing Kun

NON-EXECUTIVE DIRECTOR

Yung Kwok Kee, Billy *Vice Chairman*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chung Shui Ming, Timpson

Lam Kin Fung, Jeffrey

Lo Yiu Ching, Dantes

AUTHORIZED REPRESENTATIVES

Hao Jian Min

Yu Shangyou

Chen Bin *(Alternate Authorized Representative to Hao Jian Min)*

Xiang Hong *(Alternate Authorized Representative to Yu Shangyou)*

AUDIT COMMITTEE

Chung Shui Ming, Timpson*

Lam Kin Fung, Jeffrey

Lo Yiu Ching, Dantes

REMUNERATION COMMITTEE

Hao Jian Min *

Yung Kwok Kee, Billy

Chung Shui Ming, Timpson

Lam Kin Fung, Jeffrey

Lo Yiu Ching, Dantes

NOMINATION COMMITTEE

Hao Jian Min *

Chung Shui Ming, Timpson

Lam Kin Fung, Jeffrey

Lo Yiu Ching, Dantes

\# *not a director of the Company*

* *Committee Chairman*

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to introduce this annual report and the financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2010. Contracted sales for the year was HK$4,119.8 million for an aggregated sold area of 247,658 square meter, while revenue recognized was HK$3,512.9 million. Profit attributable to the owners of the Company was HK$1,001.1 million and basic earnings per share was HK139.9 cents.

Having acquired the controlling interest of the Company during the year by China Overseas Land & Investment Ltd. ("COLI"), the Company (formerly known as Shell Electric Mfg. (Holdings) Company Limited) has changed its name to China Overseas Grand Oceans Group Limited with effect from 4 June 2010.

Following the completion of the group reorganization and restructuring on 10 February 2010 and acquisition of the 30% minority stake in China Overseas Grand Oceans Property Group Co., Ltd. (previously named as China Ever Bright Real Estate Development Limited) on 20 December 2010, the primary business of the Group will have a dedicated focus on the real estate development and investment in Mainland China.

MARKET POSITIONING

With the increased urbanization of rural area in PRC in accordance with Central Government policy, coupled with the heavy investments in infrastructure development (such as the link up of various inland cities through the high-speed railway system), it has paved way for upgrading the living and accommodation standard for the third tier cities adjacent to the first or second tier cities, and those capital cities in major provinces. Emerging cities, with vivid economic development of its own, provide a lot of business opportunities along with the improvement of cities and the growth of residential housing market.

As a result, the positioning of the Group would focus on the third tier emerging cities with best investment value and growth potentials. With highly effective and professional market propositions, the Group would target for customers from the middle to high income level segments in these cities and offer for sales advanced mid-range to high-end quality housing products and services that serve the needs of the people.

However, unlike those first tier/second tier PRC cities, there remain substantial differences for the emerging cities in respect of average individual income, basic peripheral facilities and establishment, proximity to major political and economical center, scale of economic development, etc. Hence, the systematic risks for investing in these emerging cities are quite different from those well established first/second tier cities. As a result of the reorganization, the Group would be more attentive to the needs and changes of these new growing cities by having a more focused and dedicated independent management team to take care of this emerging market.

In alignment with Central Government's policy for the urbanization of the rural area and the promotion of standards and quality of living for the people in general, it is expected that the Group would undergo a period of rapid growth and development, in line with the economic development of these cities and the gradual increase of people's domestic income. The successful experience and extensive national network supports from COLI in terms of marketing manpower, personnel expertise, competitive supply chain and insightful market intelligence would provide resourceful supports and technical assistance for the future development of the Group in the mass property development market in these emerging cities in PRC.

FINAL DIVIDEND

After reviewing the result performance for the year and working capital requirements for the Group's future expansion of its business, the Board recommended the payment of a final dividend of HK10.0 cents per share (2009: Nil) for the year ended 31 December 2010. As there was no interim dividend (2009: HK2.0 cents per share), total dividends will amount to HK10.0 cents per share (2009: HK2.0 cents per share) for the financial year.

PROSPECTS

The Economy

The global economic condition is quite divergent amongst different nations in last year. In the United States, to provide continual stimuli to its recovering economy, the second stage quantitative easing program was launched. This had however added to the excessive liquidity in the capital market and triggered much more hot money pouring into the Asian region including China. Coupled with rapid growth and development in China, as evidenced by the relatively high GDP growth rate of 10.3% in 2010, price inflation including assets price soaring becomes a major challenge in China to be tackled urgently.

The Central Government has planned a contained target of 4% for CPI in 2011. Various monetary measures, including the increment of bank reserve requirement ratios eight times since the beginning of 2010 and the gradual hiking of interest rate for three times since October 2010, reveal the change of stance from a previous moderately loose monetary policy to a more prudent one in order to control rising inflation rate.

With the embarking of the 12th Five-Year Plan, China would put more emphasis on internal consumption as complement of reduced exports to the western countries as an aftermath of the financial tsunami to maintain a sustainable development. This implies there would be gradual increase of the purchasing power of the general public.

In the foreseeable future, China will proceed with progressive development of the fundamental economies, gradual transformation of the industrial and commercial businesses, and increasing urbanization towards a more matured economy that would be beneficial to the overall sustainable development of the general economy in the PRC.

Mr. Hao Jian Min
Chairman and Non-executive Director

Real Estate Development

Further to the launching of a series of Central Government control measures to combat high properties prices in the PRC since April last year, including the unveiling of the new property tax in Shanghai and Chongqing recently, however, there is still minimal adjustment in terms of pricing if not the trading volume. In January 2011, the Central Government immediately proclaimed the new series of control measures, which further required municipal governments to materialize price control targets.

While the effects of the control measures are yet to be seen, it would more or less depend on the dynamics between supply and demand market forces. On the supply side, it is expected that new-builds and stock in the pipe line would remain robust in the major PRC cities. On the other hand, demands including speculative buys, in the prosperous and highly populated first and second tier cities remain strong, especially in light of the backdrop inflationary pressure. Relatively speaking, the property price in the third tier cities is stated at more reasonable and affordable level. In fact, there have been rapid housing reforms in these third tier cities, in particular, those emerge with better economic performance that the Group would seek many opportunities for business growth and development. The Group has endeavoured to speed up the completion of various development projects for sales in order to set aside sufficient cash resources for acquisition of new pieces of land in strategic locations in the PRC.

Group Strategy

In the foreseeable future, the Group remains cautiously optimistic in respect of the China property market and is highly confident of the prospects of future development. After passing through the turbulence, it is expected that the market sentiments would revert to a more normal and stable situation. Following the group reorganization early this year, new management team has immediately beefed up the professional manpower resources and management capabilities of the group's property business. While company-wide management control system has been reinstated, market competitiveness is also improved. New corporate culture is established and being promoted. Leveraged with the brand name of "China Overseas Property", new marketing strategies and direction for the Group's rebranding activities are now in place, providing high quality after-sales services and property management services under the prestige brand of "China Overseas Property Management" in the PRC.

The Group is visionary to become a high-growth star property developer of the highest potential in the PRC residential property market, accompanying with good customer satisfaction and company goodwill.

Accordingly, the Group has set up detailed targets and strategic directions for future development. In the next few years, the Group would focus on "Building up the Foundation, Crafting of Quality and Enhancing the Scale" as its strategic developments targets. The Group plans to penetrate into those third tier cities with best investment and growth potentials. With highly effective and professional market proposition, the Group would target for customers from the middle to high income level segments in these cities and offer for sales advanced mid-range to high-end quality housing products and services.

The Group has started building up a comprehensive market research system and defining the methodologies so as to closely follow the trend of the external economy and policy decisions. It would operate prudently, maintain an appropriate level of indebtedness and safeguards its interest against risks. It would actively pursue any opportunity to perfect the development and marketing of the existing projects, as well as speeding up cash inflows. On these bases, the Group would also look for possible investment opportunities. The Group would collaborate with its parent company in project developments, operation models, sharing of market intelligences and resources so as to achieve a synergy effect. It would spare no efforts to enhance the returns to development projects and control costs effectively. These would create value for shareholders, and materialize the sustainable and healthy development of the Group's property development businesses.

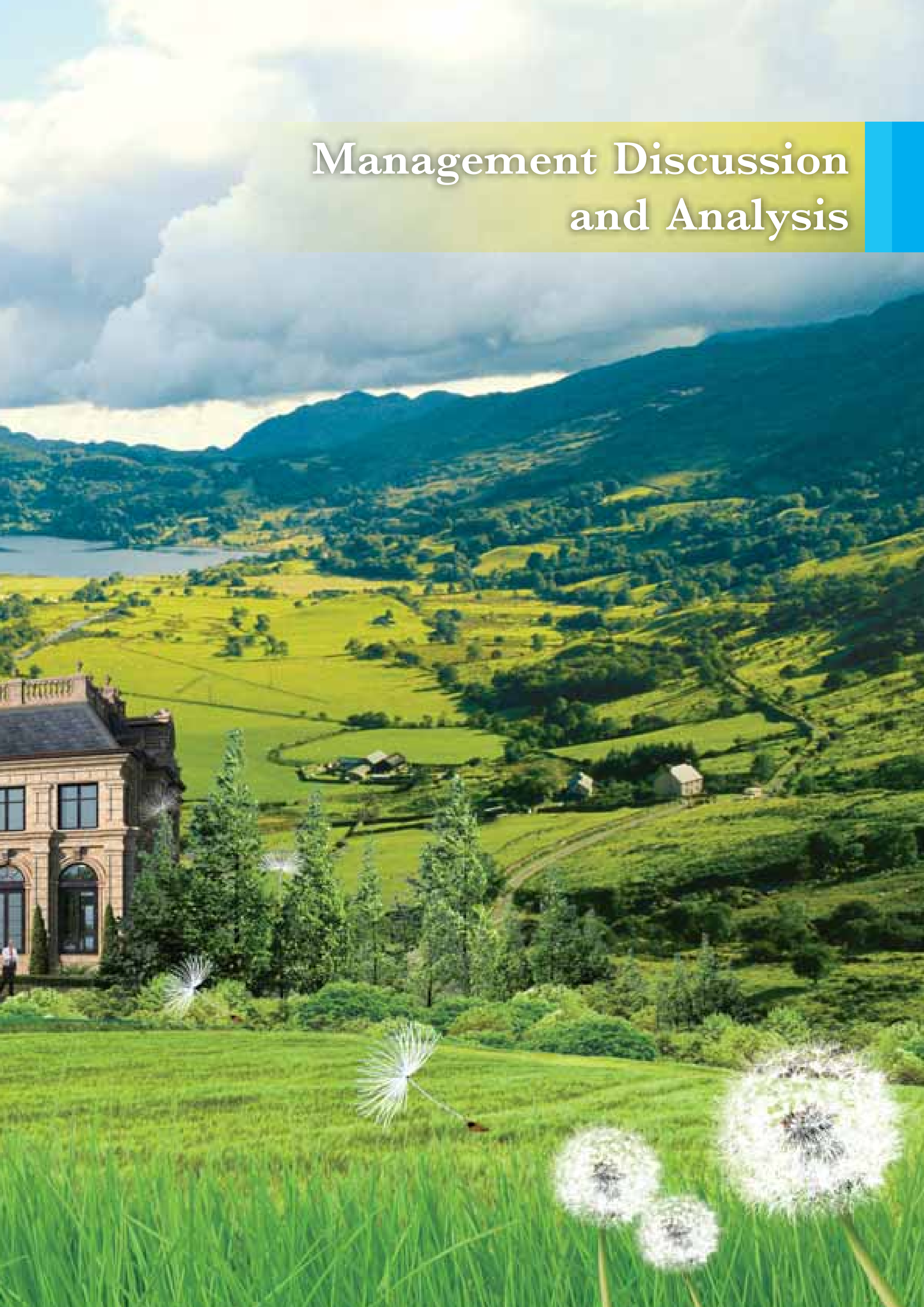
APPRECIATION

I would like to take this opportunity to thank my fellow directors, our staff and all our stakeholders for their continued support.

By order of the Board
China Overseas Grand Oceans Group Limited
Hao Jian Min
Chairman and Non-executive Director

The Group is visionary to become a high-growth star property developer of the highest potential in the PRC residential property market, accompanying with good customer satisfaction and company goodwill.

Management Discussion and Analysis



MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE AND OPERATING RESULTS

The Group had completed major capital reorganization and restructuring on 10 February 2010 to align its business activities in the property development and investment sector in Mainland China. The Group is now positioned to have a strategic focus in the third tier cities in the PRC. Meanwhile, it is actively pursuing to complete the existing development projects on hand to enhance its funding for future development. On 20 December 2010, the Group also completed the acquisition of the remaining 30% minority interest in China Overseas Grand Oceans Property Group Co., Ltd. ("COGO"), making it a wholly owned subsidiary of the Group. COGO is a wholly-foreign-owned enterprise incorporated in the PRC, though which, the Group conducted a majority of the existing property development and investment businesses.

For the year ended 31 December 2010, the Group's continuing operations reported revenue of HK$3,512.9 million and gross profit of HK$1,563.0 million. These represent an increase of 118% in revenue with an increment of nearly five folds in gross profit, compared to last year. Profit margin increased from 16% in last corresponding year to 44% in current year. The significant improvement in revenue and profitability mainly reflect the prominent increase in volume of sales and completion, as well as average selling price of properties.

Operating profit for the year ended 31 December 2010 was HK$2,003.6 million, representing an increase of HK$1,885.8 million or up 16 times over last year. This was attributable to a number of factors, including: (i) significant increase in turnover and gross profit, (ii) gain on disposal of a subsidiary with a land interest in Huizhou City, PRC for HK$251.7 million and (iii) reduction in administrative expenses of HK$109.6 million due to savings in staff costs for lower non-cash equity-settled share-based payments and one-off termination benefits incurred in last year.

Finance costs were HK$19.8 million while contribution from the jointly controlled entities was HK$2.1 million.

Profit after interest and tax for the year ended 31 December 2010 was HK$1,142.9 million (2009: loss of HK$382.2 million), with the inclusion of contribution from the discontinued operations of HK$17.9 million. Excluding the non-controlling interests, profit attributable to equity shareholders of the Company amounted to HK$1,001.1 million (2009: loss of HK$279.7 million).

SEGMENT INFORMATION

PROPERTY SALES AND DEVELOPMENT

During the year under review, with re-branding of the name under "China Overseas Property", the Group managed to cope with the effects on the property market brought by China's macroscopic property price control policies with sales and marketing programs successfully launched in appropriate time. Contracted sales reached HK$4,119.8 million (equivalent to RMB3,582.7 million), representing a saleable gross floor area of 247,658 square meter ("sq.m."), of which 98% has been received at year end date. Meanwhile, 390,059 sq.m. of residential area were newly completed for occupation.

Accordingly, recognized revenue increased to HK$3,398.7 million from HK$1,480.0 million last year. Segment result turned around as lucrative from a deficit, with profit increased by HK$1,993.4 million to HK$1,625.3 million (2009: loss of HK$368.1 million) due to increased sales volume and selling price, gain on disposal of shareholding interests in a project and savings in staff costs as described earlier.

At year end date, property under construction and stock of completed properties (other than a few club facilities and certain car parks) amounted to 506,632 sq.m. and 52,264 sq.m. respectively, totaling 558,896 sq.m., of which, 119,927 sq.m. has been contracted for sales and pending for completion.

Details of major projects on hand are shown as follows:

Banyan Bay (previously named as Guangzhou Ever Bright Garden)
Zone K – North Section, in Haizhu District, Gaungzhou has completed for occupation. Except for 245 sq.m. of commercial units remained in stock, all of the other properties were sold. During the year, sales revenue recognized for Zone K – North Section amounted to RMB 991.0 million in value, representing 79,479 sq.m. in area.

On the other hand, Zone J Section under construction was pre-sold during the year, with about 115,069 sq.m. had been contracted for sales of RMB2,289.6 million. At year end, parts of Zone J, Banyan Bay (58,650 sq.m.) have been completed and handover to buyers with corresponding revenue recognized of RMB1,143.6 million.

Other than these, there are 11,423 sq.m. of unsold residential and commercial units in other sections brought forward from last year.

PROPERTY SALES AND DEVELOPMENT (CONTINUED)

Academic Pavilion (previously Academic Sect)
The commercial and residential development project located in Haidian district, Beijing. The project is fully completed. During the year, sales of 8,630 sq.m. in area was recognized as revenue, amounting to RMB215.1 million. At year end, another RMB376.2 million for 18,867 sq.m. have been contracted for sales and pending for completion, with 21,692 sq.m commercial and residential units in aggregate remained unsold.

Glorious City (previously described as "Jinxiu City")
A large scale residential development in Saihan District, Hohhot City. The project recorded further sales since its successful launching last year. During the year, unit area of 98,410 sq.m had been contracted for sales for RMB 547.0 million while RMB600.5 million was recognized as revenue upon 141,291 sq.m. completed properties were progressively handover to buyers.

Royal East
Another residential development project in Saihan District, Hohhot City was also launched for pre-sales on 26 December 2010 with popular responses. Residential units with an area of 6,177 sq.m. offered for sales were sold within the several days before year end, with sales contracts amounted to RMB43.5 million.

The Oakwood (previously Ever Bright Duhui project)
The residential and retail shopping mall development project located in Haizhu district, Guangzhou. Construction is nearly completed with external finishing work in progress while full completion will be at around the end of 2011.

The Group owns 100% equity interest of the above property development projects.

LAND RESERVES

To ensure business sustainability and exploration into the new markets, the Group has increased its land bank during the year through successful bids. New acquisitions include 64,310 sq.m. of land in Guilin and approximately 1,351,000 sq.m. of land in Yinchuan.

The latter of the above new acquisitions was disclosed in the Circular on 30 November 2010. The Group, in collaboration with independent third parties, has formed a consortium, which has been confirmed for a successful bidding for the acquisition of 11 pieces of land located at the eastern and western sides of the Qizilian Lake, South of Jinfeng District, Yinchuan City, the PRC for a consideration of approximately RMB3.991 billion (equivalent to approximately HK$4.69 billion). The consortium in which the Group has 70% interest, has paid a security deposit of RMB1 billion (equivalent to approximately HK$1.175 billion) to secure the successful bidding.

In aggregate, as at 31 December 2010, land reserve of the Group is estimated available to build gross floor area of approximately 5,287,800 sq.m. (of which, 4,137,100 sq.m. of gross floor area are attributable to the Group) in the PRC.

During the year, the project at Kuany City, Huizhou City with a site area of about 196,880 sq.m. had been disposed of for RMB314.8 million.

Shanghu project (the group owns 80% interest), a low density residential development project located in the northern suburb of Beijing has completed an overhaul of the design plans and is going to commence construction in the beginning of 2011.

PROPERTY LEASING

For the year ended 31 December 2010, rental income amounted to HK$62.4 million (2009: HK$63.2 million) with a segment profit of HK$388.9 million (2009: HK$463.1 million). This includes a fair value gain of HK$382.6 million (2009: HK$414.9 million) from the investment properties and contribution from the jointly controlled entities of HK$2.3 million (2009: HK$1.1 million).

PROPERTY LEASING (CONTINUED)

At year end, the China Overseas World Center (previously named as Ever Bright World Center) in Xicheng District, Beijing has approximately 40,923 sq.m. of unsold office area available for leasing and self-occupation with an occupancy rate of about 80%, plus as additional 316 basement parking spaces. Fair value gain arising from the reclassification of certain units from stock to investment properties upon letting out during the year amounted to HK$313.8 million (2009: HK$426.8 million). The Group owns 100% of the project.

The scientific research office building in the Zhang Jiang High-tech Zone in Shanghai is 81% let. The Group owns 65% interest in this project held through a jointly controlled entity.

DISCONTINUED OPERATIONS

Following the completion of the group reorganization, the capital restructuring, the distribution in specie (as mentioned below) and the acquisition by COLI on 10 February 2010, the Group has, by way of distribution in specie, discontinued its operations in manufacturing of electrical household appliances, property leasing (for industrial properties and commercial units located in Hong Kong, the PRC and the United States), securities trading, car rental, trading of electric cable and computer hardware and software.

DISTRIBUTION IN SPECIE

On 10 February 2010, a wholly-owned subsidiary of the Company, Shell Electric Holdings Limited (the "Privateco"), acquired certain subsidiaries and certain assets and liabilities of the Company, which constituted the discontinued operations as mentioned above, by issuing shares to the Company. All the shares of the Privateco then held by the Company have been distributed in specie to the shareholders of the Company. The net asset value per Privateco Share is approximately HK$3.75 calculated based on the 523,484,562 Privateco Shares in issue as at 10 February 2010 and the consolidated net asset value of the Privateco Group of approximately HK$1,965.0 million as at 10 February 2010.

ACQUISITION OF THE REMAINING 30% MINORITY INTEREST IN COGO

As disclosed in the Circular dated 26 November 2010 and approved in the extraordinary general meeting on 15 December 2010, the Company entered into an acquisition agreement with certain connected parties on 2 November 2010 to purchase the remaining 30% minority interests in COGO, the wholly-foreign-owned enterprise incorporated in the PRC, through which, the Group conducted a majority of its existing property development and investment business. The consideration for the acquisition is HK$1,233,927,895, which shall be satisfied by the Company by the issue of 246,785,579 consideration shares or in cash in accordance with the term of the acquisition agreement. Completion of the acquisition took place on 20 December 2010 and as a result, COGO became a wholly owned subsidiary of the Company.

FINANCIAL RESOURCES AND LIQUIDITY

As a Hong Kong incorporated and listed entity, the Company has access to funds from both local and international investors and financial institutions. During the year under review, proceeds from new issues of shares under a subscription agreement dated 9 September 2009 and placing of new shares amounted to HK$660 million. A sum of HK$522 million was distributed in species to the shareholders while another sum of HK$798 million was repaid in accordance with term of the subscription agreement to a private group established as a result of the group restructuring.

Total borrowings, increased slightly by 0.1% to HK$2,247.5 million against last year, of which 41.7% is repayable within one year, are carrying interest charged at floating rates at weighted average interest rate of 5.658% per annum. Interest cover of the Group for the year ended 31 December 2010, calculated as operating profit divided by total interest expenses net of those capitalized and interest income, stood at 202 times.

Gearing ratio, expressed as a percentage of net borrowings (i.e. total borrowings net of cash and cash equivalents and restricted cash and deposits) to equity attributable to owners of the Company (previously total equity) was 0.7% as at 31 December 2010 (31 December 2009: re-stated as 43.6%). The significant reduction in the ratio mainly reflects the much lower net borrowings, given the significant contracted sales and proceeds received in the year.

FINANCIAL RESOURCES AND LIQUIDITY (CONTINUED)

As of 31 December 2010, net working capital amounted to HK$3,368.6 million (31 December 2009: HK$2,453.2 million) with a quick ratio of 0.7. Cash and cash equivalents were 122% higher at HK$1,890.6 million compared with the last financial year end (HK$853.1 million).

Taking into consideration the unutilized bank credit facilities available to the Group of HK$1,717.5 million, the available funds reached HK$3,608.1 million as at 31 December 2010. Given the current economic situation and the Group's operation plan for the coming year, the Group would maintain a satisfactory financial position with its financial resources and liquidity position consistently monitored. The Group would constantly re-evaluate its operational and investment status and endeavour to improve its cash flow and minimize its financial risks.

FOREIGN EXCHANGE EXPOSURE

Currently, the Group's borrowings were mainly denominated in Renminbi. As the Group conducted its sales, receivables and payables, major bank borrowings and expenditures in Renminbi for its PRC property development business, the directors considered that a natural hedge mechanism existed. While the Group would closely monitor the volatility of the Renminbi exchange rate, the directors considered that the Group's risk exposure to foreign exchange rate fluctuations remained minimal currently.

CAPITAL COMMITMENTS AND GUARANTEE

During the year under review, the Group had capital commitments totaling HK$7,479.5 million which related mainly to property development and construction works. In addition, the Group issued guarantees to banks amounting to HK$1,925.1 million (equivalent to RMB1,638.1 million), mainly for facilitating end-user mortgages in connection with its PRC property sales.

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling HK$3.6 million approximately during the year under review. In order to enhance the credit worthiness of the Group to facilitate fund raising in the money market, active negotiation with existing lenders had been taken place to unwind the collaterals in certain project financing. As at 31 December 2010, the portion of secured debts to total borrowings had reduced to 19.8% from 83.0% last year. Certainly, this reflects the high confidence of the banks in the new management and prospects of the Group. The remaining secured debts represented mortgage loans of HK$444.2 million (equivalent to RMB378.0 million) from certain PRC banks for financing property assets and trade receivable with an aggregate carrying value of HK$1,463.3 million in Mainland China.

EMPLOYEES

As at 31 December 2010, the Group has approximately 214 employees, a significant reduction of 3,236 headcounts (most of them had been continuously employed by Privateco as a result of the group restructuring), comparing with last year end. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company strives to raise the standard of corporate governance and regards corporate governance as part of value creation. This reflects the commitment of the Board and senior management on abiding by the standards of corporate governance, as well as our willingness to maintain transparency and accountability to maximise the value of our shareholders as a whole.

CORPORATE GOVERNANCE REPORT

Except for the deviations from Rules A.2.1 and A.4.1, the Company has strictly complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules in 2010. The Corporate Governance Report of the Company during the year is set out below:

A. DIRECTORS

A.1 The Board

The Board held 12 meetings during the year and meetings were also held as and when necessary to discuss significant transactions, including material acquisitions and disposals and connected transactions, if any. All Directors can give notice to the Chairman or the company secretary if they intend to include matters in the agenda for Board meetings. Before each Board meeting, sufficient notice of meeting was sent to each Director to promote better attendance. To ensure a thorough understanding of the matters to be discussed in the meetings, the Company will provide the Directors with complete and reliable written reports in a reasonable period of time and the management will answer enquiries from the Directors at any time. Where necessary, the Directors can seek separate independent professional advice at the Company's expenses so as to discharge his/their duties to the Company. Minutes of the meetings are kept by our company secretary, and the Board and committee members may inspect the documents and minutes of the Board and the committees at anytime. All Directors have access to the advice and services of the company secretary who is responsible to the Board for ensuring that procedures are followed and that all applicable laws and regulations are complied with.

A.2 Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Before 10 February 2010, Mr. Yung Kwok Kee, Billy served as the Group Chairman and Chief Executive of the Company. At that time the Board believed that such arrangement was more suitable to the Company because it could promote the efficient formulation and implementation of the Company's strategy. Due to change of control of the Company, Mr. Yung Kwok Kee, Billy resigned as the Group Chairman and Chief Executive on 10 February 2010 and has been re-designated as Vice-Chairman and non-executive Director. In his place, Mr. Hao Jian Min was appointed as the Chairman of the Board and a non-executive Director of the Company with effective from 27 February, 2010, and Mr. Chen Bin was appointed as the Chief Executive Officer of the Company with effect from 10 February 2010 and he was then appointed as an executive Director of the Company with effect from 27 February 2010.

Chairman, Mr. Hao Jian Min, provides leadership for the Board. He is responsible for ensuring that all Directors receive adequate information, which must be complete and reliable, in a timely manner and that Directors are properly briefed on issues arising at the Board Meetings. He also ensures that the Board works effectively and discharges its responsibilities; good corporate governance practices and procedures are established; and appropriate steps are taken to provide effective communication with shareholders and those views of shareholders are communicated to the Board as a whole. The Chief Executive Officer, Mr. Chen Bin, is responsible for the implementation of objectives set by the Board and he is also responsible for day-to-day management of the Company's businesses.

CORPORATE GOVERNANCE REPORT (CONTINUED)

A. DIRECTORS (Continued)

A.3 Board Composition

The Board comprises chairman of the Board and non-executive Director, Mr. Hao Jian Min, vice-chairman and non-executive Director, Mr. Yung Kwok Kee, Billy, executive Director and Chief Executive Director, Mr. Chen Bin, three executive Directors, namely Mr. Yu Shangyou, Mr. Xiang Hong and Mr. Zhu Bing Kun, and three independent non-executive Directors, namely Dr. Chung Shui Ming, Timpson, Mr. Lam Kin Fung, Jeffrey and Mr. Lo Yiu Ching, Dantes. Profiles of the Directors are set out in the section headed "Directors and Organization" of this annual report.

Members of the Board possess various experience, capabilities, and expertise suitable for and relevant to the Company's businesses. One-third of our Board members are independent non-executive directors who can help the Board to make more effective independent judgment. The non-executive Directors (including the independent non-executive Directors) possess diverse expertise. As such, they are able to help the Board to make decisions in an objective and professional manner, to assist the Board in formulating the Company's development strategies, and to ensure that the preparation of financial and other mandatory reports by the Board are in strict adherence to appropriate standards in order to protect the interests of the shareholders and the Company. The Board has received annual written confirmation of independence from each of the independent non-executive Directors and believed that, as at the date of this annual report, they were independent of the Company in accordance with the relevant requirement of the Listing Rules.

A.4 Appointments, re-election and removal

In accordance with our articles of association, one-third of the Directors will retire from office by rotation for re-election by shareholders at the annual general meeting. In addition, any new appointment to the Board is subject to re-appointment by shareholders at the upcoming general meeting.

Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term and subject to retirement by rotation and re-election. The non-executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

A.5 Responsibilities of Directors

Every newly appointed Director will receive an induction on the first occasion of his appointment, so as to ensure that he has a proper understanding of the operations and business of the Company, and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, other regulatory requirements, and especially the governance policies of the Company. The company secretary of the Company will continuously update and refresh the Directors on areas regarding their responsibilities and relevant regulations. All Directors are required to disclose to the Company their offices held in public companies or organizations and other significant commitments.

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors ("Code of Conduct"), the terms of which are not less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific inquiries to all Directors, all Directors confirmed that they have complied with the Code of Conduct throughout 2010.

A.6 Supply of and access to information

Full Board or committee papers will be sent to all Directors at least three days before the intended date of a Board meeting or committee meeting.

CORPORATE GOVERNANCE REPORT (CONTINUED)

A. DIRECTORS (Continued)

A.6 Supply of and access to information (Continued)

Management has supplied the Board and its committees with adequate information and explanations so as to enable them to make an informed assessment of the financial and other information put before the Board and its committees for approval. Management is also invited to join the Board or committee meetings where appropriate.

All the Directors are also entitled to have access to timely information in relation to our business and make further enquiries where necessary, and they have separate and independent access to senior management.

B. REMUNERATION AND NOMINATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established the Remuneration Committee whose principal duties are to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and to establish a formal and transparent remuneration policy for the Company. The Committee has the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors. The remuneration of the Directors approved by the shareholders is determined by the Board with reference to factors such as salaries paid by comparable companies, time commitment, responsibilities of the directors and employment conditions.

The Remuneration Committee has five members, namely Mr. Hao Jian Min, Mr. Yung Kwok Kee, Billy, Dr. Chung Shui Ming, Timpson, Mr. Lam Kin Fung, Jeffrey and Mr. Lo Yiu Ching, Dantes, majority of whom are independent non-executive Directors. The committee is chaired by Mr. Hao Jian Min.

The Company has also established the Nomination Committee whose principal duties are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. It also makes recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer.

The Nomination Committee has four members, namely Mr. Hao Jian Min, Dr. Chung Shui Ming, Timpson, Mr. Lam Kin Fung, Jeffrey and Mr. Lo Yiu Ching, Dantes, majority of whom are independent non-executive Directors. The Committee is chaired by Mr. Hao Jian Min.

The Remuneration Committee held one meeting during 2010 (average attendance was 100%) to review remuneration policy of the Group and the Nomination Committee did not hold any meeting during 2010.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial Reporting

Directors acknowledge their responsibility for preparing the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Company's financial statements are prepared in accordance with the Listing Rules, Companies Ordinance and also the accounting principles and practices generally accepted in Hong Kong. Appropriate accounting policies are selected and applied consistently; judgements and estimates made are prudent and reasonable. The Directors endeavour to ensure a balanced, clear and understandable assessment of the Company's position and prospects in annual reports, interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory requirements.

CORPORATE GOVERNANCE REPORT (CONTINUED)

C. ACCOUNTABILITY AND AUDIT (Continued)

C.2 Internal Controls

The Directors of the Company are responsible for the maintenance of an effective system of internal control. The Board has implemented a system of internal controls to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purposes and investment and business risks affecting the Group are identified and properly managed. The Company has established the Intendance and Audit department so as to enhance a good internal control environment. The Intendance and Audit department provides internal control assessment reports to the management on a regular or ad hoc basis. It also regularly reports to the Audit Committee and the Board on internal control affairs. To minimize risk faced by the Company, the department evaluates and reviews the Company's internal control processes to avoid risks and provide a solid foundation for building up an effective internal control system.

The Directors have reviewed the efficiency of internal control systems of the Company and its subsidiaries in aspects such as financial condition, operation, regulatory compliance and risk management. The Directors believe that the internal control system is efficient and effectively controls the risks that may have impacts on the Company in achieving its goals. The Directors have also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

C.3 Audit Committee

The Company established the Audit Committee whose primary duties are set out in its terms of reference, inter alia, include: (1) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors; (2) to discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences; (3) to monitor integrity of financial statements of the Company and its annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgment contained in them; (4) to review the Company's financial controls, internal control and risk management systems; (5) to ensure co-ordination between internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function.

The Audit Committee comprises of three members, namely Dr. Chung Shui Ming, Timpson, Mr. Lam Kin Fung, Jeffrey and Mr. Lo Yiu Ching, Dantes, all of whom are independent non-executive Directors. The Audit Committee is chaired by Dr. Chung Shui Ming, Timpson. For the purpose of reinforcing their independence, all members of the Audit Committee have appropriate professional qualifications, accounting or related financial management experience referred to in the Listing Rules.

The Audit Committee held three meetings during 2010 (average attendance was 100%). The committee together with the senior management, internal and independent auditors of the Company reviewed the internal and independent audit results and discussed matters relating to audit, internal control system and financial reporting.

CORPORATE GOVERNANCE REPORT (CONTINUED)

D. DELEGATION BY THE BOARD

D.1 Management Functions

The Board is the highest decision-making and managing body of the Company. Having regard to the best interests of the Company and its shareholders, the Board reviews and approves major matters such as business strategies, budgets, major investments as well as mergers and acquisitions. In addition, the Directors have acknowledged that the principal responsibilities of the Board also include supervising and administrating the operation and financial position of the Company, approving the result announcements and other announcement concerning operation conditions of the Company to be published to the public on a regular basis, optimising corporate governance structure and promoting the communication with our shareholders.

D.2 Board Committees

Currently, the Board of the Company has set up three committees, namely Audit Committee, Remuneration Committee and Nomination Committee to implement internal supervision and control on each relevant aspect of the Company. Details of Audit Committee, Remuneration Committee and Nomination Committee are set out in Sections C.3 and B above.

E. COMMUNICATION WITH SHAREHOLDERS

Apart from reporting to the shareholders and investors on its operation and financial conditions semi-annually and annually, the Company also discloses relevant information quarterly so that the investors have a better understanding about the operation of the Company.

The Company also holds regular press conferences and meetings with financial analysts and investors, during which the Company's management will directly provide relevant information and data to the media, financial analysts, fund managers and investors, as well as answer their enquiries in a prompt, complete and accurate manner. The Company's website is updated continuously, providing up-to-date information regarding every aspect of the Company to investors and the public.

F. ATTENDANCE RECORDS

Details of Directors' attendance at the Board meetings and meetings of Board committees held in 2010 are set out in the following table:

	Attendance Required	Attendance in Person
1) Board of Directors Meetings		
Executive Directors:		
Chen Bin	10	10
Yu Shangyou	10	10
Xiang Hong	10	9
Zhu Bing Kun	10	7
Yung Ho Wun Ching [1]	4	1
Eddie Hurip [2]	4	3
Leung Chun Wah [3]	4	4

CORPORATE GOVERNANCE REPORT (CONTINUED)

F. ATTENDANCE RECORDS (CONTINUED)

		Attendance Required	Attendance in Person
1)	**Board of Directors Meetings (Continued)**		
	Non-executive Directors:		
	Hao Jian Min	10	10
	Yung Kwok Kee, Billy	12	9
	Simon Yung Kwok Choi [4]	5	2
	Independent Non-executive Directors:		
	Chung Shui Ming, Timpson	3	3
	Lam Kin Fung, Jeffrey	3	3
	Lo Yiu Ching, Dantes	3	3
	Peter Wong Chung On [5]	9	8
	Lawrence Leung Man Chiu [5]	9	8
	Peter Lam [5]	9	7
2)	**Audit Committee Meeting**		
	Chung Shui Ming, Timpson *(Chairman)*	2	2
	Lam Kin Fung, Jeffrey	2	2
	Lo Yiu Ching, Dantes	2	2
	Peter Wong Chung On [5]	1	1
	Lawrence Leung Man Chiu [5]	1	1
	Peter Lam [5]	1	1
3)	**Remuneration Committee Meeting**		
	Hao Jian Min *(Chairman)*	1	1
	Yung Kwok Kee, Billy	1	1
	Chung Shui Ming, Timpson	1	1
	Lam Kin Fung, Jeffrey	1	1
	Lo Yiu Ching, Dantes	1	1
4)	**Nomination Committee Meeting**		
	Hao Jian Min *(Chairman)*	0	0
	Chung Shui Ming, Timpson	0	0
	Lam Kin Fung, Jeffrey	0	0
	Lo Yiu Ching, Dantes	0	0

1 Resigned as executive director on 29 March 2010.
2 Resigned as executive director on 29 March 2010.
3 Resigned as executive director on 29 March 2010.
4 Removed as non-executive director on 30 March 2010.
5 Resigned on 18 May 2010.

CORPORATE GOVERNANCE REPORT (CONTINUED)

G. AUDITOR'S REMUNERATION

Due to a merger of the practices of Grant Thornton Hong Kong ("GTHK") with that of BDO Limited, a member of BDO International Limited, GTHK resigned as auditor of the Group with effect from 29 November 2010 and on the same date, BDO Limited (the "Auditor") was appointed as auditor of the Group.

For the year ended 31 December 2010, fees for non-audit services payable to GTHK amounted to approximately HK$3,104,000, including professional services rendered in connection with the Company's acquisitions.

For the year ended 31 December 2010, the remuneration payable to the Auditor amounted to approximately HK$1,000,000, while the fees for non-audit services, including professional services rendered in connection with the Company's acquisitions, amounted to approximately HK$170,000 in aggregate.

Non-executive Directors:

MR. HAO JIAN MIN, *Chairman*

Aged 46, graduated from Shenyang Jianzhu University and is a Master of Harbin Institute of Technology and MBA of Fordham University in USA. Mr. Hao joined China Overseas Holdings Limited ("COHL") in 1989. He is now an executive director, vice chairman and chief executive officer of China Overseas Land & Investment Limited ("COLI"). Mr. Hao is also a director of COHL and certain of its subsidiaries. He has 24 years' experience in construction and property business. Mr. Hao has been appointed as the chairman and non-executive director of the Company with effect from 27 February 2010. He was also appointed as chairman and member of both the Remuneration Committee and the Nomination Committee of the Company with effect from 18 May 2010.

MR. YUNG KWOK KEE, BILLY, *Vice Chairman*

Aged 57, received a Bachelor degree in Electrical Engineering from University of Washington and a Master degree in Industrial Engineering from Stanford University. Mr. Yung has over 30 years of experience in managing manufacturing, retailing, transportation, semi-conductor, computer hardware and software business in USA, Hong Kong and China. He has also over 25 years of experience in real-estate investment and development in USA, Canada, Holland, Hong Kong, Taiwan, Macau and China. Mr. Yung resigned as the Group Chairman and Chief Executive of the Company with effect from 10 February 2010 and has been re-designated from Chairman of the Board and Executive Director to Vice Chairman of the Board and Non-Executive Director of the Company with effect from 27 February 2010. He is now the Vice Chairman, Non-Executive Director and member of the Remuneration Committee of the Company. Mr. Yung is currently a Member of Chinese People's Political Consultative Conference Guangzhou Committee, the Permanent Honorary President of Friends of Hong Kong Association Ltd, and was awarded the Honorary Citizen of the City of Guangzhou and the Honorary Citizen of the City of Foshan.

Executive Directors:

MR. CHEN BIN, *Chief Executive Officer*

Aged 41, BEng. (Southeast University), MBA (Kellogg-HKUST), Senior Engineer. He joined China State Construction Engineering Corporation in 1993. Mr. Chen has been appointed as an executive director of China Overseas Land & Investment Limited in November 2006. He was also a director of China Overseas Holdings Limited since March 2004 and has about 18 years' management experience in construction business and personnel administration. Mr. Chen has been appointed as the chief executive officer and executive director of the Company with effect from 10 February 2010 and 27 February 2010 respectively.

MR. YU SHANGYOU

Aged 52, graduated from Ohio University with a Master degree, Senior Economist. He has more than twenty-eight years of experience in the financial fields including corporate finance and investment, asset management, corporate strategy, M&A, corporate operation and risk management.

From 1988 to 1993, Mr. Yu was a project manager with China Heilongjiang International Economic & Technical Cooperation Corporation. In 1993, Mr. Yu joined COHL and was subsequently designated as a director of Chung Hoi Finance Ltd. in 1997, and the deputy general manager of finance department of COHL from March 2000 to May 2005, the director and general manager of Chung Hoi Finance Ltd. in May 2005, vice chairman of China Overseas Finance Investment Limited in January 2007, a director of COHL in March 2008. Furthermore, Mr. Yu was also appointed as the deputy general manager of Shenzhen China Overseas Investment Management Co., Ltd. in December 2008, and director of Anhui Guoyuan Trust Co., Ltd in September 2009. Mr. Yu was appointed as an executive director of the Company with effect from 27 February 2010.

MR. XIANG HONG, *Chief Financial Controller*

Aged 43, graduated from Hangzhou Institute of Commerce and Murdoch University in Australia, holder of master degree, senior accountant. He joined a subsidiary of COLI in 1993. Mr. Xiang was appointed as the deputy financial controller of a subsidiary of COLI in February 2006. He has been appointed as the deputy financial controller of COLI since November 2009. Mr. Xiang is also a director of certain subsidiaries of COLI. He has about 21 years' experience in corporate financial management. Mr. Xiang has been appointed as the chief financial controller and executive director of the Company with effect from 10 February 2010 and 27 February 2010 respectively.

MR. ZHU BING KUN

Aged 59, graduated from School of Public Administration in Shanghai, senior economist. He joined a subsidiary of COLI in 1994. Mr. Zhu is also a director of certain subsidiaries of COLI. He has about 27 years' experience in human resources management and corporate management. Mr. Zhu was appointed an executive director of the Company with effect from 27 February 2010.

Independent non-executive Directors:

DR. CHUNG SHUI MING, TIMPSON *GBS, JP*

Aged 59, holds a bachelor of science degree from the University of Hong Kong, a master's degree of business administration from the Chinese University of Hong Kong and a Doctor of Social Sciences honoris causa from the City University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. Dr. Chung is currently Director-General of Democratic Alliance for the Betterment and Progress of Hong Kong and a member of the National Committee of the 11th Chinese People's Political Consultative Conference. Besides, Dr. Chung is an independent non-executive director of China Unicom (Hong Kong) Limited, Glorious Sun Enterprises Limited, The Miramar Hotel & Investment Co. Limited and Nine Dragons Paper (Holdings) Limited (all listed on the Hong Kong Stock Exchange). Dr. Chung is also an independent director of China State Construction Engineering Corporation Limited and China Everbright Bank Corporation Limited (both listed on the Shanghai Stock Exchange). From October 2004 to November 2008, Dr. Chung served as an independent non-executive director of China Netcom Group Corporation (Hong Kong) Limited. Formerly, Dr. Chung was a director of Hantec Investment Holdings Limited, the chairman of China Business of Jardine Fleming Holdings Limited, the deputy chief executive officer of BOC International Limited, the independent non-executive director of Tai Shing International (Holdings) Limited, and the chairman of the Council of the City University of Hong Kong. He was also the chairman of the Hong Kong Housing Society, a member of the Executive Council of the Hong Kong Special Administrative Region, the vice chairman of the Land Fund Advisory Committee of Hong Kong Special Administrative Region Government, a member of the Managing Board of the Kowloon-Canton Railway Corporation, a member of the Hong Kong Housing Authority, a member of the Disaster Relief Fund Advisory Committee and a vice-chairman, director & deputy general manager of Nanyang Commercial Bank Limited and the chief executive officer of the Hong Kong Special Administrative Region Government Land Fund Trust. Since 18 May 2010, Dr. Chung has been appointed as an independent non-executive director of the Company, chairman of the Audit Committee, and member of both the Remuneration Committee and Nomination Committee of the Company.

MR. LAM KIN FUNG, JEFFREY *SBS, JP*

Aged 59, holds a Bachelor Degree from Tufts University in the United States of America. He has over 30 years of experience in the toy industry and is currently the Managing Director of Forward Winsome Industries Limited which is engaged in toy manufacturing. He is also a Member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Lam also holds a number of other public and community service positions including Member of the Legislative Council in Hong Kong, Chairman of the Assessment Committee of the Mega Events Funds, Member of the Board of the West Kowloon Cultural District Authority, Member of the Advisory Committee on Corruption of Independent Commission Against Corruption, Member of the Steering Committee on the Community Care Fund, Council Member of Hong Kong Trade Development Council and General Committee Member of Hong Kong General Chamber of Commerce. In addition, he is an Independent Non-Executive Director of Hsin Chong Construction Group Limited, CC Land Holdings Limited, Wynn Macau, Limited and Sateri Holdings Limited. Since 18 May 2010, Mr. Lam has been appointed as an independent non-executive director of the Company, member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Independent non-executive Directors: (continued)

MR. LO YIU CHING, DANTES *GBS, JP*

Aged 64, graduated in London in 1970 and further obtained his Master of Science degree in civil engineering from the University of Hong Kong in 1980. He is a Fellow of the Institution of Civil Engineers; a Fellow of the Institution of Structural Engineers; a Fellow of the Hong Kong Institution of Engineers and a Member of the China Civil Engineering Society.

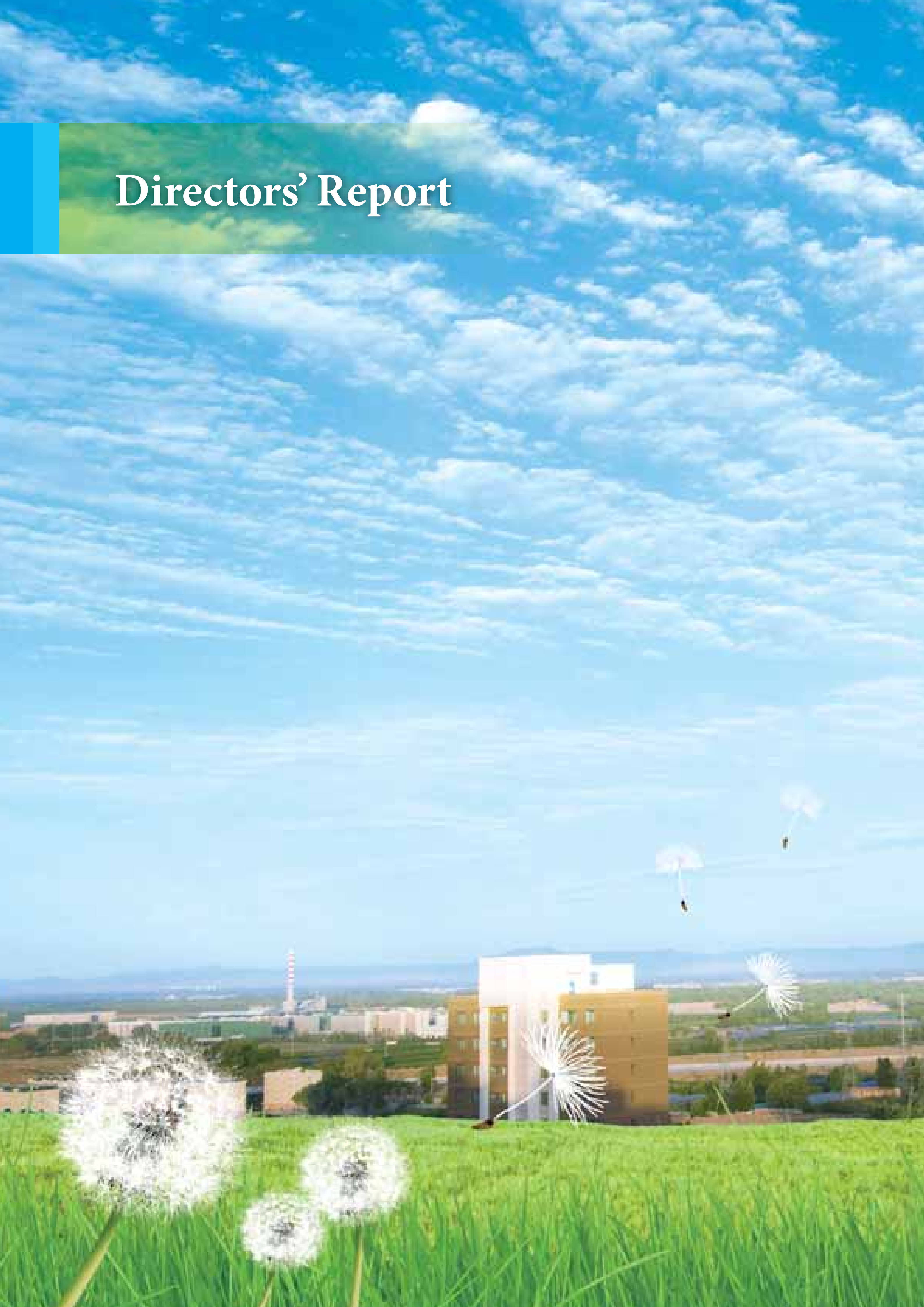
Mr. Lo had been engaged both in Hong Kong and overseas in the administration, planning, design and supervision of major capital works projects in civil and structural engineering, including multi-storey buildings, slope works, construction of roads and bridges, reclamations and port works and new town development. In 1970, Mr. Lo started his career with Ove Arup & Partners in London as a Project Engineer. He joined the Hong Kong Government in 1974 as an Engineer and was promoted to Director of Civil Engineering Department in 1999 and then Director of Highways Department in 2000. In 2002, Mr. Lo was appointed the Permanent Secretary for the Environment, Transport and Works (Works). He retired from the civil service in 2006. Before his retirement, Mr. Lo was awarded the Gold Bauhinia Star (GBS) in recognition of his loyal and distinguished service to the Government and the Hong Kong Community. In particular, he had made valuable contribution in steering forward major public works projects and in promoting quality improvements in the construction industry.

Mr. Lo is a Justice of the Peace and a part-time senior Consultant to the Hospital Authority on capital planning. He has been appointed as a Distinguished Adjunct Professor in the Department of Civil Engineering, University of Hong Kong since 2003. Mr. Lo is also an Adjunct Professor in the Department of Civil and Structural Engineering, Hong Kong Polytechnic University. Since 18 May 2010, Mr. Lo has been appointed as an independent non-executive director of the Company, member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Senior Management Staff:

Assisted by head of departments, the businesses and operations of the Group are under the direct responsibilities of the Executive Directors and the Executive Directors are therefore regarded as the senior management staff of the Company.

Directors' Report



DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

During the current year, the principal activities of the Company and its subsidiaries (collectively, the "Group") are property investment and development, property leasing and investment holding. Details of the activities of its principal subsidiaries, associates and jointly controlled entities are set out in note 55 to note 57 to the financial statements. Except for as disclosed under note 11 to the financial statements in respect of the group's reorganization and discontinued operations, there were no other changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 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 income statement on page 37.

The board of directors of the Company (the "Board") has recommended the payment of a final dividend of HK10.0 cents per ordinary share for the year ended 31 December 2010 with a total amount of approximately HK$95,704,000.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 37 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and note 38 to the financial statements respectively.

DISTRIBUTABLE RESERVE

Distributable reserve of the Company at 31 December 2010, calculated under section 79B of the Companies Ordinance was HK$602,274,000 (2009: HK$1,099,654,000).

DONATIONS

During the year, the Group made charitable and other donations totaling HK$215,000 (2009: HK$12,962,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group and the Company are set out in note 17 to the financial statements.

FIVE YEAR 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 133.

MAJOR PROPERTIES

Particulars of the major properties and property interests of the Group as at 31 December 2010 are set out on pages 134 to 136.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 2010, the Company has issued:

1) 157,045,368 ordinary shares at HK$2.90 per share on 10 February 2010 to Star Amuse Limited pursuant to the Subscription Agreement dated 9 September 2009;

2) 41,000,000 ordinary shares at HK$5.00 per share on 19 May 2010 to various placees pursuant to the Placing Agreement dated 6 May 2010;

3) 22,213,333 ordinary shares on 3 June 2010 which were allotted and issued under the SMC Deed and WTG Deed in consideration of the cancellation of certain options which entitled the allottees to acquire an aggregate of 56,000 issued shares of Pan China Land (Holdings) Corporation; and cash receipt of HK$33,600,000 (details of which are set out in the circular of the Company dated 10 May 2010);

4) 23,800,000 ordinary shares on 3 June 2010 which were allotted and issued under the PCL Agreement in consideration of the cancellation of certain options which entitled the allottees to acquire an aggregate of 60,000 issued shares of Pan China Land (Holdings) Corporation (details of which are set out in the circular of the Company dated 10 May 2010).

Save as disclosed above, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2010.

DIRECTORS

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

Non-executive directors
Mr. Hao Jian Min *(Chairman of the Board)*
Mr. Yung Kwok Kee, Billy *(Vice-Chairman of the Board)*

Executive directors
Mr. Chen Bin *(Chief Executive Officer)*
Mr. Yu Shangyou
Mr. Xiang Hong
Mr. Zhu Bing Kun

Independent non-executive directors
Dr. Chung Shui Ming, Timpson
Mr. Lam Kin Fun, Jeffrey
Mr. Lo Yiu Ching, Dantes

The date of appointment of the above directors are set out in the section headed "Directors and Organization" of this annual report.

During the year, Madam Yung Ho Wun Ching, Mr. Leung Chun Wah, Mr. Eddie Hurip, Mr. Wong Chung On Peter, Mr. Peter Lam, Mr. Leung Man Chiu Lawrence, Mr. Yung Kwok Choi Simon ceased to be directors of the Company and the date when they ceased to be directors are set out on pages 18 to 19.

In accordance with Article 103 of the Company's Articles of Association, Mr. Yung Kwok Kee, Billy, Mr. Xiang Hong and Mr. Zhu Bing Kun shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Company still considers such directors to be independent.

Each Director (including non-executive directors) is subject to retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS AND ORGANIZATION

Brief biographical details of directors and senior management as at the date of this report are set out on pages 21 to 23.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its 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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, as at the date of this report, the following directors had declared interests in the following entities which compete or are likely to compete, either directly or indirectly, with the businesses of the Company:

Mr. Hao Jian Min, Chairman of the Board, is also the Vice Chairman and Chief Executive Officer of China Overseas Land & Investment Limited ("COLI") and a director of various COLI's subsidiaries. In addition, Mr. Hao is a director of China Overseas Holdings Limited ("COHL"). Both COLI and COHL are engaged in construction, property development and related businesses.

Mr. Chen Bin, Executive Director and Chief Executive Officer of the Company, is also a director of COHL, a director of COLI and a director of various COLI's subsidiaries.

Mr. Yu Shangyou, Executive Director of the Company, is also a director of COHL and holds directorships in various subsidiaries of COHL and COLI.

Mr. Xiang Hong, Executive Director of the Company, is also the Deputy Financial Controller of COLI.

Mr. Zhu Bing Kun, Executive Director of the Company, also hold directorships in various subsidiaries of COLI.

The entities in which the Directors have declared interests are managed by separate boards of directors and management, which are accountable to their respective shareholders. Further, the Board includes three Independent Non-executive Directors and one Non-executive Director (other than Mr. Hao Jian Min) whose views carry significant weight in the Board's decisions. The Audit Committee of the Company, which consists of three Independent Non-executive Directors, meets regularly to assist the Board in reviewing the financial performance, internal control and compliance systems of the Company and its subsidiaries. The Company is, therefore, capable of carrying on its businesses independently of, and at arm's length from, the businesses in which Directors have declared interests.

SHARE OPTION SCHEMES

At the annual general meeting of the Company held on 11 May 2005, the shareholders of the Company approved the adoption of a new share option scheme (the "Scheme") for a period of 10 years commencing on the adoption date. Since 11 May 2005, the Board of the Company may, at its discretion, grant share options to any eligible person to subscribe for shares in the Company subject to the terms and conditions as stipulated in the Scheme. No share options were granted during the period and since adoption.

With respect to share option scheme to subscribe shares in the Company's subsidiaries, details of the schemes are set out in note 42 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2010, the Directors and the Chief Executives of the Company had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

(a) Long Positions in shares of the Company

Name of Director	Capacity	Nature of Interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company (Note 1)
Mr. Hao Jian Min	Beneficial owner	Personal	2,000,000	2,000,000	0.26%
Mr. Yung Kwok Kee, Billy	Beneficial owner	Personal	7,933,333	184,468,084	24.034%
	Beneficiary of a trust (Note 2)	Other	169,319,084		
	Interest of controlled corporation (Note 3)	Interest in controlled corporation	7,215,667		
Dr. Chung Shui Ming, Timpson	Beneficial owner	Personal	297,000	297,000	0.04%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (CONTINUED)

(b) Long positions in shares and underlying shares of associated corporations (unless otherwise stated, all being personal interest and being held in the capacity of beneficial owner)

(i) China Overseas Land & Investment Limited

Name of Director	Number of shares held	% of shares in issue (Note 4)
Mr. Hao Jian Min	5,353,172	0.066%
Mr. Chen Bin	1,371,971	0.017%
Mr. Yu Shangyou	782,090	0.01%
Mr. Xiang Hong	180,480	0.002%
Dr. Chung Shui Ming, Timpson	110,000	0.001%

(ii) China State Construction International Holdings Limited

Name of Director	Number of shares held	Number of underlying shares comprised in Options (Note 5)	Total	% of shares in issue (Note 6)
Mr. Hao Jian Min	806,240	1,843,820	2,650,060	0.089%
Mr. Chen Bin	1,437,696	1,264,334	2,702,030	0.091%
Mr. Yu Shangyou	1,361,928	0	1,361,928	0.046%
Mr. Xiang Hong	219,502	0	219,502	0.007%
Mr. Zhu Bing Kun	160,000	0	160,000	0.005%

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or Chief Executive of the Company or their respective associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the Directors and Chief Executive of the Company (including their spouses and children under the age of 18) had, as at 31 December 2010, any interest in, or had been granted any right to subscribe for the shares and options of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (CONTINUED)

(b) Long positions in shares and underlying shares of associated corporations (unless otherwise stated, all being personal interest and being held in the capacity of beneficial owner) (continued)

Notes:

(1) The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2010 (i.e. 767,543,263 shares).

(2) These shares are held by a trust for the benefit of Mr. Yung Kwok Kee, Billy and his family members.

(3) These shares are held by Extra-Fund Investment Limited, a corporation interested by Mr. Yung Kwok Kee, Billy. Extra-Fund Investment Limited, a wholly owned subsidiary of Shell Electric Holdings Limited, was the beneficial owner of such 7,215,667 shares. Shell Electric Holdings Limited was in turn held (i) 7.13% by Mr. Yung Kwok Kee, Billy beneficially; (ii) 1.91% by Mr. Yung Kwok Kee, Billy and his spouse; (iii) 36.66% by Diamond Key Enterprises Inc; (iv) 4.66% by On Fat Profits Corporation; and (v) 32.81% by Red Dynasty Investments Ltd. Diamond Key Enterprises Inc and On Fat Profits Corporation are companies held under a trust with Mr. Yung Kwok Kee, Billy and his spouse as the beneficiaries while Red Dynasty Investments Ltd is 100% held by Mr. Yung Kwok Kee, Billy and his spouse. Mr. Yung Kwok Kee, Billy was taken to be interested in such 7,215,667 shares by virtue of the SFO.

(4) The percentage has been adjusted based on the total number of shares of China Overseas Land & Investment Limited in issue as at 31 December 2010 (i.e. 8,172,519,077 shares).

(5) The exercise price for the share options is HK$0.99 per share (before share subdivision). Immediately after the share subdivision approved on 12 June 2008, the exercise price for the share options is HK$0.2475 per share. Immediately after the adjustment for the rights issue made on 1 September 2009, the exercise price for the share options is HK$0.2345 per share. The vesting period is from 14 September 2005 to 13 September 2010 (both days inclusive) and the exercise period is from 14 September 2006 to 13 September 2015 (both days inclusive). 20% can be exercised annually ("Limit") from 14 September 2006. Unexercised portion of the Limit (if any) can be exercised in the remaining exercise period and will not be included in calculating the Limit of the relevant year. It can be fully exercised from 14 September 2010 to 13 September 2015 (both days inclusive).

(6) The percentage has been adjusted based on the total number of shares of China State Construction International Holdings Limited as at 31 December 2010 (i.e. 2,979,458,825 shares).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2010, the following persons (other than Directors or the Chief Executive of the Company) were interested in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company (Note 1)
Diamond Key Enterprises Inc. ("Diamond Key")	Beneficial owner (Note 2)	Beneficial	99,675,364	99,675,364	12.99%
On Fat Profits Corporation ("On Fat")	Beneficial owner (Note 2)	Beneficial	69,643,720	69,643,720	9.07%
UBS Trustees (BVI) Limited ("UBS Trustees")	Trustees of trusts (Note 2)	Other	169,319,084	169,319,084	22.06%
Mr. Simon Yung Kwok Choi	Beneficial owner	Personal	39,147,911 (Note 3)	43,577,351 (Note 4)	5.68%
	Interest of controlled corporation (Note 5)	Corporate	3,529,440 (Note 3)		
	Interest of spouse (Note 6)	Family	900,000		

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (CONTINUED)

Name of substantial shareholder	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company (Note 1)
Madam Chiu Man	Beneficial owner Interest of spouse (Note 7)	Personal Family	900,000 42,677,351	43,577,351	5.68%
China State Construction Engineering Corporation ("CSCEC")	Interest of controlled corporation (Note 8)	Interest in controlled corporation	384,548,244	384,548,244	50.10%
Kentrise Company Inc	Beneficial owner	Beneficial	123,392,789	123,392,789	16.08%
Mr. Cheng Yang	Interest of controlled corporation (Note 9)	Interest in controlled corporation	123,392,789	123,392,789	16.08%
Mr. Wang Tao Guang	Beneficial Owner (Note 9)	Beneficial	128,130,123 (Note 10)	128,130,123	16.69%

Save as disclosed above, the Company had not been notified by any other person (other than Directors or the Chief Executive of the Company) who had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2010.

Notes:

1. The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2010 (i.e. 767,543,263 shares).

2. 169,319,084 shares held by UBS Trustees (comprises 99,675,364 shares and 69,643,720 shares held by Diamond Key and On Fat respectively) are disclosed in the section headed "Directors' and Chief Executive's Interests in Securities" above as being held under a trust with Mr. Yung Kwok Kee, Billy and his spouse as the beneficiaries. None of the Directors are directors or employees of On Fat and Diamond Key.

3. The number of shares disclosed hereof is made with reference to the disclosure of interest filed by Mr. Simon, Yung Kwok Choi with the Stock Exchange without taking into account the acceptance of the COLI Offer (as defined in the circular of the Company dated 10 May 2010) by Mr. Simon, Yung Kwok Choi in respect of his 1,000,000 shares.

4. These shares represent the sum of the personal, corporate and family interest of Mr. Simon, Yung Kwok Choi without taking into account the acceptance of the COLI Offer by Mr. Simon, Yung Kwok Choi in respect of his 100,000 shares.

5. These shares are held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung Kwok Choi.

6. This interest represents the holding of shares held by Mr. Simon, Yung Kwok Choi's spouse, Madam Chiu Man.

7. Madam Chiu Man's shares held under personal interest and family interest are in fact the same block of shares already disclosed respectively under family interest, personal and corporate interests of her husband, Mr. Simon, Yung Kwok Choi.

8. CSCEC is interested in 384,548,244 shares which comprises of 370,458,244 shares held by Star Amuse Limited ("Star Amuse") and 14,090,000 shares held by Chung Hoi Finance Limited ("Chung Hoi"). Star Amuse is a wholly-owned subsidiary of Big Crown Limited ("Big Crown"). Big Crown and Chung Hoi are wholly-owned subsidiaries of China Overseas Land & Investment Limited ("COLI") which in turn is a non-wholly owned subsidiary of China Overseas Holdings Limited ("COHL"). COHL is a subsidiary of China State Construction Engineering Coproation Limited which in turn is a non-wholly owned subsidiary of CSCEC.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (CONTINUED)

9. On 2 November 2010, the Company entered into an agreement (the "Acquisition Agreement") in relation to the acquisition of 30% equity interest in Pan China Land (Holdings) Corporation at a consideration of HK$1,233,927,895. The consideration shall be satisfied by the Company by the issue of 123,392,790 and 123,392,789 ordinary shares of the Company to Mr. Wang Tao Guang and Kentrise Company Inc. (which is beneficially wholly owned by Mr. Cheng Yang) respectively or in cash in accordance to the terms of the Acquisition Agreement (further details please refer to the announcement of the Company dated 2 November 2010).

10. Mr. Wang Tao Guang is interested in 128,130,123 shares which comprises of 123,392,790 shares mentioned in Note 9 above and 4,737,333 shares already interested before the date of the Acquisition Agreement.

CONNECTED TRANSACTIONS ENTERED BY THE GROUP

Unless otherwise stated, capitalised terms used in paragraphs (a) to (d) of this section shall have the same meanings as those set out in the circular of the Company dated 10 May 2010 (the "Circular").

(a) PCL Agreement

On 9 February 2010, China Overseas Land & Investment Limited ("COLI"), the Company, Terborley, Mr. Yung Kwok Kee, Billy and the PCL Grantees entered into the PCL Agreement in relation to the cancellation of the PCL Options which entitled the PCL Grantees to acquire an aggregate of 60,000 shares of Pan China Land (Holdings) Corporation ("Pan China Land").

The consideration for the cancellation of the PCL Options pursuant to the PCL Agreement would be satisfied by the allotment and issue of an aggregate of 23,800,000 shares by the Company to the PCL Grantees on completion. After arm's length negotiation between the parties to the PCL Agreement and in the view to reward the PCL Grantees for their services and contributions to the Group, no subscription price would be paid by the PCL Grantees in consideration of the allotment and issue of the shares.

Since some of the PCL Grantees were directors and/or had been directors of the member(s) of the Group, the PCL Grantees were connected persons of the Company and the entering into the PCL Agreement constituted a connected transaction of the Company.

(b) Compensation Agreement

On 9 February 2010, the Company and the EB Management, who were certain members of the PCL Grantees, entered into the Compensation Agreement in relation to, among other things, the compensation proposal in favour of the EB Management and the handover of EB Real Estate by the EB Management.

In addition to the allotment and issue of the Company's shares pursuant to the PCL Agreement, the EB Management would also be compensated in the manner as more particular set out in the Circular which included, among other things, the following:

(i) certain rights and/or obligations of a number of construction projects/assets of the Group in Beijing would be transferred to the EB Management;

(ii) an interest-free loan would be provided by the Company to a company to be set up by EB Management ("Newco"); and

(iii) RMB20 million in cash as full compensation to certain existing employees for termination of their employment.

Since some of the PCL Grantees were directors and/or had been directors of the Group in the preceding 12 months, the PCL Grantees were connected persons of the Company and the Newco was regarded as an associate of the PCL Grantees under the Listing Rules. As such, the Compensation Agreement constituted a connected transaction for the Company under the Listing Rules. Also the loan to be advanced to the Newco constituted financial assistance under Rule 14A.63 of the Listing Rules.

CONNECTED TRANSACTION ENTERED BY THE GROUP (CONTINUED)

(c) SMC Deed

On 10 February 2010, COLI, the Company, Mr. Yung Kwok Kee, Billy, Terborley and the SMC Grantees entered into the SMC Deed in relation to the cancellation of the SMC Options which entitled the SMC Grantees to acquire an aggregate of 36,000 shares of Pan China Land.

The consideration for the cancellation of the SMC Options would be satisfied by the allotment and issue of an aggregate of 14,280,000 shares by the Company to the SMC Grantees on completion. In return, the SMC Grantees would pay the Company in cash a subscription price of HK$21,600,000 (approximately HK$1.51 per share) in consideration of the allotment and issue of the shares.

Since the SMC Grantees were directors or had been directors of the members of the Group within the preceding 12 months, the SMC Grantees were connected persons and the entering into the SMC Deed constituted a connected transaction of the Company.

(d) WTG Deed

On 5 March 2010, COLI, the Company, Terborley and Mr. Wang Tao Guang ("Mr. Wang") entered into the WTG Deed in relation to the cancellation of the WTG Options which entitled Mr. Wang to acquire an aggregate of 20,000 shares of Pan China Land.

The consideration for the cancellation of the WTG Options held by Mr. Wang pursuant to the WTG Deed would be satisfied by the allotment and issue of an aggregate of 7,933,333 shares by the Company to Mr. Wang on completion. According to the terms of the WTG Deed, Mr. Wang would pay the Company in cash a subscription price of HK$12,000,000 (approximately HK$1.51 per share) in consideration of the allotment and issue of the shares.

Since Mr. Wang was a director of certain subsidiaries of the Company, Mr. Wang was a connected person of the Company and the entering into the WTG Deed constituted a connected transaction of the Company.

(e) Acquisition Agreement

As disclosed in the circular dated 26 November 2010, on 2 November 2010, the Company, Assure Win Investments Limited ("Assure Win"), Mr. Wang, Mr. Cheng Yang ("Mr. Cheng") and Kentrise Company Inc. ("Kentrise") entered into the acquisition agreement pursuant to which the Company will acquire the remaining 30% minority interests in Pan China Land. The consideration for the acquisition was HK$1,233,927,895, which will be satisfied by the Company by the issue of 246,785,579 of its ordinary shares or in cash in accordance with the term of the acquisition agreement.

As Assure Win directly and indirectly owned approximately 30% interest in Pan China Land, Assure Win and its ultimate shareholders, Mr Wang, Kentrise and Mr. Cheng were connected persons of the Company at the subsidiary level. The acquisition constituted a connected transaction of the Group. The transaction was approved by independent shareholders in the extraordinary general meeting on 15 December 2010 and completed on 20 December 2010.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Except for the share options granted to the directors pursuant to the schemes as set out in note 42 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

For the financial year ended 31 December 2010, the five largest customers accounted for approximately 2.4% of the total sales of the Group's turnover, of which 1.2% was attributable to the largest customer. Purchase from the Group's five largest suppliers accounted for approximately 65% of the Group's total purchases and purchase from the largest supplier include therein amounted to approximately 33% for the year.

None of the directors, their associates or any shareholder (which to the knowledge of the directors, owns more than 5% of the Company's issued share capital) has an interest in the major suppliers or customers noted above.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on public information available to the Company and to the best knowledge of the Directors, the Company maintained sufficient public float, being no less than 25% of the issued share capital of the Company as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 52 to the financial statements.

AUDITOR

The financial statements in respect of the previous two years were audited by Grant Thornton ("GTHK"), now known as JBPB & Co. Due to a merger of the businesses of GTHK and BDO Limited ("BDO") to practise in the name of BDO as announced on 26 November 2010, GTHK resigned and BDO was appointed as auditors of the Company effective from 29 November 2010. The financial statements for the year ended 31 December 2010 were audited by BDO.

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

On behalf of the Board

Hao Jian Min
Chairman and Non-executive Director

Hong Kong, 15 March 2011

INDEPENDENT AUDITOR'S REPORT

BDO

Tel : +852 2541 5041
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2541 5041
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

To the shareholders of China Overseas Grand Oceans Group Limited
中國海外宏洋集團有限公司
(formerly known as Shell Electric Mfg. (Holdings) Company Limited 蜆壳電器工業(集團)有限公司)
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Overseas Grand Oceans Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 37 to 132 which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, 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.

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

OPINION

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

BDO Limited
Certified Public Accountants
Lam Hung Yun, Andrew
Practising Certificate no. P04092

Hong Kong, 15 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Re-presented)
Continuing operations			
Revenue	5	3,512,903	1,609,116
Cost of sales and services provided		(1,949,931)	(1,343,926)
Gross profit		1,562,972	265,190
Other income	7	53,661	14,611
Distribution and selling expenses		(68,362)	(45,879)
Administrative expenses		(175,041)	(284,600)
Other operating expenses		(7,183)	(20,213)
Other gains/(losses)			
Fair value gain on reclassification of inventories of properties to investment properties	16	313,836	426,803
Fair value gain/(loss) on investment properties		68,742	(11,859)
Reversal of impairment/(Impairment loss) on assets	8(b)	2,300	(244,322)
Gain on disposal of a subsidiary	44	251,689	17,286
Others		939	699
Operating profit		2,003,553	117,716
Finance costs	9	(19,841)	(40,744)
Share of results of jointly controlled entities		2,114	766
Profit before income tax	8	1,985,826	77,738
Income tax expense	10	(860,835)	(395,334)
Profit/(Loss) for the year from continuing operations		1,124,991	(317,596)
Discontinued operations			
Profit/(Loss) for the year from discontinued operations	11	17,926	(64,554)
Profit/(Loss) for the year		1,142,917	(382,150)
Profit/(Loss) for the year attributable to:			
Owners of the Company	12	1,001,120	(279,713)
Non-controlling interests		141,797	(102,437)
		1,142,917	(382,150)
		HK Cents	HK Cents
Earnings/(Loss) per share			
Basic	14(a)		
– From continuing and discontinued operations		139.9	(53.4)
– From continuing operations		137.4	(41.0)
– From discontinued operations		2.5	(12.4)
Diluted	14(b)		
– From continuing and discontinued operations		137.7	N/A
– From continuing operations		135.2	N/A
– From discontinued operations		2.5	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Profit/(Loss) for the year	1,142,917	(382,150)
Other comprehensive income		
Exchange difference arising from translation of overseas operations		
– subsidiaries	78,784	2,791
– associates and jointly controlled entities	7,797	8,040
	86,581	10,831
Reclassification from assets revaluation reserve to profit or loss upon sales of inventories of properties	(89,081)	(71,534)
Income tax	32,481	23,859
	(56,600)	(47,675)
Other comprehensive income for the year, net of tax	29,981	(36,844)
Total comprehensive income for the year	1,172,898	(418,994)
Total comprehensive income attributable to:		
Owners of the Company	1,030,283	(303,411)
Non-controlling interests	142,615	(115,583)
	1,172,898	(418,994)

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)	As at 1 January 2009 HK$'000 (Restated)
Non-current assets				
Investment properties	16	1,309,549	1,244,869	747,220
Property, plant and equipment	17	40,214	212,284	209,592
Prepaid lease rental on land	18	3,458	20,305	21,239
Goodwill	19	86,258	84,991	84,934
Other intangible assets	20	39,870	236,570	240,591
Interests in associates	22	–	459,795	418,860
Interests in jointly controlled entities	23	229,449	223,219	222,800
Available-for-sale financial assets	24	–	3,300	2,920
Loans receivable	25	–	106,597	130,138
Deferred tax assets	41	96,442	2,098	1,908
		1,805,240	2,594,028	2,080,202
Current assets				
Inventories of properties	26	5,068,407	6,416,537	6,099,493
Other inventories	27	840	100,851	124,228
Trade and other receivables, prepayments and deposits	28	1,683,279	715,487	1,036,644
Prepaid lease rental on land	18	85	527	524
Loans receivable	25	–	4,013	15,345
Amount due from an associate	30	–	2,340	–
Amounts due from jointly controlled entities	30	123,644	119,077	77,295
Amount due from an investee	30	–	8,411	20,831
Amounts due from minority shareholders	30	11,399	4,202	33,856
Investments held for trading	31	–	28,499	20,643
Tax prepaid		14,863	8,631	8,704
Restricted cash and deposits	32	337,415	137,837	52,582
Cash and cash equivalents	32	1,890,555	853,072	873,326
		9,130,487	8,399,484	8,363,471
Current liabilities				
Trade and other payables	33	1,573,126	2,688,665	2,378,746
Sales deposits received		1,876,686	1,347,027	772,395
Amount due to an associate	34	–	96	118
Amount due to a jointly controlled entity	34	234	227	226
Amount due to a minority shareholder	34	–	82,385	186,612
Amount due to a related party	35	–	291	291
Consideration payable for acquisition of a subsidiary	45	67,726	74,082	210,097
Taxation liabilities		1,306,294	745,109	607,398
Borrowings	36	937,810	1,008,432	1,150,624
		5,761,876	5,946,314	5,306,507
Net current assets		3,368,611	2,453,170	3,056,964
Total assets less current liabilities		5,173,851	5,047,198	5,137,166

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2010

	Notes	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000 (Restated)	As at 1 January 2009 HK$'000 (Restated)
Non-current liabilities				
Borrowings	36	1,309,690	1,235,788	1,060,739
Loan from a minority shareholder	39	–	3,599	3,386
Consideration payable for acquisition of non-controlling interests	40	505,803	–	–
Other liabilities		–	12,015	6,155
Deferred tax liabilities	41	560,079	464,601	436,319
		2,375,572	1,716,003	1,506,599
Net assets		2,798,279	3,331,195	3,630,567
Capital and reserves				
Share capital	37	7,675	261,742	262,742
Other reserves	38	1,850,801	1,243,105	1,140,369
Retained profits	38	721,234	1,366,796	1,685,197
Proposed dividend	38	95,704	–	15,705
Equity attributable to owners of the Company		2,675,414	2,871,643	3,104,013
Non-controlling interests		122,865	459,552	526,554
Total equity		2,798,279	3,331,195	3,630,567

Chen Bin
Director

Xiang Hong
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	17	884	–
Interests in subsidiaries	21	1,944,077	1,950,750
		1,944,961	1,950,750
Current assets			
Trade and other receivables, prepayments and deposits	28	962	4,853
Amounts due from subsidiaries	29	568,445	87,995
Cash and cash equivalents	32	183,356	7,728
		752,763	100,576
Current liabilities			
Other payables and accruals	33	3,045	4,718
Taxation liabilities		–	291
		3,045	5,009
Net current assets		749,718	95,567
Total assets less current liabilities		2,694,679	2,046,317
Non-current liabilities			
Consideration payable for acquisition of non-controlling interests	40	505,803	–
Net assets		2,188,876	2,046,317
Capital and reserves			
Share capital	37	7,675	261,742
Other reserves	38	1,578,927	684,921
Retained profits	38	506,570	1,099,654
Proposed dividend	38	95,704	–
Total equity		2,188,876	2,046,317

Chen Bin
Director

Xiang Hong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium* HK$'000	Capital redemption reserve* HK$'000	Share-based payment reserve of subsidiaries#* HK$'000	Translation reserve* HK$'000	Assets revaluation reserve* HK$'000	Statutory reserve* HK$'000	Distribution reserve* HK$'000	Other reserve* HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2009	262,742	640,099	43,822	41,682	244,419	130,213	40,134	–	–	1,700,902	3,104,013	526,554	3,630,567
Net loss for the year	–	–	–	–	–	–	–	–	–	(279,713)	(279,713)	(102,437)	(382,150)
Exchange difference arising from translation of overseas operations													
– subsidiaries	–	–	–	–	3,025	–	–	–	–	–	3,025	(234)	2,791
– associates and jointly controlled entities	–	–	–	–	8,040	–	–	–	–	–	8,040	–	8,040
Reclassification from assets revaluation reserve to profit or loss upon sales of inventories of properties	–	–	–	–	–	(34,763)	–	–	–	–	(34,763)	(12,912)	(47,675)
Total comprehensive income for the year	–	–	–	–	11,065	(34,763)	–	–	–	(279,713)	(303,411)	(115,583)	(418,994)
Appropriations	–	–	–	–	–	–	23,996	–	–	(23,996)	–	–	–
New subsidiaries incorporated	–	–	–	–	–	–	–	–	–	–	–	5,108	5,108
Recognition of share-based payments (note 42(c))	–	–	–	101,438	–	–	–	–	–	–	101,438	43,473	144,911
Shares repurchased and cancelled (note 37(a))	(1,000)	–	1,000	–	–	–	–	–	–	(4,222)	(4,222)	–	(4,222)
2008 final dividend paid	–	–	–	–	–	–	–	–	–	(15,705)	(15,705)	–	(15,705)
2009 interim dividend paid (note 13(a))	–	–	–	–	–	–	–	–	–	(10,470)	(10,470)	–	(10,470)
Transactions with owners	(1,000)	–	1,000	101,438	–	–	–	–	–	(30,397)	71,041	48,581	119,622
At 31 December 2009	261,742	640,099	44,822	143,120	255,484	95,450	64,130	–	–	1,366,796	2,871,643	459,552	3,331,195

For the year ended 31 December 2010

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium* HK$'000	Capital redemption reserve* HK$'000	Share-based payment reserve of subsidiaries#* HK$'000	Translation reserve* HK$'000	Assets revaluation reserve* HK$'000	Statutory reserve* HK$'000	Distribution reserve* HK$'000	Other reserve* HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	261,742	640,099	44,822	143,120	255,484	95,450	64,130	-	-	1,366,796	2,871,643	459,552	3,331,195
Net profit for the year	-	-	-	-	-	-	-	-	-	1,001,120	1,001,120	141,797	1,142,917
Exchange difference arising from translation of overseas operations													
– subsidiaries	-	-	-	-	59,174	-	-	-	-	-	59,174	19,610	78,784
– associates and jointly controlled entities	-	-	-	-	7,797	-	-	-	-	-	7,797	-	7,797
Reclassification from assets revaluation reserve to profit or loss upon sales of inventories of properties	-	-	-	-	-	(37,808)	-	-	-	-	(37,808)	(18,792)	(56,600)
Total comprehensive income for the year	-	-	-	-	66,971	(37,808)	-	-	-	1,001,120	1,030,283	142,615	1,172,898
Capital Reorganization (notes 11 & 37(b))	(256,507)	(640,099)	-	-	-	-	-	896,606	-	-	-	-	-
Appropriations	-	-	-	-	-	-	13,270	-	-	(13,270)	-	-	-
Recognition of share-based payments (notes 42(c) & (d))	-	-	-	51,310	-	-	-	-	-	-	51,310	21,990	73,300
Distribution in Specie (note 11)	-	-	-	-	(156,679)	(1,645)	(6,791)	(896,606)	-	(891,186)	(1,952,907)	(12,079)	(1,964,986)
Subscription (notes 11 & 37(d))	1,570	453,861	-	-	-	-	-	-	-	-	455,431	-	455,431
Placing of shares (note 37(e))	410	204,590	-	-	-	-	-	-	-	-	205,000	-	205,000
Issue of shares to settle options (note 37(f))	460	33,378	-	(154,583)	-	-	-	-	154,345	-	33,600	-	33,600
Share issue expenses (notes 37(d), (e) & (f))	-	(9,245)	-	-	-	-	-	-	-	-	(9,245)	-	(9,245)
Deemed disposal of interests in a subsidiary (note 42(d))	-	-	-	(39,847)	(4,852)	-	-	-	-	19,223	(25,476)	33,500	8,024
Disposal of a subsidiary (note 44(a))	-	-	-	-	-	-	-	-	-	-	-	(1,135)	(1,135)
Acquisition of non-controlling interest in a subsidiary (note 43)	-	-	-	-	-	-	-	-	681,520	(665,745)	15,775	(521,578)	(505,803)
Transactions with owners	2,440	682,584	-	(143,120)	(161,531)	(1,645)	(6,791)	(896,606)	835,865	(1,537,708)	(1,226,512)	(479,302)	(1,705,814)
At 31 December 2010	7,675	682,584	44,822	-	160,924	55,997	70,609	-	835,865	816,938	2,675,414	122,865	2,798,279

\# renamed from "share option reserve of a subsidiary" to "share-based payment reserve of subsidiaries"

* the total of these equity accounts as at the reporting date represents "other reserves" in the consolidated statement of financial position

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Operating activities			
Profit before income tax from continuing operations		1,985,826	77,738
Profit/(Loss) before income tax from discontinued operations	11	28,133	(38,667)
Profit before income tax		2,013,959	39,071
Adjustments for:			
Share of results of associates		(3,312)	(36,157)
Share of results of jointly controlled entities		(2,441)	(2,721)
Gain on disposal of a subsidiary		(251,689)	(17,286)
Fair value gain on reclassification of inventories of properties to investment properties		(313,836)	(426,803)
Fair value (gain)/loss on investment properties		(72,522)	131,681
Fair value loss/(gain) on investments held for trading		1,497	(21,993)
Depreciation and amortisation		12,002	33,742
(Reversal of impairment)/Impairment losses on financial and non-financial assets		(3,654)	262,353
(Reversal of write down)/Write down of inventories of properties		(34,497)	294,262
Allowance/(Reversal of allowance) for other inventories		1,408	(1,487)
Equity-settled share-based payments		73,300	144,911
Write back of long outstanding payables		–	(5,802)
Interest income		(22,178)	(17,760)
Finance costs		20,935	35,796
Gain on disposal of property, plant and equipment		(3,151)	(1,148)
Write-off of property, plant and equipment		971	1,162
Exchange difference		27,712	(3,700)
Operating cash flows before movements in working capital		1,444,504	408,121
Decrease/(Increase) in inventories of properties		1,332,144	(810,900)
(Increase)/Decrease in other inventories		(2,722)	24,833
Increase in trade and other receivables, prepayments and deposits		(1,177,008)	(50,059)
Increase in amount due from an associate		–	(2,340)
Increase in amounts due from jointly controlled entities		(425)	(41,660)
(Increase)/Decrease in amount due from an investee		(2,141)	12,420
Increase in amounts due from minority shareholders		(7,051)	(69)
(Increase)/Decrease in investments held for trading		(37,965)	14,137
(Decrease)/Increase in trade and other payables		(830,099)	431,565
Increase in sales deposits received		482,809	573,406
Increase/(Decrease) in amount due to an associate		4	(22)
Increase in amounts due to related companies		28,023	–
Increase in amounts due to jointly controlled entities		–	1
Decrease in amount due to a minority shareholder		(83,028)	(104,227)
Cash generated from operations		1,147,045	455,206
Hong Kong profits tax refunded		–	794
Tax paid in other jurisdictions		(244,707)	(257,940)
Net cash generated from operating activities		902,338	198,060

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Investing activities			
Proceeds from disposal of a subsidiary	44	360,953	52,658
Proceeds from disposal of investment properties		1,506	28,722
Proceeds from disposal of property, plant and equipment		5,609	1,900
Interest received		22,134	15,531
Dividend received from a jointly controlled entity		–	2,630
Purchase of property, plant and equipment		(4,220)	(33,359)
Settlement of outstanding consideration for acquisition of a subsidiary		(8,933)	(136,355)
(Advancement)/Repayment of loans receivable, net		(61)	37,535
Increase in restricted cash and deposits		(199,578)	(85,255)
Capital injection from minority shareholders		–	5,108
Net cash generated from/(used in) investing activities		177,410	(110,885)
Financing activities			
New bank and other borrowings		1,230,700	1,232,910
Repayment of bank and other borrowings		(546,723)	(1,194,846)
Dividends paid		–	(26,175)
Distribution in Specie	11	(522,127)	–
Interest paid		(108,545)	(117,158)
Proceeds from issue of shares under Subscription	37(d)	455,431	–
Proceeds from issue of shares under placing	37(e)	205,000	–
Proceeds from issue of shares to settle options	37(f)	33,600	–
Share issue expenses	37(d),(e)&(f)	(9,245)	–
Capital injection from minority shareholders	42(d)	8,024	–
Repayment of amount due to a related company		(797,922)	–
Payment for repurchase of shares		–	(4,222)
Net cash used in financing activities		(51,807)	(109,491)
Net increase/(decrease) in cash and cash equivalents		1,027,941	(22,316)
Cash and cash equivalents at 1 January		853,072	873,326
Effect of foreign exchange rate change, on cash held		9,542	2,062
Cash and cash equivalents at 31 December		1,890,555	853,072

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. GENERAL INFORMATION

China Overseas Grand Oceans Group Limited (formerly known as Shell Electric Mfg. (Holdings) Company Limited) (the "Company") is a limited company incorporated in the Hong Kong Special Administrative Region ("Hong Kong"), the People's Republic of China (the "PRC") and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office and principal place of business is Suite 3012, 30th Floor, One Pacific Place, 88 Queensway, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively, the "Group") mainly comprise property investment and development, property leasing and investment holding. The Group's business activities are principally carried out in Guangzhou, Beijing, Hohhot – Inner Mongolia, Shanghai and other regions in the PRC.

As at 31 December 2010, the Group was controlled by China Overseas Land & Investment Limited ("COLI"), a company incorporated in Hong Kong with limited liability and its shares are listed on the Stock Exchange and the ultimate parent company of the Group was China State Construction Engineering Corporation, an entity established in the PRC. Pursuant to the issue of an aggregate of 189,493,224 shares on 22 February 2011 as further detailed in note 52, the shareholding of the Company held by COLI was diluted from 50.1% to 40.18%.

The consolidated financial statements on pages 37 to 132 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Pursuant to the special resolution passed at the annual general meeting held on 18 May 2010 and with the approval of the Registrar of Companies in Hong Kong on 4 June 2010, the board of directors (the "Board") announced that with effect from 4 June 2010, the name of the Company has been changed from "Shell Electric Mfg. (Holdings) Company 蜆壳電器工業(集團)有限公司" to "China Overseas Grand Oceans Group Limited 中國海外宏洋集團有限公司".

The financial statements for the year ended 31 December 2010 were approved for issue by the Board on 15 March 2011.

2. ADOPTION OF NEW AND REVISED HKFRSs

(a) Adoption of new/revised HKFRSs – effective 1 January 2010

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2010:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause
Improvements to HKFRSs	Annual improvements to HKFRSs 2009

2. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 January 2010 (Continued)

HKFRS 3 Business Combinations (Revised 2008)

The revised standard continues to apply acquisition method to business combinations, with a number of major changes related to recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests in the acquiree. In particular, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as liabilities subsequently re-measured through profit or loss (rather than by adjusting goodwill). In addition, all acquisition-related costs will no longer be capitalized as part of the costs of the acquisition but will be expensed immediately. This revised standard requires prospective application and the adoption of such did not have any financial impact to the Group as there were no business combinations by the Group during the year.

HKAS 27 Consolidated and Separate Financial Statements (Revised 2008)

The revised standard specifies the accounting treatment that when control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. Furthermore, under the revised standard, total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The adoption of this revised standard results in the change in the Group's policy in respect of changes in the Group's interest in subsidiaries. In the past, the Group accounted for the acquisitions of non-controlling interests using parent entity extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired was recognized as goodwill or immediately in profit or loss. To comply with the revised HKAS 27, the Group has changed its policy to account for changes in the Group's interests in subsidiaries without loss of control as equity transactions, i.e. the difference between the consideration and the book value of non-controlling interests acquired or disposed of is dealt with in equity and no goodwill nor gain or loss would be resulted. During the year, the Group's effective interests in a subsidiary, 北京華世柏利房地產開發有限公司 ("Huashiboli"), was reduced from 90% to 80% and the Group increased its effective interests in another subsidiary, Pan China Land (Holdings) Corporation (the "Pan China Land"), from 70% to 100%, which are changes in interests of subsidiaries without change of control that have been accounted for using the revised HKAS 27. The differences arising from these transactions amounting to an increment of HK$19,223,000 and a reduction of HK$665,745,000 respectively have been recognized in retained profits in equity.

Further details of the transactions are set out in notes 42(d) and 43 respectively.

The effects of the change in accounting policy as a result of adoption of HKAS 27 (Revised) on the consolidated financial statements in the current year are as follows:

	2010 HK$'000
Consolidated statement of financial position	
Decrease in goodwill arising from acquisition of non-controlling interest in a subsidiary	(665,745)
Decrease in net assets under the revised accounting policy	(665,745)
Consolidated income statement	
Decrease in gain on deemed disposal of interests in a subsidiary	(19,223)
Decrease in profit for the year under the revised accounting policy	(19,223)
	HK cents
Decrease in basic earnings per share	(2.7)
Decrease in diluted earnings per share	(2.7)

2. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 January 2010 (Continued)

HKAS 27 Consolidated and Separate Financial Statements (Revised 2008) (Continued)

The adoption of HKAS 27 (Revised) has no impact on the reported profit or loss, total comprehensive income or equity for any prior years presented because the new accounting policies have been adopted prospectively in accordance with the transitional provisions in HKAS 27 (Revised).

HK(IFRIC) – Interpretation 17 Distributions of Non-cash Assets to Owners

This interpretation clarifies that a dividend payable in the form of non-cash assets should be recognized when the dividend is appropriately authorized and the dividend payable should be measured at the fair value of the net assets to be distributed. The difference between the dividend paid and the carrying amount of the net assets distributed should be recognized in profit or loss. This Interpretation does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution. This interpretation results in some consequential amendments being made to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* mainly to include non-current asset (or disposal group) that is classified as held for distribution to owners acting in their capacity as owners within the scope of HKFRS 5. As a result of this interpretation, the distribution in specie during the year as mentioned in note 11 is accounted for and presented following HKFRS 5. Other than this, the adoption of this interpretation does not result in any financial impact on the Group.

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

The interpretation is a clarification on 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 that the lender will invoke the clause without cause.

In order to comply with the requirements of HK Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, 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. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 January 2009, with consequential reclassification adjustments to comparatives for the year ended 31 December 2009. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

2. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 January 2010 (Continued)

HK Interpretation 5 Presentation of Financial Statements – Classification of a Term Loan that Contains a Repayment on Demand Clause (Continued)

Effect of adoption of HK Interpretation 5 on the consolidated statement of financial position:

	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000	As at 1 January 2009 HK$'000
Increase/(Decrease) in			
Current liability			
Borrowings	–	247,930	221,445
Non-current liability			
Borrowings	–	(247,930)	(221,445)

As a result of the above retrospective reclassification, an additional consolidated statement of financial position as at 1 January 2009 is presented in accordance with HKAS 1 *Presentation of financial statements*.

Annual Improvements to HKFRSs 2009

In May 2009, the HKICPA issued "Improvements to Hong Kong Financial Reporting Standards 2009" which sets out amendments to a number of HKFRSs. Most of the amendments become effective for annual periods beginning on or after 1 January 2010, though there are separate transitional provisions for each standard or interpretation. The following amendments are pertinent to the Group's operations:

(i) The amendment to HKAS 17 *Leases* has resulted in a change in the Group's accounting policy for the classification of leasehold land. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease and stated at cost less accumulated amortisation. In accordance with the amendment, leasehold land is classified as a finance lease if substantially all risks and rewards of the leasehold land have been transferred to the Group. According to the transitional provisions in the amendment, the Group has reassessed the classification of unexpired leasehold land at 1 January 2010 on the basis of information existing at the inception of those leases, and concluded that the classification of such leases in the PRC as operating leases continues to be appropriate. The amendment does not have any significant impact on the financial statements of the Group.

(ii) The amendment to HKFRS 5 *Non-current Assets Held For Sale and Discontinued Operations* clarifies that (i) the disclosures required in respect of non-current assets (or a disposal group) classified as held for sales or a discontinued operation are those set out in HKFRS 5; (ii) the general requirements of HKAS 1 still apply; and (iii) the disclosures in other HKFRSs do not apply unless those HKFRSs require: (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations; or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and such disclosures are not already provided in the other notes to the financial statements. The distribution in specie as mentioned in note 11 has been accounted for following this amendment.

(iii) The amendment to HKAS 7 *Statement of Cash Flows* requires that only expenditures that result in a recognized asset in the statement of financial position are eligible for classification as investing activities. It requires retrospective applications. The adoption of this amendment does not have any impact on the presentation of the Group's consolidated statement of cash flows as the Group's accounting policy already complies with this amendment.

2. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

(b) New/revised HKFRSs that have been issued but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 [2&3]
Amendments to HKAS 32	Classification of Rights Issues [1]
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Fundings Requirement [3]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments [2]
HKAS 24 (Revised)	Related Party Disclosures [3]
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets [4]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets [5]
HKFRS 9	Financial Instruments [6]

[1] Effective for annual periods beginning on or after 1 February 2010

[2] Effective for annual periods beginning on or after 1 July 2010

[3] Effective for annual periods beginning on or after 1 January 2011

[4] Effective for annual periods beginning on or after 1 July 2011

[5] Effective for annual periods beginning on or after 1 January 2012

[6] Effective for annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

Amendments to HKFRS 7 Disclosure – Transfer of Financial Assets

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

HKFRS 9 Financial Instruments

The standard addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortized cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognized in profit or loss except for those on certain equity investments which will be presented in other comprehensive income.

2. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

(b) New/revised HKFRSs that have been issued but not yet effective (Continued)

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendment will be applied retrospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented unless otherwise stated.

3.1 Basis of preparation

These financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair values. Disposal groups and non-current assets held for sale (other than investment properties) are stated at the lower of their carrying amounts and fair values less costs to sell. The measurement bases are fully described in the accounting policies below.

Accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and conditions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's financial statements, are disclosed in note 4.

The Group Reorganization (defined in note 11) results in certain businesses of the Group constituting discontinued operations under HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Accordingly, certain comparative figures were re-presented so as to reflect the results for the continuing operations and discontinued operations. Details about the Group Reorganization and the discontinued operations are included in note 11.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 3.3 below) made up to 31 December each year. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intercompany transactions, balances and unrealized gains and losses on transactions within the Group are eliminated on consolidation. Unrealized losses resulting from intercompany transaction are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

The acquisition of subsidiaries during the year has been accounted for using the acquisition method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired and liabilities including contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. For business combination achieved in stages, adjustment to fair values relating to previously held non-controlling interests in the acquiree immediately before obtaining control is recognized as a gain or loss in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of consolidation (Continued)

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the equity attributable to the owners of the Company. Non-controlling interests consist of the amount of those interests at the date of original business combination and the share of changes in equity by non-controlling interests since the date of the combination. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a debit balance.

Acquisitions of non-controlling interests are accounted for as equity transaction whereby the difference between the fair value of the consideration and the book value of the share of the net assets acquired is dealt with in equity.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The results of the subsidiaries are included in the Company's income statement to the extent of dividend received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses, unless they are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (note 3.9).

3.4 Associates and jointly controlled entities

A jointly controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. An associate is an entity, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

Interests in associates and jointly controlled entities are accounted for in the financial statements under the equity method of accounting. Under equity method of accounting, investments are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the associates' and the jointly controlled entities' net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, less any identified impairment loss. Where the profit sharing ratio is different to the Group's equity interest in a jointly controlled entity, the share of post-acquisition results of the jointly controlled entity is determined based on the agreed profit sharing ratio. The Group's share of the post-acquisition post-tax items of statement of other comprehensive income of the associates and jointly controlled entities is included in the statement of other comprehensive income.

Unrealized profit on transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associates and jointly controlled entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

When the Group's share of losses in an associate/a jointly controlled entity equals or exceeds its interest in the associate/jointly controlled entity, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate/jointly controlled entity.

When an interest in an associate or a jointly controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 (note 3.9).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Goodwill

Goodwill arising from the acquisition of subsidiaries, associates and jointly controlled entities represents the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets acquired and liabilities including contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is initially recognized in the consolidated statement of financial position as an asset at cost and subsequently measured at cost less any accumulated impairment losses. In case of associates and jointly controlled entities, goodwill is included in the carrying amount of the interests in associates and jointly controlled entities, respectively, rather than recognized as a separate asset in the consolidated statement of financial position.

Goodwill is reviewed for impairment annually at the end of the reporting period or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired (note 3.12). On subsequent disposal of a subsidiary, associate or jointly controlled entity, the carrying amount of goodwill relating to the entity sold is included in determining the amount of the gain or loss on disposal.

3.6 Bargain purchases in business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of the subsidiaries, associates and jointly controlled entities is recognized immediately in profit or loss.

3.7 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value as determined by external professional valuers to reflect the prevailing market conditions at the end of each reporting period. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognized in profit or loss. Rental income from investment properties is accounted for as described in note 3.28(v).

For a transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use. For property occupied by the Group as an owner-occupied property which becomes an investment property, the Group accounts for such property in accordance with the policy of property, plant and equipment (note 3.8) up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with in assets revaluation reserve. On disposal of the property, the assets revaluation reserve is transferred to retained profits as a movement in reserves.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Property, plant and equipment

Freehold land is stated at cost and is not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (note 3.12). When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 (note 3.9).

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation is provided to write off the cost of each item of property, plant and equipment less its residual value, if applicable, over its estimated useful lives on a straight-line basis at the following rates per annum:

Category of property, plant and equipment	*Annual rates*
Land and buildings (note 3.11)	2% to 5%
Leasehold improvements	20%
Plant, machinery, tools, moulds and equipment	10% to 20%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles	20% to 25%

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the item and is recognized in profit or loss.

3.9 Non-current assets and disposal groups held for sale/held for distribution to owners

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups. Non-current assets and disposal groups are classified as held for distribution to owners when the entity is committed to distribute the assets or the disposal groups to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. Non-current assets and disposal groups (other than investment properties) classified as held for sale/distribution are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets classified as held for sale/distribution are not depreciated or amortized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Intangible assets (Other than goodwill)

Intangible assets are recognized initially at cost. After initial recognition, intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment (note 3.12) whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortized but reviewed for impairment at least annually (note 3.12) either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Shopping mall operating right

Shopping mall operating right represents the right of operating a shopping mall. Cost incurred in the acquisition of the right is carried at cost less any impairment losses and is amortized over the period of operation of 30 years.

3.11 Operating leases

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

Prepaid lease rental on land are up-front prepayments made for the leasehold land and land use rights which are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in cost of land and buildings as a finance lease in property, plant and equipment (note 3.8).

When the Group's interests in leasehold land and buildings are in the course of development for investment purpose, the leasehold land component is included in properties under development and properties held for sale. During the development period of such properties, the amortisation charge of the prepaid land lease is capitalized as part of the building costs but charged to profit or loss on completion of development of such properties.

3.12 Impairment of non-financial assets

Goodwill, other intangible assets, property, plant and equipment and interests in subsidiaries, associates and jointly controlled entities are subject to impairment testing. Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognized as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Impairment of non-financial assets (Continued)

Impairment losses recognized for cash-generating units to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognized in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognized.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

3.13 Investments and other financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at every end of the reporting period.

All financial assets are recognized when, and only when, the Group becomes a party to the contractual provisions of the instrument. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract when the analysis shows that the economic characteristics and the risks of the embedded derivatives are not closely related to those of the host contract.

All regular way purchases and sales of financial assets are recognized on trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

When financial assets are recognized initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Loans and receivables

Financial assets of the Group are classified into loans and receivables. Loans and receivables including amounts due from related parties are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired as well as through the amortisation process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment of financial assets

At the end of each reporting period, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that come to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data include but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of impairment loss is recognized in profit or loss of the period in which the impairment occurs. Loan and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss of the period in which the reversal occurs.

3.15 Inventory of properties

Inventory of properties comprise properties under development and properties held for sale. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventory of properties are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of inventory of properties consist of land held under operating lease (see note 3.11), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Other inventories

Other inventories are stated at the lower of cost, computed using weighted average method, and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.17 Foreign currencies

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

The functional currencies of certain entities of the Group are currencies other than HK$. For the purpose of the consolidated financial statements, assets and liabilities of those entities at the end of each reporting period are translated into HK$ at exchange rate prevailing at the end of each reporting period. Income and expense items are translated into HK$ at the average exchange rate for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the Group's translation reserve. Such translation differences are recognized in profit or loss in the period in which the foreign entity is disposed of.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognized in the translation reserve.

3.18 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the presentation purpose of the consolidated statement of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.19 Income tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Income tax (Continued)

Deferred tax is calculated using the liability method on temporary differences at the end of each reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realized, provided they are enacted or substantively enacted at the end of each reporting period.

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

3.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, including amortisation of discounts or premiums relating to the borrowing, and amortisation of ancillary costs incurred in connection with arranging the borrowing.

3.21 Financial liabilities

Financial liabilities, comprising borrowings and trade and other payables including amounts due to related parties, are recognized when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognized in accordance with the Group's accounting policy for borrowing costs (note 3.20). A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in profit or loss.

Financial liabilities at amortized costs

Borrowings and trade and other payables including amounts due to related parties are financial liabilities at amortized cost which are recognized initially at fair value (net of transaction costs incurred for borrowings) and subsequently measured at amortized cost using the effective interest method. Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through amortisation process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) 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 terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognized as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income. The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 3.25 if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognized less accumulated amortisation, where appropriate.

3.23 Employee benefits

Salaries, allowance, paid annual leave and other benefits are accrued in the period in which the associated services are rendered by the employee. Payments to the Mandatory Provident Fund Scheme and other retirement benefit schemes as set out in note 46 are charged as an expense when employees have rendered services entitling them to the contributions.

3.24 Share-based payment transactions

The Group operates equity-settled share-based compensation plans as part of the remuneration of its employees. All employee services received in exchange for the grant of financial instruments, for example, share options are measured at their fair values. The cost of equity-settled share-based compensation is measured by reference to the fair value at the date on which they are granted. In determining the fair value, no account is taken of any non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based compensation is ultimately recognized as an expense in profit or loss unless it qualifies for recognition as asset with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

In respect of share options, the fair value of the share options granted by the Group to its employees is recognized in profit or loss with a corresponding increase in share-based payment reserve. Upon exercise of the share options, the amount in the share-based payment reserve is transferred to the share premium account. In case the share options lapsed, the amount in the share-based payment reserve is released directly to retained profits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Provisions and contingent liabilities

Provision is recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the effect of discounting is material, provision is stated at the present value of the expenditure expected to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss. All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

3.26 Equity instruments

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

3.27 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognized as a liability. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

3.28 Revenue and other income recognition

Revenue and other income are recognized when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably on the following bases:

(i) Sales of goods are recognized as revenue when goods are delivered and title has passed;

(ii) Sale of properties is recognized as revenue when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits received on properties sold prior to the date of revenue recognition are included in the statement of financial position as sales deposits received under current liabilities;

(iii) Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable;

(iv) Dividend income from investments is recognized when the shareholders' rights to receive payment have been established;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.28 Revenue and other income recognition (Continued)

(v) Rental income is recognized on a straight-line basis over the periods of the respective tenancies; or

(vi) Building management and service fee income are recognized on an appropriate basis over the relevant period in which the services are rendered.

3.29 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3.30 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chief operating decision-maker i.e. the most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing financial statements 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.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities within the next financial period are discussed below:

Estimates of fair value of investment properties

As disclosed in note 16, the investment properties were revalued at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Impairment of assets

The Group reviews at least annually and assesses whether goodwill and other intangible assets with indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on a value in use calculation which requires the use of estimates including expected future cash flows of the asset/cash-generating unit and discount rate adopted to calculate the present value of those cash flows. Details about the estimates used in assessing impairment for goodwill are set out in note 19.

Allowance for loans and receivables

The policy on allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of loans and receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including current creditworthiness and the past collection history of each customer. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payments, additional allowances may be required.

Estimate of net realisable value of inventory of properties

Management reviews the recoverable amount of inventory of properties at the end of each reporting period. The recoverable amount is the estimated selling price of the properties less estimated cost to completion and estimated costs to sell. Management makes estimates in determining the recoverable amount.

Estimates of current tax and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation, particularly for PRC land appreciation tax ("LAT"), and implementation of these taxes varies amongst various PRC cities. The Group has not finalized its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant estimation is required in determining the amount of the land appreciation and its related LAT. The Group recognized the income tax and LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalized with the local tax authorities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

Revenue recognition

The Group has recognized revenue from the sale of properties held for sale as disclosed in note 3.28(ii). The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transactions.

4.2 Critical judgements in applying accounting policies

Distinction between investment properties and owner-occupied properties

Some properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

5. REVENUE

The principal activities of the Group are disclosed in note 1. Turnover of the Group is the revenue from these activities. Revenue from the Group's principal activities recognized during the year is as follows:

	Continuing operations		Discontinued operations		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK\$'000	HK\$'000	**HK\$'000**	HK\$'000	**HK\$'000**	HK\$'000
Sales of properties	**3,398,677**	1,480,016	**–**	–	**3,398,677**	1,480,016
Sales of goods	**–**	–	**149,339**	981,479	**149,339**	981,479
Property management fee income	**51,873**	65,929	**–**	–	**51,873**	65,929
Property rental income	**62,353**	63,171	**6,912**	61,052	**69,265**	124,223
Taxi licence fee income	**–**	–	**8,155**	56,277	**8,155**	56,277
Total revenue	**3,512,903**	1,609,116	**164,406**	1,098,808	**3,677,309**	2,707,924

During the year ended 31 December 2009, the Group's revenue of HK\$582,984,000 or 22% was derived from a single customer and the revenue of which is reported under the segment of "Electrical household appliances" within discontinued operations. The revenue was derived from the sale transactions conducted directly with that single customer as well as the sale transactions conducted with the designated suppliers of that single customer.

6. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's most senior management for the purposes of resource allocation and assessment of segment performance. The Group has identified the following reportable segments for its operating segments:

Continuing operations

Property investment and development	—	This segment constructs commercial and residential properties in the PRC for external customers.
Property leasing	—	This segment leases commercial units located in the PRC to generate rental income and gain from appreciation in the properties' values in the long term. Part of the business is carried out through a jointly controlled entity.
Other segment	—	This segment provides management services to certain housing estate in the PRC and generates management fee income.

Discontinued operations

Electrical household appliances	—	This segment manufactures electrical appliances including electric fans, vacuum cleaners, lighting products, fuser and laser scanner. The Group's manufacturing facilities are located primarily in the PRC and products are mainly sold to customers in the PRC and overseas such as North America and European countries.
Property leasing	—	This segment leases industrial properties and commercial units located in Hong Kong, the PRC and the United States to generate rental income and gain from appreciation in the properties' values in the long term. Part of the business is carried out through associates.
Securities trading	—	This segment mainly carries out trading of securities to generate gain from appreciation in the value of the securities.
Car rental	—	This segment carries out taxi rental operation in the PRC and generates licence fee income.
All other segments	—	Operating segments which are not reportable comprise manufacturing and trading of electric cables and trading of computer hardware and software which generate revenue from sales of goods, as well as direct investments which derive gain from holding investments in enterprises engaging in high-tech business.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment profit/loss includes the Group's share of profit/loss arising from the activities of the Group's associates and jointly controlled entities. Reportable segment profit/loss excludes corporate income and expenses from the Group's profit/loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

6. SEGMENT INFORMATION (CONTINUED)

Segment assets include all assets with the exception of corporate assets, including available-for-sale financial assets, bank balances and cash and other assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

Segment liabilities include trade and other payables, accrued liabilities, amounts due to related parties and other liabilities directly attributable to the business activities of operating segments and exclude corporate liabilities and liabilities such as bank borrowings that are managed on a group basis.

Segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reconciliations to revenue, profit/(loss) before income tax, total assets, total liabilities and other segment information are as follows:

	Continuing operations				Discontinued operations						
	Property investment and development HK$'000	Property leasing HK$'000	Other segment HK$'000	**Sub-total HK$'000**	Electrical household appliances HK$'000	Property leasing HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	**Sub-total HK$'000**	**Consolidated HK$'000**
Year ended 31 December 2010											
Reportable segment revenue*	3,398,677	62,353	51,873	**3,512,903**	146,482	6,912	–	8,155	2,857	**164,406**	**3,677,309**
Reportable segment profit/(loss)	1,625,283	388,865	2,381	**2,016,529**	11,826	13,364	(1,612)	3,301	(306)	**26,573**	**2,043,102**
Corporate income				**101**						**16,255**	**16,356**
Corporate expenses				**(30,804)**						**(10,825)**	**(41,629)**
Elimination ^				–						**(3,870)**	**(3,870)**
Profit before income tax				**1,985,826**						**28,133**	**2,013,959**
											Total HK$'000
As at 31 December 2010											
Reportable segment assets	9,099,619	1,499,114	55,144	**10,653,877**	–	–	–	–	–	–	**10,653,877**
Corporate assets											**281,850**
Total consolidated assets											**10,935,727**
As at 31 December 2010											
Reportable segment liabilities	3,389,273	85,453	39,651	**3,514,377**	–	–	–	–	–	–	**3,514,377**
Corporate liabilities											**4,623,071**
Total consolidated liabilities											**8,137,448**

6. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (Continued)

	Continuing operations					Discontinued operations								
	Property investment and development HK$'000	Property leasing HK$'000	Other segment HK$'000	Corporate HK$'000	**Sub-total HK$'000**	Electrical household appliances HK$'000	Property leasing HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	Corporate HK$'000	**Sub-total HK$'000**	Elimination^ HK$'000	**Consolidated HK$'000**
Other information														
Year ended 31 December 2010														
Interest income	9,347	227	235	101	**9,910**	689	397	3	70	5	15,133	**16,297**	(4,029)	**22,178**
Depreciation and amortisation	(3,375)	(5,715)	(395)	(44)	**(9,529)**	(899)	–	–	(1,272)	(112)	(190)	**(2,473)**	–	**(12,002)**
Reversal of impairment/(Impairment losses) recognized in profit or loss	4,038	33	–	–	**4,071**	(306)	(110)	–	–	(1)	–	**(417)**	–	**3,654**
Reversal of write down of inventories of properties	34,497	–	–	–	**34,497**	–	–	–	–	–	–	**–**	–	**34,497**
(Allowance)/Reversal of allowance for other inventories	–	–	–	–	**–**	(1,540)	–	–	–	132	–	**(1,408)**	–	**(1,408)**
Fair value gain on reclassification of inventories of properties to investment properties	–	313,836	–	–	**313,836**	–	–	–	–	–	–	**–**	–	**313,836**
Fair value gain on investment properties	–	68,742	–	–	**68,742**	–	3,780	–	–	–	–	**3,780**	–	**72,522**
Share of results of associates	–	–	–	–	**–**	–	3,294	–	–	18	–	**3,312**	–	**3,312**
Share of results of jointly controlled entities	(176)	2,290	–	–	**2,114**	–	–	–	–	327	–	**327**	–	**2,441**
Additions to specified non-current assets #	2,317	10	372	928	**3,627**	329	–	–	–	264	–	**593**	–	**4,220**
Write-off of property, plant and equipment	(29)	(711)	(231)	–	**(971)**	–	–	–	–	–	–	**–**	–	**(971)**
Equity-settled share-based payments	(73,300)	–	–	–	**(73,300)**	–	–	–	–	–	–	**–**	–	**(73,300)**
As at 31 December 2010														
Interests in jointly controlled entities	168,438	61,011	–	–	**229,449**	–	–	–	–	–	–	**–**	–	**229,449**

6. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (Continued)

	Continuing operations				Discontinued operations						
	Property investment and development HK$'000 (Restated)	Property leasing HK$'000	Other segment HK$'000 (Restated)	**Sub-total HK$'000**	Electrical household appliances HK$'000	Property leasing HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	**Sub-total HK$'000**	**Consolidated HK$'000**
Year ended 31 December 2009											
Reportable segment revenue*	1,480,016	63,171	65,929	**1,609,116**	950,281	61,052	–	56,277	31,198	**1,098,808**	**2,707,924**
Reportable segment (loss)/profit	(368,098)	463,061	3,838	**98,801**	(17,492)	(18,352)	26,007	34,324	(7,436)	**17,051**	**115,852**
Corporate income				**-**						**53,628**	**53,628**
Corporate expenses				**(21,063)**						**(80,174)**	**(101,237)**
Elimination ^				**-**						**(29,172)**	**(29,172)**
Profit/(Loss) before income tax				**77,738**						**(38,667)**	**39,071**
											Total HK$'000
As at 31 December 2009											
Reportable segment assets	7,566,159	937,178	47,415	**8,550,752**	482,590	1,036,437	57,899	247,815	156,623	**1,981,364**	**10,532,116**
Corporate assets											**461,396**
Total consolidated assets											**10,993,512**
As at 31 December 2009											
Reportable segment liabilities	3,694,919	30,360	43,441	**3,768,720**	190,701	14,774	30	33,898	13,026	**252,429**	**4,021,149**
Corporate liabilities											**3,641,168**
Total consolidated liabilities											**7,662,317**

6. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (Continued)

	Continuing operations				Discontinued operations								
	Property investment and development HK$'000 (Restated)	Property leasing HK$'000	Other Segment HK$'000 (Restated)	**Sub-total HK$'000**	Electrical household appliances HK$'000	Property leasing HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	Corporate HK$'000	**Sub-total HK$'000**	Elimination^ HK$'000	**Consolidated HK$'000**
Other information													
Year ended 31 December 2009													
Interest income	4,799	72	190	**5,061**	3,276	4,693	795	882	533	53,282	**63,461**	(50,762)	**17,760**
Depreciation and amortisation	(5,142)	(4,625)	(712)	**(10,479)**	(8,842)	(1)	–	(9,089)	(1,473)	(3,858)	**(23,263)**	–	**(33,742)**
(Impairment losses)/Reversal of impairment recognized in profit or loss	(259,703)	–	–	**(259,703)**	(4,337)	(2,407)	–	–	4,341	(247)	**(2,650)**	–	**(262,353)**
Written-down of inventories of properties	(294,262)	–	–	**(294,262)**	–	–	–	–	–	–	**–**	–	**(294,262)**
Reversal of allowance/(Allowance) for other inventories	–	–	–	**–**	(982)	–	–	–	2,469	–	**1,487**	–	**1,487**
Fair value gain on reclassification of inventories of properties to investment properties	–	426,803	–	**426,803**	–	–	–	–	–	–	**–**	–	**426,803**
Fair value loss on investment properties	–	(11,859)	–	**(11,859)**	–	(119,822)	–	–	–	–	**(119,822)**	–	**(131,681)**
Write back of long outstanding payables	–	–	–	**–**	–	–	–	5,802	–	–	**5,802**	–	**5,802**
Share of results of associates	–	–	–	**–**	–	44,446	–	–	(8,289)	–	**36,157**	–	**36,157**
Share of results of jointly controlled entities	(351)	1,117	–	**766**	–	–	–	–	1,955	–	**1,955**	–	**2,721**
Additions to specified non-current assets #	1,355	–	842	**2,197**	410	–	–	30,604	16	132	**31,162**	–	**33,359**
Write-off of property, plant and equipment	(924)	–	–	**(924)**	(28)	–	–	–	–	(210)	**(238)**	–	**(1,162)**
Equity-settled share-based payments	(144,911)	–	–	**(144,911)**	–	–	–	–	–	–	**–**	–	**(144,911)**
As at 31 December 2009													
Interests in jointly controlled entities	162,950	56,698	–	**219,648**	–	–	–	–	3,571	–	**3,571**	–	**223,219**

* This represents sales from external customer and there were no inter-segment sales between different business segments for the years ended 31 December 2010 and 2009.

^ Inter-company interest elimination.

\# Including the Group's investment properties, other properties, plant and equipment, prepaid lease rental on land, intangible assets including goodwill and interests in associates and jointly controlled entities.

6. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's continuing operations are located in the PRC while its discontinued operations covered Hong Kong, other regions in the PRC, Asia other than the PRC, North America (comprising Canada and the United States) and Europe (mainly the United Kingdom).

An analysis of the Group's revenue by geographical locations, determined based on locations to which the goods are delivered or the services are provided and locations of assets which give rise to the rental income and the licence fee income, is as follows:

	Continuing operations		Discontinued operations		Total	
	2010	2009	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong (place of domicile)	–	–	1,907	17,281	1,907	17,281
Other regions of the PRC	3,512,903	1,609,116	74,332	587,701	3,587,235	2,196,817
Asia, other than the PRC	–	–	7,473	45,074	7,473	45,074
North America	–	–	42,677	248,303	42,677	248,303
Europe	–	–	24,733	84,730	24,733	84,730
Others	–	–	13,284	115,719	13,284	115,719
	3,512,903	1,609,116	164,406	1,098,808	3,677,309	2,707,924

An analysis of the Group's investment properties, other properties, plant and equipment, prepaid lease rental on land, intangible assets including goodwill and interests in associates and jointly controlled entities (i.e. "specified non-current assets") by geographical locations, determined based on physical location of the assets or location of operations in case of goodwill, and interests in associates and jointly controlled entities, is as follows:

	Continuing operations		Discontinued operations		Total	
	2010	2009	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	884	–	–	149,775	884	149,775
Other regions of the PRC	1,707,914	1,099,039	–	1,033,375	1,707,914	2,132,414
North America	–	–	–	199,844	–	199,844
	1,708,798	1,099,039	–	1,382,994	1,708,798	2,482,033

Certain comparative figures in the segment information for the year ended 31 December 2009 has been reclassified. Previously, properly management was reported under the segment of "Property investment and development". For the year ended 31 December 2010, property management was reclassified and reported as a separate segment as a result of the change in information reported internally for the purposes of resources allocation and assessment of business performance. Comparative figures have been reclassified accordingly.

7. OTHER INCOME

	Continuing operations		Discontinued operations		Elimination		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Interest income on:								
Bank deposits	9,910	5,056	855	6,578	–	–	10,765	11,634
Loans to investees	–	–	–	2,354	–	–	–	2,354
Inter-company loans	–	–	4,029	50,762	(4,029)	(50,762)	–	–
Others, including loans receivable	–	5	11,413	3,767	–	–	11,413	3,772
Total interest income on financial assets not at fair value through profit or loss	9,910	5,061	16,297	63,461	(4,029)	(50,762)	22,178	17,760
Compensation received	36,222	–	–	–	–	–	36,222	–
Dividends from listed equity securities	–	–	–	263	–	–	–	263
Handling fee income	–	90	1,273	18,151	–	–	1,273	18,241
Other rental income	–	–	119	1,882	–	–	119	1,882
Write back of long outstanding payables	–	–	–	5,802	–	–	–	5,802
Sundry income	7,529	9,460	100	9,091	–	(2,307)	7,629	16,244
	53,661	14,611	17,789	98,650	(4,029)	(53,069)	67,421	60,192

8. PROFIT/(LOSS) BEFORE INCOME TAX

	Continuing operations		Discontinued operations		Elimination		Total	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Profit/(Loss) before income tax is arrived at after charging/(crediting):								
Amortisation:								
Prepaid lease rental on land	72	101	50	487	–	–	122	588
Other intangible assets #	4,458	4,400	–	–	–	–	4,458	4,400
Depreciation of property, plant and equipment	4,999	5,978	2,423	22,776	–	–	7,422	28,754
Total amortisation and depreciation	9,529	10,479	2,473	23,263	–	–	12,002	33,742
Auditors' remuneration:								
Current year	3,831	3,195	443	1,245	–	–	4,274	4,440
Over provision in prior year	–	(600)	–	–	–	–	–	(600)
Cost of sales and services provided comprise:								
– Amount of inventories recognized as expense	1,893,399	904,652	121,934	797,833	–	(11,207)	2,015,333	1,691,278
– (Reversal of write-down)/ Write-down of inventories of properties (note(a))	(34,497)	294,262	–	–	–	–	(34,497)	294,262
– Allowance/(Reversal of allowance) for other inventories	–	–	1,408	(1,487)	–	–	1,408	(1,487)
Donations	–	4	215	12,958	–	–	215	12,962
Gain on disposal of property, plant and equipment	(3,151)	(830)	–	(318)	–	–	(3,151)	(1,148)
(Reversal of impairment)/ Impairment losses on non-financial assets:								
– Property, plant and equipment	–	–	–	151	–	–	–	151
– Prepaid lease rental on land	–	–	–	376	–	–	–	376
– Other assets (note(b))	(2,300)	244,322	–	–	–	–	(2,300)	244,322
(Reversal of impairment)/ Impairment losses on financial assets:								
– Loans and receivables *	(1,771)	15,381	417	2,123	–	–	(1,354)	17,504
Net foreign exchange loss/(gain) **	528	552	(1,838)	865	–	–	(1,310)	1,417
Operating lease charge on land and buildings	191	592	324	2,677	–	–	515	3,269
Outgoings in respect of investment properties	26,299	4,485	760	8,964	–	–	27,059	13,449
Net rental income	(36,054)	(58,686)	(6,152)	(52,088)	–	–	(42,206)	(110,774)
Research and development cost * ^	–	–	9	778	–	–	9	778
Staff costs (note(c))	134,718	274,565	13,044	104,316	–	–	147,762	378,881
Write-off of property, plant and equipment	971	924	–	238	–	–	971	1,162
Business tax and other levies	179,426	96,313	1,611	14,729	–	–	181,037	111,042

8. PROFIT/(LOSS) BEFORE INCOME TAX (CONTINUED)

included in "Cost of sales and services provided" in the consolidated income statement

* included in "Other operating expenses" in the consolidated income statement

** included in "Other gains/(losses) – Others" in the consolidated income statement

^ excluding depreciation of property, plant and equipment and staff costs

Notes:

(a) Inventories of properties written down during the year ended 31 December 2009 represented the write-down of the carrying value of two property development projects located at Qingdao (the "Qingdao Project") and Guangzhou by approximately HK$164 million and HK$130 million respectively. Regarding the Qingdao Project, on 24 June 2009, the Group entered into a co-operation termination agreement and a settlement agreement in relation to the disposal of its interest in the Qingdao Project through the disposal of its 70% equity interest in 青島頤景房地產開發有限公司 ("青島頤景") to a minority shareholder of 青島頤景. The minority shareholder of 青島頤景 failed to fulfill certain conditions as specified in the agreements and the disposal could not be completed. In light of the changes in the business environment and the local government policy which had an adverse impact on the commercial viability of these projects, the carrying value of these projects were written down by approximately HK$294 million in aggregate. During the year, the write-down for the Qingdao Project is being reversed by an amount of approximately HK$34.5 million due to subsequent recovery of such amount during the year.

(b) During the year ended 31 December 2009, prepayment and deposits for the pre-construction works of certain property development projects amounting to HK$244 million were written off due to change of development plans.

(c) Staff costs (including directors' emoluments) comprise:

	Continuing operations		Discontinued operations		Total	
	2010	2009	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Salaries, allowances and other benefits	57,600	64,525	12,284	100,832	69,884	165,357
Retirement fund contributions (note 46)	3,818	1,580	760	3,249	4,578	4,829
Equity-settled share-based payments (notes 42(c) and (d))	73,300	144,911	–	–	73,300	144,911
Termination benefits	–	63,549	–	235	–	63,784
	134,718	274,565	13,044	104,316	147,762	378,881

9. FINANCE COSTS

	Continuing operations		Discontinued operations		Elimination		Total	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Interest charges on:								
Bank loans and overdrafts								
– wholly repayable within five years	97,603	84,846	1,253	14,880	–	–	98,856	99,726
– wholly repayable in more than five years	–	12,914	–	–	–	–	–	12,914
Other loan wholly repayable within five years	10,142	–	–	519	–	–	10,142	519
Inter-company loans wholly repayable within five years	4,029	50,762	–	–	(4,029)	(50,762)	–	–
Total interest expense on financial liabilities not at fair value through profit or loss	111,774	148,522	1,253	15,399	(4,029)	(50,762)	108,998	113,159
Bank charges	–	–	–	150	–	–	–	150
Total borrowing costs	111,774	148,522	1,253	15,549	(4,029)	(50,762)	108,998	113,309
Less: Amount capitalized in properties under development	(91,933)	(107,778)	–	–	3,870	30,265	(88,063)	(77,513)
	19,841	40,744	1,253	15,549	(159)	(20,497)	20,935	35,796

The analysis shows the finance costs of bank and other borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements. For the years ended 31 December 2010 and 2009, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$800,000 and HK$2,283,000 respectively.

10. INCOME TAX EXPENSE

	Continuing operations		Discontinued operations		Total	
	2010	2009	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Income tax expenses comprise:						
Current tax for the year						
Hong Kong profits tax	–	–	1,167	2,629	1,167	2,629
Other regions of the PRC						
– Enterprise income tax ("EIT")	389,031	149,566	3,564	21,963	392,595	171,529
– LAT	431,874	206,879	–	–	431,874	206,879
Others	–	–	140	1,291	140	1,291
	820,905	356,445	4,871	25,883	825,776	382,328
Under/(Over) provision in prior years						
Hong Kong profits tax	–	–	–	(367)	–	(367)
Other regions of the PRC						
– EIT	1,038	2,669	–	5,626	1,038	8,295
– LAT	–	3,485	–	–	–	3,485
	1,038	6,154	–	5,259	1,038	11,413
Deferred tax (note 41)						
– Income tax	(70,840)	6,094	5,336	(5,255)	(65,504)	839
– LAT	109,732	26,641	–	–	109,732	26,641
	38,892	32,735	5,336	(5,255)	44,228	27,480
	860,835	395,334	10,207	25,887	871,042	421,221

Hong Kong profits tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits.

EIT arising from other regions of the PRC is calculated at 10% to 25% (2009: 10% to 25%) of the estimated assessable profits.

PRC LAT is levied at progressive rates from 30% to 60% (2009: 30% to 60%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

10. INCOME TAX EXPENSE (CONTINUED)

The income tax expense can be reconciled to the profit/(loss) before income tax at applicable tax rates as follows:

	Continuing operations		Discontinued operations		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit/(Loss) before income tax	**1,985,826**	77,738	**28,133**	(38,667)	**2,013,959**	39,071
Tax on profit at the rates applicable to profits in the jurisdictions concerned	**497,325**	21,090	**3,728**	(16,614)	**501,053**	4,476
Expenses not deductible for tax purpose	**29,909**	164,666	**5,574**	63,417	**35,483**	228,083
Income not taxable for tax purpose	**(64,232)**	(22,372)	**(5,280)**	(7,383)	**(69,512)**	(29,755)
Share of results of associates and jointly controlled entities	**(529)**	(191)	**(601)**	(6,289)	**(1,130)**	(6,480)
Tax exemption	**–**	–	**(47)**	(3,446)	**(47)**	(3,446)
Utilisation of tax losses previously not recognized	**(15,082)**	(97)	**(372)**	(7,577)	**(15,454)**	(7,674)
LAT deductible for calculation of income tax	**(137,330)**	(20,976)	**–**	–	**(137,330)**	(20,976)
Tax losses not recognized	**6,844**	12,225	**2,574**	1,787	**9,418**	14,012
Under provision in prior years	**1,038**	2,669	**–**	5,259	**1,038**	7,928
Others	**1,286**	1,315	**4,631**	(3,267)	**5,917**	(1,952)
	319,229	158,329	**10,207**	25,887	**329,436**	184,216
LAT	**541,606**	237,005	**–**	–	**541,606**	237,005
Income tax expense	**860,835**	395,334	**10,207**	25,887	**871,042**	421,221

11. GROUP REORGANIZATION AND DISCONTINUED OPERATIONS

Following the approval by the shareholders of the Company in an extraordinary general meeting on 31 December 2009, the making of order confirming the Capital Reorganization (as defined below) by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "Court") on 1 February 2010, and the completion of subscription agreement (the "Subscription Agreement") dated 9 September 2009 entered into between the Company, Mr. Yung Kwok Kee, Billy, a director of the Company, and COLI on 10 February 2010, the following transactions (the "Transactions") have been completed on 10 February 2010 (the "Completion Date"):

(i) To facilitate the distribution in specie as mentioned in (ii) below, the share capital of the Company has been reduced by an amount of HK$256,507,000 from 523,485,000 shares of HK$0.5 each, totaling HK$261,742,000, to 523,485,000 shares of HK$0.01 each, totaling HK$5,235,000, (the "Capital Reduction") and the amount standing to the credit of the share premium account of the Company has been cancelled (the "Share Premium Cancellation") (collectively, the "Capital Reorganization").

(ii) A wholly-owned subsidiary of the Company, Shell Electric Holdings Limited (the "Privateco"), acquired certain subsidiaries and certain assets and liabilities of the Company by issuing shares to the Company. All the shares of the Privateco then held by the Company have been distributed in specie (the "Distribution in Specie") to the shareholders of the Company on the basis of one share of the Privateco for one share of the Company held (the "Group Restructuring"). The Privateco and its subsidiaries (the "Privateco Group") continue to carry on the business of manufacturing and marketing, as well as contract manufacturing, of electric fans and other electrical household appliances, property leasing, security trading and taxi rental (the "Distributed Businesses"). Part of the Distributed Businesses, mainly property leasing and trading of computer hardware and software, are conducted by associates and jointly controlled entities.

11. GROUP REORGANIZATION AND DISCONTINUED OPERATIONS (CONTINUED)

(iii) The Company continues to be a publicly listed company with its subsidiaries concentrating on the business of property investment and development in the PRC (the "Property Development Business").

(iv) The Company issued 157,045,368 new shares at HK$2.90 each to Star Amuse Limited, a direct wholly-owned subsidiary of COLI, as per the Subscription Agreement (the "Subscription"), representing approximately 23.08% of the issued share capital of the Company as enlarged by the Subscription. Pursuant to the Subscription Agreement, Mr. Yung Kwok Kee, Billy has undertaken to procure his associates to accept the offer to be made by COLI subsequent to the completion of the Transactions to acquire shares of the Company to the extent that COLI will own no less than 50.1% of the issued share capital of the Company.

As stipulated in the order confirming the Capital Reorganization by the Court, Privateco undertakes by a guarantee and indemnity and with effect from the date of the order that to set aside and maintain a sum of HK$14,100,000 for the purposes of paying or satisfying any debt of claim against the Company and to set aside and maintain a sum of HK$13,600,000 to cover the liability potentially liable by the Company. As at 31 December 2010, the deposit accounts of HK$14,100,000 and HK$13,600,000 were released from the guarantee and indemnity.

The results of the Distributed Businesses which constitute discontinued operations during the period from 1 January 2010 to 10 February 2010 (the Completion Date) are set out below:

	Notes	Period ended 10 February 2010 HK$'000	Year ended 31 December 2009 HK$'000
Revenue	5	164,406	1,098,808
Cost of sales and services provided		(130,105)	(856,377)
Gross profit		34,301	242,431
Other income	7	17,789	98,650
Distribution and selling expenses		(3,255)	(30,129)
Administrative expenses		(21,415)	(150,575)
Other operating expenses		(1,642)	(95,433)
Other gains/(losses)			
Fair value gain/(loss) on investment properties		3,780	(119,822)
Fair value (loss)/gain on investments held for trading		(1,497)	21,993
Impairment loss on owner-occupied property		–	(527)
Others		1,556	1,354
Operating profit/(loss)		29,617	(32,058)
Finance costs	9	(1,253)	(15,549)
Share of results of associates		3,312	36,157
Share of results of jointly controlled entities		327	1,955
Elimination^		(3,870)	(29,172)
Profit/(Loss) before income tax	8	28,133	(38,667)
Income tax expense	10	(10,207)	(25,887)
		17,926	(64,554)

^ Inter-company interest elimination

11. GROUP REORGANIZATION AND DISCONTINUED OPERATIONS (CONTINUED)

The Company distributed the equity interest in the Privateco to its shareholders and the net assets of the Distributed Businesses as at the date of distribution on 10 February 2010 (the Completion Date) were set out below:

	Notes	As at 10 February 2010 HK$'000
Investment properties	16	544,890
Property, plant and equipment	17	167,020
Prepaid lease rental on land	18	17,328
Other intangible assets	20	194,114
Interests in associates		463,134
Interests in jointly controlled entities		3,981
Available-for-sale financial assets		3,300
Loans receivable		110,618
Other inventories		103,450
Trade and other receivables, prepayments and deposits		301,986
Amounts due from related parties		797,922
Amount due from an associate		2,340
Amount due from an investee		10,552
Investments held for trading		64,967
Tax prepaid		2,857
Cash and cash equivalents		522,127
Trade and other payables		(367,899)
Amount due to an associate		(100)
Amounts due to related parties		(28,314)
Taxation liabilities		(72,505)
Bank borrowings	36	(733,497)
Loan from a minority shareholder		(3,630)
Other liabilities		(12,551)
Deferred tax liabilities	41	(57,340)
Elimination^		(69,764)
Net assets distributed		1,964,986

^ Inter-company interest elimination

Analysis of the net cash flows from the Distributed Businesses during the period from 1 January 2010 to 10 February 2010 are as follows:

	Period ended 10 February 2010 HK$'000	Year ended 31 December 2009 HK$'000
Operating activities	(49,819)	51,054
Investing activities	13,136	24,129
Financing activities	4,250	6,086
Effect of foreign exchange rate change	1,010	1,454
Net cash (outflow)/inflow	(31,423)	82,723

12. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

Among the consolidated profit attributable to owners of the Company of HK$1,001,120,000 (2009: loss of HK$279,713,000), a loss of HK$23,282,000 (2009: profit of HK$204,433,000) has been dealt with in the financial statements of the Company.

13. DIVIDENDS

	2010 HK$'000	2009 HK$'000
Interim dividend declared and paid (note (a))	–	10,470
Distribution in Specie (note (b))	1,964,986	–
	1,964,986	10,470
Proposed final dividend (note (c))	95,704	–

Notes:

(a) During the year ended 31 December 2009, the Company declared and paid interim dividend of HK$0.02 per ordinary share, totaling HK$10,470,000.

(b) Details of the net assets of the Privateco Group distributed by the Group in the form of a distribution in specie are set out in note 11.

(c) The final dividend of HK$0.10 (2009: nil) per ordinary share, amounting to approximately HK$95,704,000 (2009: nil), has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

14. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculations of basic earnings/(loss) per share from continuing and discontinued operations are based on profit/(loss) attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the year of 715,544,000 (2009: 523,775,000):

	2010 HK$'000	2009 HK$'000
Profit/(Loss) attributable to owners of the Company:		
From continuing operations	983,065	(214,603)
From discontinued operations	18,055	(65,110)
	1,001,120	(279,713)

14. EARNINGS/(LOSS) PER SHARE (CONTINUED)

(b) Diluted earnings per share

For the year ended 31 December 2010, the calculations of diluted earnings per share are based on the following data:

	Continuing and discontinued operations HK$'000	Continuing operations HK$'000
Earnings:		
Profit attributable to owners of the Company	1,001,120	983,065
Effect of dilutive potential ordinary shares in respect of share options:		
Adjustment to share of profit of subsidiaries based on dilution of their earnings per share	(15,464)	(15,464)
	985,656	967,601

The denominators for the calculation of diluted earnings per share are the same as those used for the basic earnings per share, i.e. the weighted average number of ordinary shares in issue during the year of 715,544,000 (2009: 523,775,000).

There is no dilutive effect on earnings from discontinued operations.

For the year ended 31 December 2009, no diluted loss per share has been presented because the impact of exercise of the Group's outstanding share options was anti-dilutive.

15. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Retirement fund contribution HK$'000	Share-based payments HK$'000	Total HK$'000
Year ended 31 December 2010					
Executive directors					
Mr. Chen Bin (note (a))	1,367	–	–	–	1,367
Mr. Yu Shangyou (note (a))	861	–	–	–	861
Mr. Xiang Hong (note (a))	574	–	–	–	574
Mr. Zhu Bing Kun (note (a))	439	–	–	–	439
Mr. Yung Kwok Kee, Billy (note (b))	19	452	22	2,823	3,316
Madam Yung Ho Wun Ching (note (c))	29	127	–	–	156
Mr. Leung Chun Wah (note (c))	29	129	6	–	164
Mr. Eddie Hurip (note (c))	29	269	–	113	411
Non-executive director					
Mr. Hao Jian Min (note (d))	844	–	–	–	844
Mr. Yung Kwok Kee, Billy (note (b))	101	–	–	–	101
Mr. Simon Yung Kwok Choi (note (e))	29	–	–	–	29
Independent non-executive directors					
Dr. Chung Shui Ming, Timpson (note (f))	156	69	–	–	225
Mr. Lam Kin Fung, Jeffrey (note (f))	156	–	–	–	156
Mr. Lo Yiu Ching, Dantes (note (f))	156	–	–	–	156
Mr. Peter Wong Chung On (note (g))	120	132	–	–	252
Mr. Peter Lam (note (g))	120	120	–	–	240
Mr. Lawrence Leung Man Chiu (notes (g) & (h))	120	72	–	–	192
	5,149	1,370	28	2,936	9,483
Year ended 31 December 2009					
Executive directors					
Mr. Yung Kwok Kee, Billy	120	5,614	241	24,986	30,961
Madam Yung Ho Wun Ching	120	1,342	–	–	1,462
Mr. Leung Chun Wah	120	1,212	61	–	1,393
Mr. Eddie Hurip	120	2,654	–	999	3,773
Non-executive director					
Mr. Simon Yung Kwok Choi	120	–	–	–	120
Independent non-executive directors					
Dr. The Hon Leo Tung-Hai Lee (note (h))	10	8	–	–	18
Mr. Peter Wong Chung On	120	130	–	–	250
Mr. Peter Lam	120	120	–	–	240
Mr. Lawrence Leung Man Chiu (note (h))	111	66	–	–	177
	961	11,146	302	25,985	38,394

15. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Directors' emoluments (Continued)

Notes:

(a) Mr. Chen Bin, Mr. Yu Shangyou, Mr. Xiang Hong and Mr. Zhu Bing Kun were appointed as executive directors on 27 February 2010.

(b) Mr. Yung Kwok Kee, Billy was re-designated from executive director to non-executive director on 27 February 2010.

(c) Madam Yung Ho Wun Ching, Mr. Leung Chun Wah and Mr. Eddie Hurip resigned on 29 March 2010.

(d) Mr. Hao Jian Min was appointed as the Chairman of the Board and non-executive director on 27 February 2010.

(e) Mr. Simon Yung Kwok Choi was removed as non-executive director on 30 March 2010.

(f) Dr. Chung Shui Ming, Timpson, Mr. Lam Kin Fung, Jeffrey and Mr. Lo Yiu Ching, Dantes were appointed as independent non-executive directors on 18 May 2010.

(g) Mr. Peter Wong Chung On, Mr. Peter Lam and Mr. Lawrence Leung Man Chiu retired on 18 May 2010.

(h) Dr. The Hon Leo Tung-Hai Lee resigned on 30 January 2009 and Mr. Lawrence Leung Man Chiu was appointed as an independent non-executive director on the same date.

There is no arrangement under which a director waived or agreed to waive any emoluments during year (2009: nil).

Five highest paid individuals

The five individuals with the highest emoluments in the Group include 3 (2009: 2) directors, whose emoluments are included in the disclosures above. The emoluments of the remaining 2 (2009: 3) individuals for the years ended 31 December 2010 and 2009 were as follows:

	2010 HK$'000	2009 HK$'000
Salaries, allowances and other benefits	2,356	3,983
Retirement fund contributions	24	74
Share-based payments	–	34,553
	2,380	38,610

Their emoluments were within the following bands:

	Number of employees	
	2010	2009
HK$1,000,000-HK$1,500,000	2	–
HK$4,500,001-HK$5,000,000	–	1
HK$9,000,001-HK$9,500,000	–	1
HK$24,500,001-HK$25,000,000	–	1

No emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2009: nil).

16. INVESTMENT PROPERTIES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Carrying amount at 1 January	1,244,869	747,220	–	23,000
Translation adjustment	34,589	825	–	–
Disposal	(1,506)	(28,722)	–	(23,000)
Transfer from inventories of properties (note (b))	503,965	657,227	–	–
Increase/(Decrease) in fair value	72,522	(131,681)	–	–
Distribution in Specie (note 11)	(544,890)	–	–	–
Carrying amount at 31 December	1,309,549	1,244,869	–	–

The carrying amount of the Group's and Company's interests in investment properties are analysed as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
In Hong Kong, held under long-term leases	–	138,200	–	–
In other regions of the PRC, held under medium-term leases	1,309,549	913,229	–	–
In the USA, freehold	–	193,440	–	–
Carrying amount at 31 December	1,309,549	1,244,869	–	–

Notes:

(a) Investment properties which are situated in other regions of the PRC were revalued as at 31 December 2010 by CB Richard Ellis Limited on an open market basis. The valuations were arrived at by reference to comparable market transactions and where appropriate, on the basis of capitalization of net income. CB Richard Ellis Limited is an independent firm of professionally qualified valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in nearby locations.

(b) During the year ended 31 December 2010, the Group reclassified certain inventories of properties with carrying value of HK$190,129,000 (2009: HK$230,424,000) as investment properties and recognized a fair value gain of HK$313,836,000 (2009: HK$426,803,000) on the date of reclassification.

The investment properties are leased to third parties under operating leases to earn rental income, further details of which are included in note 48.

Certain investment properties of the Group are pledged as further detailed in note 47.

17. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP						
	Land and buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Tools and moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 January 2009	176,618	–	49,594	65,048	69,245	54,946	415,451
Translation adjustment	260	–	72	80	60	83	555
Additions	–	–	95	25	1,619	31,620	33,359
Disposals	(460)	–	–	–	(1,225)	(2,785)	(4,470)
Disposal of a subsidiary	–	–	–	–	(157)	–	(157)
Write-off	–	–	(84)	(471)	(11,076)	(1,172)	(12,803)
At 31 December 2009 and 1 January 2010	176,418	–	49,677	64,682	58,466	82,692	431,935
Translation adjustment	1,429	–	113	124	314	567	2,547
Additions	–	860	31	–	2,035	1,294	4,220
Disposals	(2,781)	–	–	–	–	(601)	(3,382)
Write-off	–	–	–	–	(1,005)	(3,547)	(4,552)
Distribution in Specie (note 11)	(135,598)	–	(49,821)	(64,806)	(55,679)	(74,695)	(380,599)
At 31 December 2010	39,468	860	–	–	4,131	5,710	50,169
DEPRECIATION AND IMPAIRMENT							
At 1 January 2009	40,777	–	35,528	64,830	48,754	15,970	205,859
Translation adjustment	84	–	53	80	44	35	296
Impairment	151	–	–	–	–	–	151
Depreciation provided	4,639	–	2,487	126	7,656	13,846	28,754
Disposals	(276)	–	–	–	(1,143)	(2,299)	(3,718)
Disposal of a subsidiary	–	–	–	–	(50)	–	(50)
Write-off	–	–	(79)	(471)	(10,815)	(276)	(11,641)
At 31 December 2009 and 1 January 2010	45,375	–	37,989	64,565	44,446	27,276	219,651
Translation adjustment	265	–	85	124	192	300	966
Depreciation provided	1,781	43	233	7	1,817	3,541	7,422
Disposal	(471)	–	–	–	–	(453)	(924)
Write-off	–	–	–	–	(743)	(2,838)	(3,581)
Distribution in Specie (note 11)	(41,175)	–	(38,307)	(64,696)	(44,933)	(24,468)	(213,579)
At 31 December 2010	5,775	43	–	–	779	3,358	9,955
NET CARRYING AMOUNT							
At 31 December 2010	33,693	817	–	–	3,352	2,352	40,214
At 31 December 2009	131,043	–	11,688	117	14,020	55,416	212,284

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	THE COMPANY						
	Land and buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Tools and moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 January 2009	1,479	–	366	479	20,130	9,044	31,498
Additions	–	–	–	–	89	–	89
Write-off	–	–	(55)	(471)	(10,645)	–	(11,171)
Disposals	(1,479)	–	(311)	(8)	(9,574)	(9,044)	(20,416)
At 31 December 2009 and 1 January 2010	–	–	–	–	–	–	–
Additions	–	860	–	–	68	–	928
At 31 December 2010	–	860	–	–	68	–	928
DEPRECIATION							
At 1 January 2009	384	–	363	479	15,987	5,786	22,999
Depreciation provided	25	–	3	–	917	1,275	2,220
Write-off	–	–	(55)	(471)	(10,434)	–	(10,960)
Disposals	(409)	–	(311)	(8)	(6,470)	(7,061)	(14,259)
At 31 December 2009 and 1 January 2010	–	–	–	–	–	–	–
Depreciation provided	–	43	–	–	1	–	44
At 31 December 2010	–	43	–	–	1	–	44
NET CARRYING AMOUNT							
At 31 December 2010	–	817	–	–	67	–	884
At 31 December 2009	–	–	–	–	–	–	–

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The carrying amounts of land and buildings and prepaid lease rental on land held by the Group and the Company are analysed as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
In Hong Kong, held under long-term leases	–	3,673	–	–
In other regions of the PRC, held under				
– medium-term leases	37,236	137,400	–	–
– long-term leases	–	4,528	–	–
In the USA, freehold	–	6,274	–	–
	37,236	151,875	–	–
Land and buildings included in property, plant and equipment	33,693	131,043	–	–
Prepaid lease rental on land (note 18)	3,543	20,832	–	–
	37,236	151,875	–	–

Certain land and buildings of the Group are pledged as further detailed in note 47.

18. PREPAID LEASE RENTAL ON LAND

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 January	20,832	21,763
Translation adjustment	161	33
Amortisation charged	(122)	(588)
Impairment loss	–	(376)
Distribution in Specie (note 11)	(17,328)	–
Carrying amount at 31 December	3,543	20,832
Analysed into:		
Non-current portion included in non-current assets	3,458	20,305
Current portion included in current assets	85	527
	3,543	20,832

19. GOODWILL

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 January	84,991	84,934
Translation adjustment	1,267	57
Carrying amount at 31 December	86,258	84,991

Note:

The amount of goodwill is allocated to the cash-generating units within the property investment and development segment and is tested for impairment by the management by estimating the recoverable amount of these cash-generating units based on value in use calculations. The calculations use cash flow projections based on the financial plans approved by the management covering one-year period. Based on the results of the impairment testing, management determines that there is no impairment of the cash-generating units within the property investment and development segment attributed to the goodwill for the year ended 31 December 2010 (2009: nil).

Key assumptions used by the management in the value in use calculations of these cash-generating units include gross profit margin of 23%-55% (2009: 25%-40%), and growth rate by reference to the Gross Domestic Products Index in the PRC. These assumptions have been determined based on past performance and management's expectations in respect of the market development in the PRC. The pre-tax discount rate used reflect the specific risks relating to the cash-generating units within property investment and development segment, and applied to the cash flow projections was 9% (2009: 14%).

Apart from the considerations described above in determining the value in use of the cash-generating units of the property investment and development segment, the management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

20. OTHER INTANGIBLE ASSETS

	THE GROUP		
	Taxi licences HK$'000	Shopping mall operating right HK$'000	Total HK$'000
COST			
At 1 January 2009	238,634	67,391	306,025
Translation adjustment	379	117	496
At 31 December 2009 and 1 January 2010	239,013	67,508	306,521
Translation adjustment	589	2,742	3,331
Distribution in Specie (note 11)	(239,602)	–	(239,602)
At 31 December 2010	–	70,250	70,250
AMORTISATION AND IMPAIRMENT			
At 1 January 2009	45,304	20,130	65,434
Translation adjustment	72	45	117
Amortisation charged	–	4,400	4,400
At 31 December 2009 and 1 January 2010	45,376	24,575	69,951
Translation adjustment	112	1,347	1,459
Amortisation charged	–	4,458	4,458
Distribution in Specie (note 11)	(45,488)	–	(45,488)
At 31 December 2010	–	30,380	30,380
NET CARRYING AMOUNT			
At 31 December 2010	–	39,870	39,870
At 31 December 2009	193,637	42,933	236,570

21. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	1,944,077	1,950,750

The equity interests in certain subsidiaries which form part of the Distributed Businesses (note 55(b)) were distributed on 10 February 2010 as mentioned in note 11. Details of the Company's subsidiaries as at 31 December 2010 are set out in note 55(a).

The Group's interests in certain subsidiaries as at 31 December 2009 were pledged as further detailed in note 47.

22. INTERESTS IN ASSOCIATES

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Share of net assets	–	458,945
Goodwill on acquisition of an associate	–	850
	–	459,795

All associates which form part of the Distributed Businesses (note 56) were distributed on 10 February 2010 as mentioned in note 11. The following illustrates the summarized financial information of the Group's associates for the period from 1 January 2010 to 10 February 2010 (the Completion Date) extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	100% basis	
	Period ended 10 February 2010	Year ended 31 December 2009
	HK$'000	HK$'000
Results for the period/year		
Revenue	17,349	800,141
Profit after income tax expense	11,023	41,305
Financial positions		
Assets	–	3,701,869
Liabilities	–	(2,167,182)
Net assets	–	1,534,687

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Share of net assets	229,449	222,829
Goodwill on acquisition	29,647	28,751
	259,096	251,580
Less: Impairment	(29,647)	(28,361)
	229,449	223,219

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

The equity interests in certain of the Group's jointly controlled entities which form part of the Distributed Businesses (note 57(b)) were distributed on 10 February 2010, as mentioned in note 11. Details of the Group's jointly controlled entities as at 31 December 2010 are set out in note 57(a). The following illustrates the summarized financial information of the Group's jointly controlled entities for the years ended 31 December 2010 and 2009 extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	2010 HK$'000	2009 HK$'000
Share of results for the year		
Revenue	6,016	11,782
Profit after income tax expense	2,441	2,721
Share of assets and liabilities		
Total non-current assets	127,111	121,765
Total current assets	544,318	528,633
Total current liabilities	(369,612)	(359,475)
Total non-current liabilities	(72,368)	(68,094)
	229,449	222,829

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP	
	2010 HK$'000	2009 HK$'000
Unlisted investments:		
Club debentures	–	3,300

25. LOANS RECEIVABLE

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Loans receivable from:				
Investees (note (a))	–	12,958	–	8,339
Associates (note (b))	–	105,991	–	–
Others (note (c))	–	30,841	–	–
	–	149,790	–	8,339
Less: Impairment (notes (a) & (c))	–	(39,180)	–	(8,339)
	–	110,610	–	–
Analysed into:				
Amount repayable in more than one year included in non-current assets	–	106,597	–	–
Amount repayable within one year included in current assets	–	4,013	–	–
	–	110,610	–	–

Notes:

In respect of the balances as at year ended 31 December 2009:

(a) The loans to investees are unsecured, interest-bearing at 4% – 7.5% per annum and repayable as to HK$5,146,000 within twelve months from the end of the reporting period and HK$7,812,000 after twelve months from the end of the reporting period. Having considered the financial position of the borrowers, management assessed that only a portion of the balance can be recovered and accordingly, impairment provision of HK$8,339,000 was made in respect of the loan balance.

(b) The loans to associates are unsecured and interest-free. The amortized costs of the loans to associates are calculated at the present values of the expected settlements from the associates in accordance with the business plans of the respective associates, discounted at the rates of return of similar financial assets. The loans to associates will not be repayable within twelve months from 31 December 2009 and accordingly, they are classified as non-current assets. Having considered the financial position of these associates, and the status of settlements from them, the management assessed that there is no indication of impairment in respect of these loans.

(c) The balances are unsecured, interest-bearing at 8% – 10% per annum and repayable on demand. Having considered the financial position of the borrowers, management assessed that the balances cannot be recovered and accordingly, full provision of HK$30,841,000 was made in respect of the balances.

In the opinion of the directors, the carrying amounts of the loans receivable as at 31 December 2009 approximate their fair values.

For the year ended 31 December 2010

26. INVENTORIES OF PROPERTIES

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Properties under development, at cost	**4,054,675**	5,257,917
Properties held for sale, at cost	**1,013,732**	1,158,620
	5,068,407	6,416,537

As at 31 December 2010, properties under development amounting to HK$1,404,514,000 (2009: HK$1,304,080,000) are not expected to be recovered within twelve months from the end of the reporting period.

The Group's properties under development and properties held for sale are located in other regions of the PRC. As at 31 December 2010, leasehold interests in land included in inventories of properties amounted to HK$993,748,000 (2009: HK$1,343,377,000) which are held under long-term or medium-term leases, depending the development plan of the respective lands.

Certain inventories of properties are pledged by the Group for obtaining banking facilities with further details stated in note 47.

27. OTHER INVENTORIES

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Raw materials	**840**	50,280
Work-in-progress	**–**	8,229
Finished goods	**–**	42,342
	840	100,851

28. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**52,812**	226,970	**–**	–
Less: Impairment of trade receivables	**(8,427)**	(21,025)	**–**	–
Trade receivables, net (note (a))	**44,385**	205,945	**–**	–
Other receivables	**32,366**	67,201	**49**	325
Prepayments and deposits (note (b))	**1,606,528**	442,341	**913**	4,528
	1,683,279	715,487	**962**	4,853

28. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

Notes:

(a) The credit terms in connection with sales of properties granted to the buyers are set out in the sale and purchase agreements and vary for different agreements. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. Other than these, the Group generally allows a credit period of not exceeding 60 days to customers.

In general, trade receivables that are aged below one year are not considered impaired based on management's historical experience and management would consider allowance for impairment of trade receivables which are aged one year or above.

The ageing analysis of the trade receivables (based on invoice date) net of impairment allowance is as follows:

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
30 days or below	**43,820**	87,779	–	–
31–60 days	**489**	77,146	–	–
61–90 days	–	34,099	–	–
91–180 days	**47**	4,352	–	–
181–360 days	–	2,065	–	–
Over 360 days	**29**	504	–	–
	44,385	205,945	–	–

The movement in the allowance for trade receivables is as follows:

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at 1 January	**21,025**	22,701	–	2,546
Translation adjustment	**213**	30	–	–
Impairment losses recognized	**307**	4,144	–	–
Impairment losses reversed	–	(1,635)	–	–
Amounts written off as uncollectible	–	(4,215)	–	(2,546)
Distribution in Specie	**(13,118)**	–	–	–
Carrying amount at 31 December	**8,427**	21,025	–	–

At the end of each reporting period, management reviews receivables for evidence of impairment on both an individual and collective basis. As of 31 December 2010, the Group's trade receivables of HK$8,427,000 (2009: HK$21,025,000) were impaired and accordingly allowances were made in respect of these balances. The individually impaired receivables mainly relate to customers that were in financial difficulties and management assessed that the entire amount of the respective receivable balances is unlikely to be recovered.

28. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

(a): (Continued)

The ageing analysis of trade receivables which were impaired and for which allowances were made for at the end of the reporting period is as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
30 days or below	353	991	–	–
31–60 days	–	145	–	–
61–90 days	–	–	–	–
91–180 days	–	406	–	–
181–360 days	–	902	–	–
Over 360 days	8,074	18,581	–	–
	8,427	21,025	–	–

The ageing analysis of trade receivables that are past due but are not considered impaired at the end of the reporting period is as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
61–90 days	–	34,099	–	–
91–180 days	47	4,352	–	–
181–360 days	–	2,065	–	–
Over 360 days	29	504	–	–
	76	41,020	–	–

The Group has minimal trade receivables which are past due as at 31 December 2010. Trade receivables that were past due but not impaired as at 31 December 2009 related to a number of independent customers that have a good payment record with the Group. Based on past experience, the management believed that no impairment allowance was necessary in respect of those balances as there were no significant change in credit quality and the balances were still considered fully recoverable.

The Group does not hold any collateral over trade receivables balances other than rental and building management deposits from tenants of the Group's investment properties.

Certain amount of trade receivables are pledged as further detailed in note 47.

(b) The balance of prepayments and deposits as at 31 December 2010 mainly comprise the followings:

(i) an amount of HK$479,252,000 (2009: HK$314,079,000) paid by the Group for the primary development on certain areas in Hohhot, Inner Mongolia (the "Primary Development Land"). In prior years, the Group successfully acquired the land use right for certain area of the Primary Development Land through a public tender. According to the approval document issued by the relevant land authority in Hohhot, the cost of these lands was offset against the payment made by the Group for the Primary Development Land. It is the assessment as well as intention of the directors that the amount of prepayment made for the Primary Development Land can be fully recovered through similar land auction exercise in future.

(ii) deposits amounted to HK$1,032,113,000 in aggregate paid by the Group for the acquisition of certain land parcels in Yinchuan and Guilin, the PRC. As at the 31 December 2010, the legal titles of those lands were not yet transferred to the Group and the amounts paid were classified as prepayment and deposits.

Trade and other receivables are of short maturity periods and hence the directors consider the carrying amount of trade and other receivables approximate their fair values.

29. AMOUNTS DUE FROM SUBSIDIARIES

The balances are unsecured, interest-free and repayable on demand. The directors consider that the carrying amounts of the balances approximate their fair values.

30. AMOUNT(S) DUE FROM AN ASSOCIATE/JOINTLY CONTROLLED ENTITIES/AN INVESTEE/ MINORITY SHAREHOLDERS

Among the balances due from jointly controlled entities as at 31 December 2010, HK$48,183,000 is unsecured, interest-bearing at the fixed rate of 6.4% per annum and repayable by 30 November 2011. The remaining balances of HK$75,461,000 and the amounts due from minority shareholders as at 31 December 2010 were unsecured, interest-free and repayable on demand.

The amounts due as at 31 December 2009 were unsecured, interest-free and repayable on demand.

The directors consider that the carrying amounts of the above balances approximate their fair values.

31. INVESTMENTS HELD FOR TRADING

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Equity securities, at fair value		
Listed in Hong Kong	–	22,040
Listed outside Hong Kong	–	6,459
	–	28,499

The fair values of the listed equity securities as at 31 December 2009 were determined based on quoted market prices available on the relevant stock exchanges. As at 31 December 2009, certain equity securities were pledged as further detailed in note 47.

32. RESTRICTED CASH AND DEPOSITS/CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank, in hand and deposited with security brokers	**2,227,970**	990,909	**183,356**	7,728
Less: Restricted cash and deposits classified under current assets (note (a))	**(337,415)**	(137,837)	**–**	–
Cash and cash equivalents	**1,890,555**	853,072	**183,356**	7,728

Notes:

(a) In accordance with the relevant documents issued by the PRC State-Owned Land and Resources Bureau, certain subsidiaries of the Group engaging in property development are required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for the construction of the related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC State-Owned Land and Resources Bureau is obtained. Such guarantee deposits will only be released after the completion of development of the related pre-sold properties or issuance of the real estate ownership certificate, whichever is the earlier. The amount of cash restricted for such purpose as at 31 December 2010 was HK$337,415,000 (2009: HK$137,837,000).

(b) Cash balance denominated in Renminbi ("RMB") amounted to approximately HK$2,016,492,000 (2009: HK$818,715,000) as at 31 December 2010. The RMB is not freely convertible into other currencies.

(c) Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term time deposits are made for periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The directors consider that the fair value of the short-term deposit are not materially different from their carrying amounts because of the short maturity period.

33. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Trade payables	1,348,298	2,210,633	–	–
Temporary receipts	–	27,238	–	–
Deferred income	–	12,358	–	–
Other payables and accruals	195,944	391,253	3,045	4,718
Deposit received	28,884	47,183	–	–
	1,573,126	2,688,665	3,045	4,718

The ageing analysis of trade payables (based on invoice date) is as follows:

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
30 days or below	877,031	1,631,386	–	–
31–60 days	117,461	29,567	–	–
61–90 days	7,676	13,011	–	–
91–180 days	112,806	23,537	–	–
181–360 days	72,293	295,484	–	–
Over 360 days	161,031	217,648	–	–
	1,348,298	2,210,633	–	–

Trade and other payables are of short maturity periods and hence the directors consider the carrying amounts of trade and other payables approximate their fair values.

34. AMOUNT DUE TO AN ASSOCIATE/A JOINTLY CONTROLLED ENTITY/A MINORITY SHAREHOLDER

The amounts due are unsecured, interest-free and repayable on demand. The directors consider that the carrying amounts of the balances approximate their fair values.

35. AMOUNT DUE TO A RELATED PARTY

The balance as at 31 December 2009, represented an advance made from a company which was connected to a director of the Company, was unsecured, interest-free and repayable on demand.

36. BORROWINGS

	THE GROUP		
	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000 (Restated)	As at 1 January 2009 HK$'000 (Restated)
Current liabilities			
Bank borrowings	937,810	1,008,432	1,150,624
Non-current liabilities			
Bank borrowings	898,370	1,235,788	1,060,739
Other loan	411,320	–	–
	1,309,690	1,235,788	1,060,739
	2,247,500	2,244,220	2,211,363

	THE GROUP		
	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000	As at 1 January 2009 HK$'000
Analysis into:			
Bank borrowings (note (a))			
Secured (note 47)	444,226	1,863,069	1,883,169
Unsecured	1,391,954	381,151	328,194
	1,836,180	2,244,220	2,211,363
Other loan (note (b))			
Unsecured	411,320	–	–
	2,247,500	2,244,220	2,211,363

The movement of bank borrowings and other loan during the year is as follows:

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Carrying amount at 1 January	2,244,220	2,211,363	–	537,473
Translation adjustment	52,800	2,429	–	–
New bank loans raised	1,230,700	1,225,274	–	355,105
Repayment of bank loans	(546,723)	(1,194,846)	–	(892,578)
Distribution in Specie (note 11)	(733,497)	–	–	–
Carrying amount at 31 December	2,247,500	2,244,220	–	–

36. BORROWINGS (CONTINUED)

Notes:

(a) The analysis of the carrying amounts of the bank borrowings is as follow:

	THE GROUP		
	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000 (Restated)	As at 1 January 2009 HK$'000 (Restated)
Current liabilities			
Portion of term loans from banks due for repayment within one year	937,810	760,502	929,179
Portion of term loans from banks due for repayment after one year which contain a repayment on demand clause	–	247,930	221,445
	937,810	1,008,432	1,150,624
Non-current liabilities			
Portion of term loans from banks due for repayment after one year	898,370	1,235,788	1,060,739
	1,836,180	2,244,220	2,211,363

The analysis of bank borrowings by scheduled repayment is as follows:

	THE GROUP		
	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000	As at 1 January 2009 HK$'000
Portion of term loans due for repayment within one year	937,810	760,502	929,179
Term loans due for repayment after one year (note)			
After one year but within two years	476,473	1,211,353	448,414
After two years but within five years	421,897	232,616	794,083
After five years	–	39,749	39,687
	898,370	1,483,718	1,282,184
	1,836,180	2,244,220	2,211,363

Note:

The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The bank borrowings as at 31 December 2010 were arranged at floating rates of 5.184% – 7.040% per annum. Among the bank borrowings as at 31 December 2009, HK$155,565,000 were arranged at fixed annual interest rates of 0.58% – 0.93% and the remaining balance of HK$2,088,655,000 were arranged at floating rates of 1.28%-6.53% per annum.

The interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortized cost. None of the portion of term loans due for repayment after one year which contain a repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.

36. BORROWINGS (CONTINUED)

Notes: (Continued)

(b) Other loan

Other loan as at 31 December 2010 (2009: nil) represents a loan obtained from a financial institution in the PRC, which was arranged at the floating rate of 5.85% per annum and repayable in 2013. Other loan is classified as non-current liabilities in the consolidated statement of financial position and is wholly due for repayment after two years but within five years.

(c) The carrying amounts of the bank borrowings and other loan are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Hong Kong Dollar	–	462,251	–	–
RMB	2,247,500	1,516,160	–	–
US Dollar	–	265,809	–	–
	2,247,500	2,244,220	–	–

In the opinion of the directors, the carrying amounts of the Group's and the Company's current and non-current borrowings approximate their fair values. The fair values of the non-current borrowings are calculated by discounting their expected future cash flows at market rate.

37. SHARE CAPITAL

	Par value per share HK$	Number of shares '000	Nominal value HK$'000
Authorized			
Balance at 1 January 2009, 31 December 2009 and 1 January 2010	0.5	900,000	450,000
Capital Reduction (note (b))		–	(441,000)
Increase in shares (note (c))	0.01	44,100,000	441,000
Balance at 31 December 2010	0.01	45,000,000	450,000
Issued and fully paid			
Balance at 1 January 2009	0.5	525,485	262,742
Share repurchased and cancelled (note (a))	0.5	(2,000)	(1,000)
Balance at 31 December 2009 and 1 January 2010	0.5	523,485	261,742
Capital Reduction (note (b))		–	(256,507)
Subscription (note (d))	0.01	157,045	1,570
Placing of shares (note (e))	0.01	41,000	410
Issue of shares to settle options (note (f))	0.01	46,013	460
Balance at 31 December 2010	0.01	767,543	7,675

37. SHARE CAPITAL (CONTINUED)

Notes:

(a) In February 2009, the Company repurchased on the Stock Exchange a total of 2,000,000 ordinary shares of HK$0.50 each of the Company at an aggregate consideration of HK$4,200,000 (before expenses). All of these shares had been cancelled upon being repurchased.

(b) Following the approval of the Capital Reduction by the Court on 1 February 2010 as mentioned in note 11, the authorized share capital of the Company was reduced by an amount of HK$441,000,000 from 900,000,000 shares of HK$0.5 each, totaling HK$450,000,000, to 900,000,000 shares of HK$0.01 each, totaling HK$9,000,000, on 9 February 2010. On the same date, the issued share capital of the Company was reduced by an amount of HK$256,507,000 from 523,485,000 shares of HK$0.5 each, totaling HK$261,742,000, to 523,485,000 shares of HK$0.01 each, totaling HK$5,235,000.

(c) Upon the Capital Reduction becoming effective, the authorized share capital of the Company is increased from HK$9,000,000 divided into 900,000,000 shares of HK$0.01 each to HK$450,000,000 divided into 45,000,000,000 shares of HK$0.01 each by the creation of an additional 44,100,000,000 new shares of HK$0.01 each ranking pari passu in all respects to all the issued and unissued reduced shares.

(d) Following the completion of the Subscription on 10 February 2010 as mentioned in note 11, the Company issued 157,045,368 new shares at HK$2.90 each to Star Amuse Limited, a direct wholly-owned subsidiary of COLI, representing approximately 23.08% of the issued share capital of the Company as enlarged by the Subscription. The Subscription has resulted in the increase in share capital and share premium account of the Company by HK$1,570,000 and HK$453,861,000 respectively. The related share issue expenses amount to HK$6,614,000.

(e) On 19 May 2010, the placing agent of the Company placed 41,000,000 new shares of the Company at HK$5.00 each to certain placees. The placing has resulted in the increase in share capital and share premium account of the Company by HK$410,000 and HK$204,590,000 respectively. The related share issue expenses amount to HK$2,515,000, and the net proceeds from the placing were approximately HK$202,485,000.

(f) As approved by the shareholders of the Company in an extraordinary general meeting on 26 May 2010, the Company issued 46,013,333 new shares on 3 June 2010 to settle the options previously granted to certain management. As a result of this, the share capital and share premium account of the Company has increased by HK$460,000 and HK$33,378,000 respectively. The related share issue expenses amounted to HK$116,000 and the net proceeds from the transactions were approximately HK$33,484,000. The settlement of the options is further detailed in note 42(c).

The share capital of the Company at the end of reporting period comprises only of fully paid ordinary shares with a par value of HK$7,675,000 (2009: HK$261,742,000). All shares are equally eligible to receive dividends and to the repayment of capital and each share is entitled to one vote at shareholders' meeting of the Company.

38. RESERVES

(a) THE GROUP

Details of the movements on the Group's reserves are set out in the consolidated statement of changes in equity on pages 42 and 43. The nature and purpose of the reserves are as follows:

Share premium and capital redemption reserve
The application of the share premium and capital redemption reserve is governed by the relevant provisions of the Hong Kong Companies Ordinance.

Share-based payment reserve of subsidiaries
Share option reserve of a subsidiary is renamed to share-based payment reserve which has been set up in accordance with the accounting policy set out in note 3.24.

Translation reserve
Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy adopted in note 3.17.

Asset revaluation reserve
Asset revaluation reserve arises from revaluation of assets such as properties (excluding investment properties).

38. RESERVES (CONTINUED)

(a) THE GROUP (CONTINUED)

Statutory reserves

In accordance with the relevant PRC rules and regulations, certain subsidiaries of the Company are required to appropriate certain % of their profits after tax to the respective statutory reserves. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to make good previous years' losses, if any, or to increase the paid-up capital of the respective subsidiaries, and may be used for capital expenditure on staff welfare facilities, as appropriate.

Distribution reserve

To facilitate the Distribution in Specie as mentioned in note 11, and following the approval of the Capital Reduction and Share Premium Cancellation by the Court on 1 February 2010, the credit arising from the Capital Reduction amounting to HK$256,507,000 as mentioned in note 37(b) and the credit arising from the Share Premium Cancellation amounting to HK$640,099,000 are transferred to the distribution reserve which is created for the purpose of the Distribution in Specie.

Other reserve

Other reserve was arising from the acquisitions of equity interest in subsidiaries by the Group by issuance of the Company's shares and the settlement of subsidiaries' options. Other reserve comprises (i) an amount of HK$681,520,000 which represents the equity component of the consideration given by the Group for acquiring 30% equity interest in Pan China Land as mentioned in note 43, and (ii) an amount of HK$154,345,000 transferred from share-based payment reserve of subsidiaries upon settlement of the vested Options as defined and disclosed in note 42(c), which is accounted for as a deduction from equity. The amount of HK$154,345,000 represents the difference between the fair value of the Company's shares issued on the settlement date of the Options and the nominal value of the shares issued at nil consideration (note 42(c)), adjusted for the effect of the non-controlling interests of Pan China Land.

Retained profits

Retained profits of the Group comprise:

	2010 HK$'000	2009 HK$'000
Final dividend proposed for the year (note 13(c))	95,704	–
Retained profits after proposed dividend	721,234	1,366,796
Total retained profits for the year	816,938	1,366,796

38. RESERVES (CONTINUED)

(b) THE COMPANY

Details of the movements on the Company's reserves are as follows:

	Share premium HK$'000	Capital redemption reserve HK$'000	Distribution reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2009	640,099	43,822	–	–	925,618	1,609,539
Dividends paid	–	–	–	–	(26,175)	(26,175)
Profit and total comprehensive income for the year	–	–	–	–	204,433	204,433
Share repurchased and cancelled (note 37(a))	–	1,000	–	–	(4,222)	(3,222)
At 31 December 2009 and 1 January 2010	640,099	44,822	–	–	1,099,654	1,784,575
Loss and total comprehensive income for the year (note 12)	–	–	–	–	(23,282)	(23,282)
Capital Reduction (notes 11 & 37(b))	–	–	256,507	–	–	256,507
Share Premium Cancellation (note 11)	(640,099)	–	640,099	–	–	–
Distribution in Specie (note 11)	–	–	(896,606)	–	(474,098)	(1,370,704)
Subscription (notes 11 & 37(d))	453,861	–	–	–	–	453,861
Placing of shares (note 37(e))	204,590	–	–	–	–	204,590
Issue of shares to settle options (note 37(f))	33,378	–	–	170,001	–	203,379
Share issue expenses (notes 37(d), (e) & (f))	(9,245)	–	–	–	–	(9,245)
Acquisition of non-controlling interest in a subsidiary (note 43)	–	–	–	681,520	–	681,520
At 31 December 2010	682,584	44,822	–	851,521	602,274	2,181,201

To facilitate the Distribution in Specie as mentioned in note 11, and following the approval of the Capital Reduction and Share Premium Cancellation by the Court on 1 February 2010, the credit arising from the Capital Reduction amounting to HK$256,507,000 as mentioned in note 37(b) and the credit arising from the Share Premium Cancellation amounting to HK$640,099,000 are transferred to the distribution reserve which is created for the purpose of the Distribution in Specie.

Retained profits of the Company comprise:

	2010 HK$'000	2009 HK$'000
Final dividend proposed for the year	95,704	–
Retained profits after proposed dividend	506,570	1,099,654
Total retained profits for the year	602,274	1,099,654

39. LOAN FROM A MINORITY SHAREHOLDER

The loan as at 31 December 2009 was unsecured, interest-free and not repayable within twelve months from the end of the reporting date. As assessed by the directors, the difference between the carrying amount of the loan and the fair value of the loan, calculated by discounting the expected future cash flows at prevailing interest rate, is not material.

40. CONSIDERATION PAYABLE FOR ACQUISITION OF NON-CONTROLLING INTERESTS

Balance as at 31 December 2010 represents the liability component of the consideration for the acquisition of 30% equity interests in Pan China Land as set out in note 43.

The directors consider the carrying amount of the balance approximates its fair value.

41. DEFERRED TAX

THE GROUP

The following are the major deferred tax liabilities and assets recognized by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	Amortisation on intangible assets HK$'000	Allowance on trade receivables HK$'000	Inventories of properties HK$'000 (Re-presented)	Revaluation of investment properties HK$'000	Provision for LAT HK$'000 (Re-presented)	Total HK$'000
At 1 January 2009	984	18,086	(55)	447,443	44,184	(76,231)	434,411
Translation adjustment	(1)	33	(1)	569	175	(163)	612
(Credited)/Charged to profit or loss	(3,461)	5,163	(493)	(58,139)	126,024	(41,614)	27,480
Reclassification	–	–	–	(27,806)	27,806	–	–
At 31 December 2009 and 1 January 2010	(2,478)	23,282	(549)	362,067	198,189	(118,008)	462,503
Translation adjustment	(102)	59	(19)	12,324	8,464	(6,480)	14,246
Charged/(Credited) to profit or loss	3,042	1,870	568	(52,693)	184,455	(93,014)	44,228
Reclassification	–	–	–	(12,314)	12,314	–	–
Distribution in Specie (note 11)	(462)	(25,211)	–	–	(31,667)	–	(57,340)
At 31 December 2010	–	–	–	309,384	371,755	(217,502)	463,637

Represented by:

	2010 HK$'000	2009 HK$'000
Deferred tax liabilities	560,079	464,601
Deferred tax assets	(96,442)	(2,098)
	463,637	462,503

The comparative figures in deferred tax for the year ended 31 December 2009 have been reclassified. Previously, the deferred tax assets arising from provision for LAT was included under "Inventories of properties". For the year ended 31 December 2010, the deferred tax assets arising from provision for LAT is separately classified under "Provision for LAT" and comparative figures have been reclassified accordingly.

At the end of each reporting period, the expiry dates of the Group's unused tax losses available for offset against future profits, not recognized as deferred tax assets, are analysed as follows:

	2010 HK$'000	2009 HK$'000
2010	–	66,183
2011	4,413	13,718
2012	14,216	31,293
2013	11,885	27,831
2014	8,740	48,609
2015	32,358	–
2019	–	1,330
2020	–	10,629
2021	–	7,482
2022	–	2,970
2024	–	9,805
2025	–	2,868
2026	–	1,380
Carried forward indefinitely	–	77,295
	71,612	301,393

41. DEFERRED TAX (CONTINUED)

THE GROUP (CONTINUED)

As at 31 December 2010, no deferred tax asset has been recognized in respect of these tax losses due to the unpredictability of future profit streams (2009: nil). The tax losses of the subsidiaries in the PRC except Hong Kong may be carried forward for five years from the financial year when the corresponding loss was incurred. The tax losses of the subsidiaries in Hong Kong as at 31 December 2009 might be carried forward indefinitely.

Deferred tax liabilities of approximately HK$96,968,000 as at 31 December 2010 (2009: HK$59,196,000) have not been established for the withholding and other taxation that would be payable on the unremitted earnings of certain PRC subsidiaries as at 31 December 2010, as in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. Such unremitted earnings amounted to approximately HK$1,303,791,000 as at 31 December 2010 (2009: HK$702,808,000).

THE COMPANY

	Accelerated tax depreciation HK$'000	Allowance on trade receivables HK$'000	Revaluation of properties HK$'000	Others HK$'000	Total HK$'000
At 1 January 2009	955	–	2,975	–	3,930
Credited to profit or loss	(955)	–	(2,975)	–	(3,930)
At 31 December 2009 and 31 December 2010	–	–	–	–	–

42. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS

THE COMPANY

At the annual general meeting of the Company held on 11 May 2005, the shareholders of the Company approved the adoption of a new share option scheme (the "Scheme") for a period of 10 years commencing on the adoption date. Since 11 May 2005, the board of directors of the Company may, at its discretion, grant share options to any eligible person to subscribe for shares in the Company subject to the terms and conditions as stipulated in the Scheme. No share options were granted since adoption.

SUBSIDIARIES

The share option schemes of Appeon Corporation ("Appeon") and Galactic Computing Corporation ("Galactic"), the then subsidiaries of the Company, became effective on 11 November 2002. Certain directors, employees and consultants of Appeon and Galactic were granted options as an incentive to them for their continuing contribution to the companies they worked for at a consideration of HK$1 on acceptance of the option offer. Appeon and Galactic form part of the Distributed Businesses which were distributed to the shareholders of the Company on 10 February 2010 as mentioned in note 11.

During the year ended 31 December 2007, Terborley Limited ("Terborley"), an indirectly owned subsidiary of the Company, granted options to certain individuals. Details of these options were set out in the announcement of the Company dated 29 November 2007.

On 9 February 2010, the Company entered into agreement with certain management of the Group to transfer 10% registered capital of Huashiboli, an indirect non-wholly owned PRC subsidiary of the Company, held by the Group to the management at the consideration of RMB6 million. Details of these arrangements were set out in the announcement of the Company dated 24 February 2010.

42. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS (CONTINUED)

(a) Appeon

Movements in the options granted under the option scheme of Appeon (the "Appeon Scheme") during the year ended 31 December 2009 were as follows:

Grantee	Date of grant	Subscription price per share US$	As at 1.1.2009	Number of share options Lapsed during the year	Granted during the year	As at 31.12.2009
Directors of Appeon	25 November 2002	2.50	4,500	–	–	4,500
	9 June 2003	2.50	27,000	–	–	27,000
Employees	25 November 2002	2.50	21,500	–	–	21,500
	2 June 2003	2.50	3,000	–	–	3,000
	26 September 2005	3.00	10,000	–	–	10,000
Consultants of Appeon	25 November 2002	2.50	10,000	–	–	10,000
	9 June 2003	0.10	20,425	–	–	20,425
			96,425	–	–	96,425
			HK$	HK$	HK$	HK$
Weighted average exercise price			15.94	–	–	15.94

Appeon was distributed to the shareholders of the Company on 10 February 2010 and there were no movements in the options granted by Appeon during the period from 1 January 2010 to 10 February 2010. No option was exercised by the grantees during the period up to 10 February 2010 or in prior year.

The number of share options which was exercisable under the Appeon Scheme as at 31 December 2009 was 96,425. The weighted average remaining contractual life of the outstanding share options under the Appeon Scheme as at 31 December 2009 was 2.86 years.

The fair value of the share options granted under the Appeon Scheme are insignificant and accordingly, they are not accounted for in the financial statements.

42. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS (CONTINUED)

(b) Galactic

Movements in the options granted under the option scheme of Galactic (the "Galactic Scheme") during the period from 1 January 2010 to 10 February 2010 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	Number of share options As at 1.1.2010	Lapsed during the period	Granted during the period	As at 10.2.2010
Mr. Yung Kwok Kee, Billy	09.06.2003	09.06.2003-10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2003-10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2004-10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2004-10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2005-10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2005-10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2006-10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2006-10.11.2012	0.45	25,000	–	–	25,000
				200,000	–	–	200,000
Other directors of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2003 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2004 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2004 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2005 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2005 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2006 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2006 – 10.11.2012	0.45	22,500	–	–	22,500
	09.06.2003	09.06.2003 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	10,000	–	–	10,000
	31.12.2007	01.01.2008 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2008 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.01.2009 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2009 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.01.2010 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2010 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.01.2011 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2011 – 10.11.2012	0.45	372,831	–	–	372,831
				3,242,655	–	–	3,242,655

42. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS (CONTINUED)

(b) Galactic (Continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	Number of share options As at 1.1.2010	Lapsed during the period	Granted during the period	As at 10.2.2010
Employees	25.11.2002	01.06.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	31.12.2007	01.01.2008 – 10.11.2012	0.45	229,294	(9,321)	–	219,973
	31.12.2007	01.07.2008 – 10.11.2012	0.45	229,287	(9,320)	–	219,967
	31.12.2007	01.01.2009 – 10.11.2012	0.45	229,294	(9,321)	–	219,973
	31.12.2007	01.07.2009 – 10.11.2012	0.45	219,967	–	–	219,967
	31.12.2007	01.01.2010 – 10.11.2012	0.45	219,973	–	–	219,973
	31.12.2007	01.07.2010 – 10.11.2012	0.45	219,970	–	–	219,970
	31.12.2007	01.01.2011 – 10.11.2012	0.45	219,972	–	–	219,972
	31.12.2007	01.07.2011 – 10.11.2012	0.45	219,970	–	–	219,970
	10.03.2009	10.03.2009 – 10.11.2012	0.45	111,851	–	–	111,851
	10.03.2009	01.07.2009 – 10.11.2012	0.45	37,283	–	–	37,283
	10.03.2009	01.01.2010 – 10.11.2012	0.45	37,283	–	–	37,283
	10.03.2009	01.07.2010 – 10.11.2012	0.45	37,283	–	–	37,283
	10.03.2009	01.01.2011 – 10.11.2012	0.45	37,283	–	–	37,283
	10.03.2009	01.07.2011 – 10.11.2012	0.45	37,283	–	–	37,283
				2,135,993	(27,962)	–	2,108,031
				5,578,648	(27,962)	–	5,550,686
Weighted average exercise price				HK$ 3.51	HK$ 3.51	HK$ –	HK$ 3.51

42. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS (CONTINUED)

(b) Galactic (Continued)

Movements in the options under Galactic Scheme during the year ended 31 December 2009 were as follows:

			Number of share options			
Grantee	**Date of grant**	**Subscription price per share** US$	**As at 1.1.2009**	**Lapsed during the year**	**Granted during the year**	**As at 31.12.2009**
Directors of Galactic	25 November 2002	0.45	180,000	–	–	180,000
	9 June 2003	0.45	280,000	–	–	280,000
	31 December 2007	0.45	2,982,655	–	–	2,982,655
Employees	25 November 2002	0.45	50,000	–	–	50,000
	25 May 2005	0.60	50,000	(50,000)	–	–
	31 December 2007	0.45	1,852,973	(65,246)	–	1,787,727
	10 March 2009	0.45	–	–	298,266	298,266
			5,395,628	(115,246)	298,266	5,578,648
			HK$	HK$	HK$	HK$
Weighted average exercise price			3.52	4.02	3.51	3.51

Galactic was distributed to the shareholders of the Company on 10 February 2010. During the period from 1 January 2010 to 10 February 2010, 27,962 options were lapsed and there were no other movement in the options granted by Galactic during that period. No option was exercised by the grantees during the period ended up to 10 February 2010 or in prior year.

The number of share options which are exercisable under the Galactic Scheme as at 31 December 2009 was 3,058,304. The weighted average remaining contractual life of the outstanding share options under the Galactic Scheme as at 31 December 2009 was 2.86 years.

The fair values of the share options granted under the Galactic Scheme are insignificant and accordingly, they are not accounted for in the financial statements.

42. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS (CONTINUED)

(c) Terborley

On 29 November 2007, Terborley entered into the option deeds (the "Option Deeds") with an aggregate of 49 individuals in the capacity as the management of the Group (the "Grantees"). Pursuant to the Option Deeds, Terborley granted to the Grantees certain options (the "Options") to acquire from Terborley an aggregate of 116,000 ordinary shares (the "Option Shares") of Pan China Land, an investee of Terborley, at the exercise price specified in the Option Deeds. The Options will vest on the date on which the shares of Pan China Land are listed on the Stock Exchange (the "Listing Date") and are exercisable for a period of 10 years from the Listing Date (the "Option Period").

Details of the Grantees and their entitlement to the Option Shares are as follows:

Grantee(s)	Number of Option Shares to which the Grantees are entitled	Approximate percentage of the total number of Option Shares
Mr. Yung Kwok Kee, Billy	20,000	17.2%
Mr. Eddie Hurip	800	0.7%
Senior staff and other employees of the Group #	95,200	82.1%
Total	116,000	100.0%

An aggregate of 5,200 Option Shares were held on trust by Mr. Yung Kwok Kee, Billy and Mr. Eddie Hurip.

Terborley will receive an aggregate amount of HK$69,600,000 if all the Options are exercised based on the initial exercise price of HK$600 per share. A consideration of HK$1 is payable by the Grantee on acceptance of the offer of the grant of an Option.

The Grantees may exercise the Options in whole or in part by giving exercise notice to Terborley at any time during the Option Period provided that the Grantees shall exercise the Options to acquire the Option Shares in accordance with the following vesting schedule:

Vesting schedule	Maximum percentage of Option Shares comprised in an Option which may be exercised
On or after the Listing Date	20%
Six months after the Listing Date	40%
Twelve months after the Listing Date	60%
Eighteen months after the Listing Date	80%
Twenty-four months after the Listing Date	100%

42. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS (CONTINUED)

(c) Terborley (Continued)

The fair value of the Options granted on the grant date, determined by an independent valuer using the Binomial Model, was RMB195 million (equivalent to approximately HK$221 million) in aggregate. Share option expense arising from granting the Options are fully charged to profit or loss in the current year. The amount of share option expense recognized as staff cost for the year ended 31 December 2010 amounted to HK$16,375,000 (2009: HK$144,911,000). The corresponding amount has been credited to the share-based payment reserve of subsidiaries and non-controlling interests. No liabilities were recognized as these are equity-settled share-based payment transactions.

No options had been further granted or exercised for the year ended 31 December 2010 (2009: nil). Following the completion of the Transactions as detailed in note 11, the Options are vested and become immediately exercisable on 10 February 2010.

The Company entered into various cancellation deeds in February and March 2010, in relation to the settlement of the 116,000 Options which have become vested on 10 February 2010 and details of which are as follows:

(i) 56,000 Options be cancelled and the consideration for such cancellations will be satisfied by way of issuing 22,213,333 new shares of the Company to the respective grantees at a subscription price of approximately HK$1.51 per share; and

(ii) 60,000 Options be cancelled and the consideration for such cancellations will be satisfied by way of issuing 23,800,000 new shares of the Company to the respective grantees at nil cash consideration.

The settlement arrangement for the Options and the issue of new shares were approved by the Company's shareholders at the extraordinary general meeting on 26 May 2010. Upon receipt of the consideration for the settlement, on 3 June 2010, the Options were cancelled. The settlement of the vested Options is accounted for as a transfer within equity and the previously recognized share-based payment reserve is released accordingly.

As at 31 December 2009, no Option was exercisable by the Grantees, the weighted average exercise price of the Options was HK$600 and the weighted average remaining contractual life was 9 years after the Listing Date.

(d) Share-based payments of Huashiboli

On 9 February 2010, the Company entered into a compensation arrangement with certain ex-management of the Group (the "Ex-EB Management") through a proposed cooperation with the Ex-EB Management in respect of a property development project in the PRC which is conducted by Huashiboli. Under the proposed cooperation, the Ex-EB Management would obtain 10% of the registered capital of Huashiboli (the "Capital") at the consideration of RMB6 million (equivalent to approximately HK$6,878,000). In addition, the Group and the minority shareholder of Huashiboli are required to contribute additional capital of RMB3 million and RMB1 million (equivalent to approximately HK$1,146,000) respectively. As a result, the effective interest in Huashiboli held by the Group would be reduced from 90% to 80%. The transfer of the Capital is accounted for as a share-based payment. The fair value of the Capital on the grant date, as determined by an independent professional valuer after taking into account the consideration of RMB6 million, was RMB50 million (equivalent to approximately HK$56.9 million). The amount of share-based payment charged to profit or loss as staff cost for the year ended 31 December 2010 amounted to HK$56,925,000 with the corresponding amount being recognized in the share-based payment reserve of subsidiaries and non-controlling interests. No liabilities were recognized for this equity-settled share-based payment transaction. On completion of the transfer of the Capital, the carrying amount of 10% equity interest in Huashiboli amounted to HK$33,500,000. The share-based payment reserve is released and the difference between the fair value of the Capital and the carrying amount of 10% equity interest in Huashiboli is accounted for as equity transaction in retained profits.

43. ACQUISITION OF NON-CONTROLLING INTEREST IN A SUBSIDIARY

On 2 November 2010, the Company entered into an agreement (the "Acquisition Agreement") in relation to the acquisition of 30% equity interest in Pan China Land at a consideration of HK$1,233,927,895. Through the acquisition, the Group increased its effective equity interest in Pan China Land from 70% to 100%. The principal activity of Pan China Land is investment holding of property development and property investment businesses.

The consideration of HK$1,233,927,895 shall be satisfied by the Company by the issue of 246,785,579 ordinary shares of the Company (the "Consideration Shares") or in cash in accordance to the terms of the Acquisition Agreement.

Pursuant to the terms of the Acquisition Agreement, within 12 months from the date of obtaining of the independent shareholders' approval at an extraordinary general meeting of the Company (the "First 12-month Period") and when the closing price of the shares of the Company (the "Shares") as quoted on the Stock Exchange remains above HK$6.6 per Share (subject to adjustments for, among other things, subdivision or consolidation of the Shares) for any ten consecutive trading days (the "Condition"), the Company shall have the obligation to issue the Consideration Shares to the vendors.

In the case that the Condition has not been fulfilled within the First 12-month Period, the First 12-month Period will be automatically extended by a further 6-month period following the end of the First 12-month Period (the "Next 6-month Period"). Accordingly, if the Condition is fulfilled during the Next 6-month Period, the Company shall issue the Consideration Shares to the vendors. The consideration for the acquisition can be settled by cash payment of HK$1,233,927,895 during the First 12-month Period and the Next 6-month Period only by mutual agreement in writing between the Company and the vendors. In the case that the Condition has not been fulfilled within the First 12-month Period and the Next 6-month Period, the vendors shall have the right to request the Company to settle the consideration for the acquisition by either (i) issue of the Consideration Shares; or (ii) cash payment of HK$1,233,927,895 within the 6-month period following the end of the Next 6-month Period (the "Last 6-month Period").

In the event that upon expiry of the Last 6-month Period, the vendors have not exercised its right to request the Company to settle the consideration by either issue of the Consideration Shares or cash payment of HK$1,233,927,895, the Company shall not be obliged to allot and issue the Consideration Shares or to pay in cash pursuant to the terms of the Acquisition Agreement, and in such circumstances, all obligations of the Company under the Acquisition Agreement shall be deemed having been fully performed upon the expiry of the Last 6-month Period.

The acquisition was completed on 20 December 2010. The fair value of the consideration, which was assessed by an independent professional valuer, at the date of acquisition amounted to HK$1,187,323,000 which comprises a liability component of HK$505,803,000, which is initially recognized at fair value and subsequently measured at amortized cost and an equity component of HK$681,520,000 which is included in other reserve in equity. The carrying amount of the non-controlling interest in Pan China Land being acquired at the date of acquisition was HK$521,578,000. The difference in the fair value of the consideration and the carrying amount of the non-controlling interest of Pan China Land amounting to HK$665,745,000 is dealt with in retained profits in equity.

Transaction costs incurred and paid for the acquisition amounted to HK$4,742,000 and other than this, the Group did not incur cash outflow for the acquisition during the year.

Further details on the settlement of the consideration are provided in note 52.

44. DISPOSAL OF A SUBSIDIARY

(a) During the year ended 31 December 2010, the Group disposed of its 90% interest in the registered capital of a subsidiary, 惠州市光大置業有限公司 ("Huizhou Everbright"), to the minority shareholder of Huizhou Everbright, at a cash consideration of RMB314,800,000 (equivalent to approximately HK$361,989,000). The gain on the disposal of the subsidiary amounted to approximately HK$251,689,000 and the disposal gain net of tax was approximately HK$240,697,000.

	2010 HK$'000
Net assets disposed of:	
Inventories of properties	110,416
Cash and cash equivalents	1,036
Trade and other payables	(14)
Taxation liabilities	(3)
	111,435
Non-controlling interests	(1,135)
	110,300
Gain on disposal of a subsidiary	251,689
Total consideration-satisfied by cash	361,989

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

	2010 HK$'000
Cash consideration received	361,989
Cash and bank balances disposed of	(1,036)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	360,953

During the year ended 31 December 2010, the disposed subsidiary had contributed to the Group's operating cash outflow of approximately HK$6,000. The losses of the disposed subsidiary included in the Group's income statement amounted to approximately HK$16,000.

44. DISPOSAL OF A SUBSIDIARY (CONTINUED)

(b) During the year ended 31 December 2009, the Group disposed of its 67% interest in the registered capital of a subsidiary, 北京寅豐房地產開發有限責任公司 ("Beijing Yinfeng"), to the minority shareholder of Beijing Yinfeng, at a cash consideration of RMB46.5 million (equivalent to approximately HK$52,754,000). The transaction was completed in April 2009 and a gain on disposal of the subsidiary of approximately HK$17,286,000 was recorded in year 2009. The gain on the disposal net of tax was HK$13,599,000.

	2009 HK$'000
Net assets disposed of:	
Property, plant and equipment	107
Other inventories	31
Trade and other receivables, prepayments and deposits	153,953
Cash and cash equivalents	96
Trade and other payables	(118,719)
	35,468
Gain on disposal of a subsidiary	17,286
Total consideration-satisfied by cash	52,754

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

	2009 HK$'000
Cash consideration received	52,754
Cash and bank balances disposed of	(96)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	52,658

45. CONSIDERATION PAYABLE FOR ACQUISITION OF A SUBSIDIARY

The balance represents the outstanding consideration and other payables in relation to the acquisition of 90% of the registered capital of Huashiboli, which took place in 2007. The directors consider that the carrying amount of the balance approximates its fair value.

46. RETIREMENT BENEFITS SCHEMES

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

The employees of the subsidiaries of the Group which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total expenses recognized in profit or loss of HK$4,578,000 (2009: HK$4,829,000) represent contributions paid/payable to these schemes by the Group in the year. As at 31 December 2010, no forfeited contribution under these schemes is available to reduce the contribution payable in future.

47. PLEDGE OF ASSETS

At the end of each reporting period, the carrying amount of the assets pledged by the Group to secure general banking and other loan facilities granted to the Group are analysed as follows:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Land and buildings in property, plant and equipment	29,271	30,928
Investment properties	1,268,041	691,155
Inventories of properties	161,800	2,817,813
Investments held for trading	–	1,346
Trade receivables	4,155	–
	1,463,267	3,541,242

As at 31 December 2009, the entire issued share capital of a subsidiary of the Privateco Group, Full Revenue Inc, had been pledged to a bank to secure the banking facilities granted to the Privateco Group. A long-term loan was granted to the Privateco Group under the facilities and the net asset value of the subsidiary as at 31 December 2009 was approximately HK$285 million.

48. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain of its office properties and quarters under operating leases arrangements. Leases of these properties are negotiated for periods ranging from three to thirty years (2009: one to twenty years) and rentals are fixed over the contracted period. At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	5,962	5,131	2,552	–
In the second to fifth year, inclusive	15,367	14,494	3,615	–
Over five years	40,398	41,879	–	–
	61,727	61,504	6,167	–

As lessor

The Group leases its investment properties (note 16) under operating lease arrangements with leases negotiated for period ranging from one to eleven years (2009: one to eighteen years). At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments receivable:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Within one year	89,769	118,040
In the second to fifth year, inclusive	154,644	161,059
Over five years	14,499	46,518
	258,912	325,617

49. OTHER COMMITMENTS

At the end of each reporting period, the Group had other significant commitments as follows:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Contracted for but not provided for in the financial statements:		
– Property development	2,599,020	2,561,624
Authorized but not contracted for:		
– Investment in equity interest	108,780	–
– Acquisition of land	4,771,664	–

50. GUARANTEES

At the end of each reporting period, the Group and the Company had issued the following significant guarantees:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Guarantees given to:				
A supplier of an associate to secure the repayment of balance due by the associate to the supplier	–	13,525	–	13,525
Bank for credit facilities granted to certain subsidiaries	–	–	–	631,151
Bank for mortgage loans granted to purchasers of certain subsidiaries' properties (note 54.4(b))	1,925,062	919,617	–	–
	1,925,062	933,142	–	644,676

In light of the Group Restructuring as mentioned in note 11, the directors have reached agreement with the two principal bankers of the Company on revising the facilities previously granted by the bankers to the Company which were available for use by the Company and certain of its subsidiaries. Under the revised facilities, the Privateco has become one of the group entities entitled to utilize the banking facilities and at the same time, it would become a guarantor of the facilities. The Company continues to be a guarantor of the facilities but it is no longer entitled to utilize the revised banking facilities. The Company, having satisfied certain conditions as set forth in the revised banking facilities, was released from providing such guarantee as at 10 February 2010.

In the opinion of the directors, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in these financial statements.

51. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties:

	2010	2009
	HK$'000	HK$'000
Investees		
Interest received	–	2,354

None of the above transactions fall under the definition of connected transaction or continuing connected transaction in Chapter 14A of Listing Rules.

51. RELATED PARTY TRANSACTIONS (CONTINUED)

Total staff costs include compensations to the key management personnel (including directors), the details of which are as follows:

	2010 HK$'000	2009 HK$'000
Short-term employee benefits	6,519	12,491
Share-based payments	2,936	60,538
Post-employment benefits	28	315
	9,483	73,344

52. EVENTS AFTER THE REPORTING PERIOD

On 10 February 2011, the closing price of the shares of the Company as quoted on the Stock Exchange remained above HK$6.6 per share for a period of ten conservative trading days (i.e. from 26 January 2011 to 10 February 2011) and the Condition for the allocation and issuance of the Consideration Shares as mentioned in note 43 was thereby satisfied. As a result, the Company issued on 22 February 2011 an aggregate of 189,493,224 Consideration Shares pursuant to the Acquisition Agreement and the remaining 57,292,355 Consideration Shares is withheld until such time when the issuance of the remaining Consideration Shares would not result in the vendor and its associates holding more than 9.9% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

As a result of the issue of 189,493,224 Consideration Shares, the number of shares of the Company in issue has increased to 957,036,487. The shareholding of the Company held by COLI was diluted from 50.1% to 40.18%. Further details of the issue of the Consideration Shares were set out in the announcement of the Company dated 22 February 2011.

53. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's financial stability and growth.

The Group monitors its capital structure on the basis of gearing ratio i.e. net debt to equity. Net debt includes borrowings less restricted cash and deposits and cash and cash equivalents. Equity represents equity attributable to owners of the Company. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios of the Group as at 31 December 2010 and 2009 were as follows:

	2010 HK$'000	2009 HK$'000
Debt	2,247,500	2,244,220
Less: restricted cash and deposits	(337,415)	(137,837)
Less: cash and cash equivalents	(1,890,555)	(853,072)
Net debt	19,530	1,253,311
Capital represented by equity attributable to the owners of the Company	2,675,414	2,871,643
Gearing ratio	0.7%	43.6%

The Group targets to maintain an appropriate gearing ratio to be in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the year.

54. FINANCIAL INSTRUMENTS

54.1 Categories of financial instruments

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Financial assets at fair value through profit or loss				
— classified as held for trading	–	28,499	–	–
Loans and receivables #	2,439,764	1,508,696	751,850	96,048
Available-for-sale financial assets	–	3,300	–	–
Financial liabilities				
Financial liabilities at amortized cost ^	4,305,534	4,908,657	3,045	4,718

including trade and other receivables, loans receivable, amounts due from subsidiaries, associates and jointly controlled entities and other related parties, and cash at bank, in hand and deposited with security brokers.

^ including trade payables, other payables and accruals, amounts due to an associate, a jointly controlled entity and other related parties, considerations payable, borrowings and other liabilities.

54.2 Financial results by financial instruments

	2010	2009
	HK$'000	HK$'000
Fair value (loss)/gain on:		
Financial assets at fair value through profit or loss		
— classified as held for trading	(1,497)	21,993
Interest income or (expenses) on:		
Loans and receivables	22,178	17,760
Financial liabilities at amortized cost	(108,998)	(113,159)
Dividend income from:		
Financial assets at fair value through profit or loss		
— classified as held for trading	–	263
Reversal of impairment/(Impairment losses) on:		
Loans and receivables	1,354	(17,504)

54.3 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk, price risk, and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors and senior management of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

54. FINANCIAL INSTRUMENTS (CONTINUED)

54.4 Financial risk management

(a) Market risk

(i) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. For the year ended 31 December 2010, the Group mainly operates in Hong Kong and the PRC. The functional currency of the Company and its subsidiaries are mainly Hong Kong Dollars and RMB. The Group is exposed to currency risk arising from fluctuations on foreign currencies, primarily RMB, against the functional currency of the Company and certain group entities, which is Hong Kong Dollars. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group continued to conduct its sales mainly in RMB and make payments in RMB. In addition, the Group's borrowings were mainly denominated in RMB. The directors considered that a natural hedge mechanism existed. The Group would, however, closely monitor the volatility of the RMB exchange rate. All in all, the Group's risk exposure to foreign exchange rate fluctuations remained minimal.

The overall net exposure in respect of the carrying amount of the Group's and the Company's foreign currency denominated financial assets and liabilities in net position as at 31 December 2010 and 2009 were as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Net financial assets				
US Dollars	55	32,113	–	5,475
RMB	–	2,155	–	–

The following sensitivity analysis, determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year, demonstrates the Group's exposure to a reasonably possible change in RMB exchange rate against the Hong Kong Dollars on the Group's net asset position denominated in RMB as at the end of each reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Increase/(Decrease) in profit after tax and retained profits		
RMB against Hong Kong Dollars		
— strengthen by 5%	–	90
— weaken by 5%	–	(90)

The Company's exposure to foreign currency risk is minimal as the majority of its transactions, monetary assets and liabilities are denominated in Hong Kong Dollars, which is also the function currency of the Company.

54. FINANCIAL INSTRUMENTS (CONTINUED)

54.4 Financial risk management (Continued)

(a) Market risk (Continued)

(ii) Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rate). As at 31 December 2009, the Group was exposed to equity price risk because of its investments in equity securities held for trading and were classified as at fair value through profit or loss (see note 31).

As at 31 December 2010, no equity securities were held by the Group. For the year ended 31 December 2009, the Group's investments in equity of other entities were publicly traded mainly in the Stock Exchanges in Hong Kong. Decisions to buy or sell trading securities were based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity and debt securities, the Group maintained a portfolio of diversified investments in terms of industry distribution such as energy, industrial goods and financial services. Also, the Group appointed a special team to monitor the price risk and would consider hedging of the risk if necessary. The policies to manage price risk have been consistently applied and are considered to be effective.

Management's best estimate of the effect on the Group's profit after tax due to a reasonably possible change in the relevant stock market index, with all other variables held constant, as at 31 December 2009 were as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP 2009 HK$'000
Increase/(Decrease) in profit after tax and retained profits	
Hong Kong — Hang Seng Index	
+50%	8,393
–50%	(8,393)

No sensitive analysis is presented for the year ended 31 December 2010 as the Group did not hold any equity securities as at 31 December 2010.

(iii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from borrowings. Borrowings arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As 31 December 2010, all (2009: 93%) of the borrowings bore interest at floating rates. The interest rate and repayment terms of the borrowings outstanding at the end of each reporting period are disclosed in note 36.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances. The directors consider the Group's exposure of the bank deposits and bank borrowings to fair value interest rate risk is not significant as interest bearing bank deposits and borrowings at fixed rate are within short maturity periods in general.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

54. FINANCIAL INSTRUMENTS (CONTINUED)

54.4 Financial risk management (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk (Continued)

The following sensitivity demonstrates the Group's exposure to a reasonably possible change in interest rates on its floating rate borrowings with all other variables held constant at the end of each reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Increase/(Decrease) in profit after tax and retained profits		
Increase/Decrease in basis points ("bp")		
+ 50 bp (2009: 50 bp)	(7,172)	(8,505)
- 10 bp (2009: 10 bp)	1,434	1,701

The changes in interest rates do not affect the Group's other components of equity. The above sensitivity analysis is prepared based on the assumption that the borrowing period of the loans outstanding at the end of each reporting period resembles that of the corresponding financial year.

As the Company does not have significant interest-bearing assets and liabilities, the Company's exposure to interest rate risk is minimal.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities. The Group's and the Company's maximum exposure to credit risk in relation to each class of recognized financial assets (note 54.1) is the carrying amount of those assets as stated in the consolidated and the Company's statements of financial position. The Group is also exposed to credit risk arising from the provision of financial guarantees and the amounts of which are as disclosed in note 50.

The Group limits its exposure to credit risk by rigorously selecting the counterparties and to deal only with credit worthy counterparties. In respect of the Distributed Businesses, the Group trades only with recognized and creditworthy third parties and there is no requirement for collateral. Credit terms are granted to new customers after credit worthiness assessment. In addition, the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually or collectively at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Credit risk on cash and cash equivalents (note 32) is mitigated as cash is deposited in banks of high credit rating. As to investment strategies, usually investments are in liquid securities quoted on recognized stock exchanges. The credit and investment policies have been consistently applied are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

In the opinion of the directors, the Group does not have significant concentration of credit risk as the trade receivables as at 31 December 2010 consist of a large number of customers. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in note 28.

54. FINANCIAL INSTRUMENTS (CONTINUED)

54.4 Financial risk management (Continued)

(b) Credit risk (Continued)

For properties that are presold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. As the mortgage loans are secured by properties with current market price higher than the guaranteed amounts, the management considers it would recover any loss incurred arising from the guarantee provided by the Group.

(c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain a prudent liquidity risk management which is to maintain sufficient cash and cash equivalents as well as to make available of fund through adequate amounts of committed credit facilities and the ability to close out market positions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policies have been consistently applied and are considered to have been effective in managing liquidity risk.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's bank borrowings and other loan, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

Specifically, for term loans which contain a repayable on demand clause which can be exercised at the lender's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. No borrowings with such repayable on demand clause subsist as at 31 December 2010.

			THE GROUP		
	On demand HK$'000	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000
As at 31 December 2010					
Bank borrowings	–	1,019,784	521,230	459,156	–
Other loans	–	22,211	22,211	422,426	–
	–	1,041,995	543,441	881,582	–

	On demand HK$'000 (Restated)	Within 1 year HK$'000 (Restated)	1 to 2 years HK$'000 (Restated)	2 to 5 years HK$'000 (Restated)	Over 5 years HK$'000 (Restated)
As at 31 December 2009					
Bank borrowings	372,495	722,099	1,049,887	204,351	41,698

54. FINANCIAL INSTRUMENTS (CONTINUED)

54.4 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The following tables summarize the maturity of the Group's and the Company's financial liabilities, including term loans with a repayable on demand clause, based on agreed scheduled repayments set out in the agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's and the Company's financial positions, the directors do not consider that it is probable that the lenders will exercise their discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	THE GROUP			
	On demand or within 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000
As at 31 December 2010				
Bank borrowings	1,019,784	521,230	459,156	–
Other loan	22,211	22,211	422,426	–
Trade payables (note (a))	1,348,298	–	–	–
Other payables and accruals	135,973	–	–	–
Other liabilities (note (b))	67,960	1,233,928	–	–
	2,594,226	1,777,369	881,582	–
As at 31 December 2009				
Bank borrowings	851,565	1,256,974	250,193	41,698
Trade payables (note (a))	2,210,633	–	–	–
Other payables and accruals	281,109	–	–	–
Other liabilities	157,081	–	12,015	3,599
	3,500,388	1,256,974	262,208	45,297

	THE COMPANY			
	On demand or within 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000
As at 31 December 2010				
Other payables and accruals	3,045	–	–	–
Other liabilities (note (b))	–	1,233,928	–	–
	3,045	1,233,928	–	–
As at 31 December 2009				
Other payables and accruals	4,718	–	–	–

54. FINANCIAL INSTRUMENTS (CONTINUED)

54.4 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Notes:

(a) As at 31 December 2010, 100% (2009: around 80%) of the trade payables of the Group relates to construction costs of the Property Development Business, the settlement of which will, in practice, be deferred by twelve months in view of the strong bargaining power of the Group over its construction contractors.

(b) Other liabilities as at 31 December 2010 which will be due for payment in one to two years represent the consideration payable for the acquisition of non-controlling interest in Pan China Land as detailed in note 43.

The contractual financial guarantees provided by the Group and the Company are disclosed in note 50. As assessed by the directors, it was not probable that the associate of the Company would default payment to its supplier and that the subsidiaries would default the repayment of bank loans. In addition, it was not probable that the banks would claim the Group for losses in respect of the guarantee contracts due to security in place for the mortgage loans as mentioned in (b) above. Accordingly, no provision for the Group's and the Company's obligations under the guarantees has been made. The contractual maturity of these financial guarantees is "on demand".

54.5 Fair value estimation

(a) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 31 December 2010 and 2009 across the three levels of the fair value hierarchy defined in HKFRS 7 *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorized in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

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

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

54. FINANCIAL INSTRUMENTS (CONTINUED)

54.5 Fair value estimation (Continued)

(a) Financial instruments carried at fair value (Continued)

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2009				
Investment held for trading	28,499	–	–	28,499

During the years ended 31 December 2009, there were no transfers between instruments in Level 1 and Level 2.

As at 31 December 2010, the Group did not have any financial instruments measured at fair values, therefore, no analysis on the fair value hierarchy is presented.

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

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at 31 December 2010 and 2009 due to the short maturity period.

55. PARTICULARS OF SUBSIDIARIES

(a) The particulars of the subsidiaries as at 31 December 2010 are as follows:

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
China Overseas Grand Oceans Property Group Company Limited (formerly China Ever Bright Real Estate Development Limited)	PRC^	Paid up capital	RMB133,000,000	–	100% (note (b))	Investment holding and property development
Jodrell Investments Limited	British Virgin Islands	Ordinary	10 shares of US$1 each	100%	–	Investment holding
Terborley Limited	British Virgin Islands	Ordinary	100 shares of US$1 each	–	100% (note (b))	Investment holding
Moonstar Development Limited	Hong Kong	Ordinary	1 share of HK$1	–	100% (note (b))	Investment holding
Pan China Land (Holdings) Corporation	Cayman Islands	Ordinary	2,000,000 shares of HK$0.1 each	–	100% (note (b))	Investment holding
Pandue Investments Limited	British Virgin Islands	Ordinary	100 shares of US$1 each	100% (note (b))	–	Investment holding
China Overseas Grand Oceans Investments Limited (note (c))	Hong Kong	Ordinary	1 share of HK$1	100%	–	Investment holding
Qiangfa Holdings Limited (note (c))	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Investment holding
Jet Pacific Investment Limited (note (c))	Hong Kong	Ordinary	1 share of HK$1	–	100%	Investment holding
Han Yan Limited (note (c))	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Investment holding
China Overseas Yin Chuan Investments Limited (note (c))	Hong Kong	Ordinary	1 share of HK$1	–	100%	Investment holding
Sharp China Limited	British Virgin Islands	Ordinary	1 share of US$1	–	100% (note (c))	Investment holding
SLP (China) Pte. Ltd.	Singapore	Ordinary	1,700,000 shares of S$1 each	–	80% (note (b))	Investment holding
深圳市建地投資有限公司	PRC#	Paid up capital	RMB10,000,000	–	100% (note (b))	Investment holding

55. PARTICULARS OF SUBSIDIARIES (CONTINUED)

(a) The particulars of the subsidiaries as at 31 December 2010 are as follows: (Continued)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
深圳市建禹投資有限公司	PRC#	Paid up capital	RMB10,000,000	–	100% (note (b))	Investment holding
北京中海宏洋地產有限公司 (formerly 北京光大房地產開發有限公司)	PRC#	Paid up capital	RMB28,000,000	–	100% (note (b))	Investment holding and property development
光大物業管理有限公司	PRC#	Paid up capital	RMB5,000,000	–	100% (note (b))	Property management
北京快樂城堡購物中心有限公司	PRC#	Paid up capital	RMB10,000,000	–	100% (note (b))	Property investment
北京中京藝苑房地產開發有限責任公司	PRC#	Paid up capital	RMB30,000,000	–	100% (note (b))	Property development and property investment
北京華世柏利房地產開發有限公司	PRC#	Paid up capital	RMB60,000,000	–	80% (note (b))	Property development
北京中海宏洋置業有限公司 (formerly 北京光大置業有限責任公司)	PRC#	Paid up capital	RMB50,000,000	–	100% (note (b))	Investment holding
北京中順超科房地產開發有限公司	PRC#	Paid up capital	RMB10,000,000	–	100% (note (b))	Property development
呼和浩特光大環城建設開發有限公司	PRC#	Paid up capital	RMB120,000,000	–	80% (note (b))	Property development
呼和浩特市中海宏洋地產有限公司 (formerly 呼和浩特市景輝房地產開發有限責任公司)	PRC#	Paid up capital	RMB20,000,000	–	100% (note (b))	Investment holding and property development
呼和浩特市榮城房地產開發有限公司	PRC#	Paid up capital	RMB10,000,000	–	100% (note (b))	Property development
呼和浩特市榮凱房地產開發有限公司	PRC#	Paid up capital	RMB10,000,000	–	100% (note (b))	Property development
呼和浩特市榮恒房地產開發有限公司	PRC#	Paid up capital	RMB10,000,000	–	100% (note (b))	Property development
呼和浩特市榮輝房地產開發有限公司	PRC#	Paid up capital	RMB10,000,000	–	100% (note (b))	Property development
上海光大置業發展有限公司	PRC#	Paid up capital	RMB15,000,000	–	100% (note (b))	Investment holding
合肥光大置業有限公司	PRC#	Paid up capital	RMB20,000,000	–	100% (note (b))	Investment holding
廣西光大旅遊投資有限公司	PRC#	Paid up capital	RMB30,000,000	–	94% (note (b))	Investment holding

55. PARTICULARS OF SUBSIDIARIES (CONTINUED)

(a) The particulars of the subsidiaries as at 31 December 2010 are as follows: (Continued)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
桂林中海宏洋地產有限公司 (formerly 廣西桂林光大生態家園開發建設有限公司)	PRC#	Paid up capital	RMB10,000,000	–	65.8% (notes (a) & (b))	Property development
桂林建禹地產有限公司 (note (c))	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
青島頤景房地產開發有限公司	PRC#	Paid up capital	RMB10,000,000	–	70% (notes (a) & (b))	Property development
廣州中海橡園房地產發展有限公司 (formerly 廣州光大置業有限公司)	PRC#	Paid up capital	RMB10,000,000	–	100% (note (b))	Property development
廣州中海宏洋地產有限公司 (formerly 廣州市光大花園房地產開發有限公司)	PRC*	Paid up capital	RMB240,867,970	–	100% (note (b))	Property development
廣州市光大花園物業管理有限公司	PRC#	Paid up capital	RMB3,000,000	–	100% (note (b))	Property management
廣州新都房地產發展有限公司	PRC#	Paid up capital	RMB10,000,000	–	90% (notes (a) & (b))	Property development
森聯南太湖(湖州)建設發展有限公司	PRC^	Paid up capital	US$4,499,955	–	80% (note (b))	Property development

Notes:

(a) The entity is subsidiary of a non-wholly-owned subsidiary of the Company and accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

(b) As a result of the acquisition of 30% equity interest in Pan China Land, the effective interest of the Group in these subsidiaries changed during the year ended 31 December 2010.

(c) These subsidiaries were newly established during the year ended 31 December 2010.

^ The companies are incorporated in the PRC as wholly-foreign-owned enterprises.
* The companies are incorporated in the PRC as sino-foreign equity joint ventures.
# The companies are incorporated in the PRC as limited liability companies.

None of the subsidiaries had any debt securities outstanding during the year.

55. PARTICULARS OF SUBSIDIARIES (CONTINUED)

(b) The particulars of the subsidiaries which form part of the Distributed Businesses are as follows:

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Extra-Fund Investment Limited	Hong Kong	Ordinary	2 shares of HK$1 each	–	–	Securities trading
Fast-Gain Overseas Limited	British Virgin Islands	Ordinary	1 share of US$1	–	–	Property investment
Full Revenue Inc.	Samoa	Ordinary	1 share of US$1	–	–	Investment holding
Galactic Computing Corporation	British Virgin Islands	Ordinary	23,861,240 shares of US$0.01 each	–	–	Investment holding
Guangdong Macro Cables Co., Ltd	PRC*	Paid up capital	US$20,960,000	–	–	Manufacturing and trading of cables and electrical wires
Guangzhou SMC Car Rental Company Limited	PRC^	Paid up capital	HK$28,000,000	–	–	Taxi operations
Quanta Global Limited	British Virgin Islands/Hong Kong	Ordinary	1 share of US$1	–	–	Trading of electric fans
Shell Electric Holdings Limited	Bermuda	Ordinary	523,484,562 shares of US$0.00002 each	–	–	Investment holding
Shell Electric Mfg. (China) Company Limited	British Virgin Islands	Ordinary	100 shares of US$10 each	–	–	Trading of electric fans
Shell Electric Mfg. (China) Company Sdn. Bhd.	Malaysia	Ordinary	2 shares of RM1 each	–	–	Trading of electric fans
Shell Electric Mfg. (China) Company Limited	Samoa	Ordinary	1 share of US$1	–	–	Trading of electric fans
Shell Electric Mfg. (H.K.) Company Limited	Hong Kong	Ordinary	1,000 shares of HK$10 each	–	–	Trading of electric fans
Shunde Hua Feng Stainless Steel Welded Tubes Limited	PRC*	Paid up capital	US$6,792,000	–	–	Manufacturing and trading of welded tubes
佛山市順德區蜆華多媒體製品有限公司	PRC^	Paid up capital	US$20,870,000	–	–	Manufacturing and trading of electrical appliances
SMC Investments Limited	Hong Kong	Ordinary	2 shares of HK$1 each	–	–	Property investment
SMC Marketing Corp.	USA	Ordinary	10,000 shares of US$1,021 each	–	–	Marketing of the Group's products
SMC Microtronic Company Limited	Hong Kong	Ordinary	10,000 shares of HK$1 each	–	–	Provision of management services
SMC Multi-Media Products Company Limited	British Virgin Islands	Ordinary	1 share of US$1	–	–	Contract manufacturing for optics and imaging
SMC Multi-Media (H.K.) Limited	Hong Kong	Ordinary	2 shares of HK$1 each	–	–	Contract manufacturing for optics and imaging

55. PARTICULARS OF SUBSIDIARIES (CONTINUED)

(b) The particulars of the subsidiaries which form part of the Distributed Businesses are as follows: (Continued)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
SMC Property Investment Limited	Hong Kong	Ordinary	2 shares of HK$1 each	–	–	Investment holding
Speed Power Limited	Hong Kong	Ordinary	2 shares of HK$1 each	–	–	Trading of electric fans
Sybond Venture Limited	Cayman Islands	Ordinary	1 share of US$1	–	–	Investment holding
Vineyard Management Company	USA	Ordinary	1,000 shares of US$10 each	–	–	Property investment
業盈置業(深圳)有限公司	PRC^	Paid up capital	HK$10,000,000	–	–	Property investment
蜆壳星盈科技(深圳)有限公司	PRC^	Paid up capital	HK$27,200,000	–	–	Computer software and hardware development
蜆壳星盈軟件(深圳)有限公司	PRC^	Paid up capital	HK$8,000,000	–	–	Computer software and hardware development

Note:

These subsidiaries which form part of the Distributed Businesses were disposed by way of distribution in specie on 10 February 2010 as mentioned in note 11.

^ The companies are incorporated in the PRC as wholly-foreign-owned enterprises.
* The companies are incorporated in the PRC as sino-foreign equity joint ventures.

56. PARTICULARS OF ASSOCIATES

The particulars of the associates which form part of the Distributed Businesses are as follows:

Name of associates	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
MDCL-Frontline (China) Limited	British Virgin Islands	Ordinary	65,269,561 shares of HK$1 each	–	–	Trading of computer hardware, provision of information technology services and investment holding
PFC Device Corporation	British Virgin Islands	Preferred	2,122,820 shares of US$1 each	–	–	Design and trading of semiconductors and electric components
China Dynasty Development Ltd	British Virgin Islands	Ordinary	1,000 shares of US$1 each	–	–	Property investment
Hong Kong Construction SMC Development Limited	Hong Kong	Ordinary	10,000,000 shares of HK$1 each	–	–	Investment holding
Kumagai SMC Development (Guangzhou) Ltd.	PRC^	Paid up capital	US$59,000,000	–	–	Property development

Note:

These associates which form part of the Distributed Businesses were disposed by way of distribution in specie on 10 February 2010 as mentioned in note 11.

^ The company is incorporated in the PRC as wholly-foreign-owned enterprises.

57. PARTICULARS OF JOINTLY CONTROLLED ENTITIES

(a) The particulars of the jointly controlled entities as at 31 December 2010 are as follows:

Name of jointly controlled entities	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
上海金鶴數碼科技發展有限公司	PRC*	Paid up capital	US$2,400,000	–	65%	Property development and property investment
桂林中海國富房地產開發有限公司 (formerly 桂林光大國富房地產開發有限責任公司)	PRC#	Paid up capital	RMB8,000,000	–	40%	Investment holding
北京通惠房地產開發有限責任公司	PRC#	Paid up capital	RMB100,000,000	–	44.5%	Property development

Note:

As a result of the acquisition of 30% equity interest in Pan China Land, the effective interest of the Group in the above jointly controlled entities changed during the year ended 31 December 2010.

(b) The particulars of the jointly controlled entities which form part of the Distributed Businesses are as follows:

Name of jointly controlled entities	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Appeon Corporation (HK) Limited	Hong Kong	Class A voting	25,000 shares of HK$0.01 each	–	–	Investment holding and sale of software licence
		Class B non-voting	27,181 shares of HK$0.01 each	–	–	
艾普陽軟件(深圳)有限公司	PRC^	Paid up capital	US$500,000	–	–	Computer software and hardware development

Note:

These jointly controlled entities which form part of the Distributed Businesses were disposed by way of distribution in specie on 10 February 2010 as mentioned in note 11.

* The company is incorporated in the PRC as sino-foreign equity joint venture.
\# The companies are incorporated in the PRC as limited liability companies.
^ The company is incorporated in the PRC as wholly-foreign-owned enterprises.

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	3,677,309	2,707,924	2,502,632	3,552,030	1,553,063
Profit before income tax	2,013,959	39,071	530,924	741,332	181,811
Income tax expense	(871,042)	(421,221)	(456,518)	(198,787)	(95,416)
Profit/(Loss) for the year	1,142,917	(382,150)	74,406	542,545	86,395
Profit/(Loss) for the year attributable to:					
Owners of the Company	1,001,120	(279,713)	23,563	434,359	138,833
Non-controlling interests	141,797	(102,437)	50,843	108,186	(52,438)
	1,142,917	(382,150)	74,406	542,545	86,395
	HK cents	HK cents	HK cents	HK cents	HK cents
Earnings/(Loss) per share					
– Basic	140	(53)	4	83	28
– Diluted	138	N/A	4	83	N/A

CONSOLIDATED ASSETS AND LIABILITIES

	At 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	10,935,727	10,993,512	10,443,673	10,708,389	5,661,420
Total liabilities	(8,137,448)	(7,662,317)	(6,813,106)	(7,239,500)	(2,947,127)
	2,798,279	3,331,195	3,630,567	3,468,889	2,714,293
Equity attributable to owners of the Company	2,675,414	2,871,643	3,104,013	3,008,655	2,443,531
Non-controlling interests	122,865	459,552	526,554	460,234	270,762
	2,798,279	3,331,195	3,630,567	3,468,889	2,714,293

Note: In 2010, the Group Reorganization (defined in note 11 to the financial statements) results in certain businesses of the Group constituting discontinued operations under HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Details about the Group Reorganization and the discontinued operations are included in note 11 to the financial statements.

PARTICULARS OF MAJOR PROPERTIES & PROPERTY INTERESTS

(A) PROPERTIES HELD FOR OWN USE

Name/Location	Category	Approximate Gross Floor Area (Square Metre)	Attributable Interest	Lease term
23F, No.1 building, China Overseas World Center, No.28 Pinganlixi Avenue, Xicheng District, Beijing City, the PRC	Office	2,309	100%	Medium

(B) PROPERTIES HELD FOR INVESTMENT

Name/Location	Category	Approximate Gross Floor Area (Square Metre)	Attributable Interest	Lease term
Various office units, No.1 building, China Overseas World Center, No.28 Pinganlixi Avenue, Xicheng District, Beijing City, the PRC	Office	32,321	100%	Medium

(C) PROPERTY HELD AS INVENTORIES

(I) Properties Under Development

Name/Location	Intended Usage	Approximate Total Site Area (Square Metre)	Approximate Gross Floor Area (Square Metre)	Attributable Interest	Stage of Completion	Commencement Date	Estimated Completion Date
Zone J Phase II (J4 to J8), Banyan Bay, Rongjing Road, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Residential/ Commercial	52,100	145,300	100%	80%	7/2008	2nd half 2011
The Oakwood Gongye Road North, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Residential/ Commercial	54,000	220,400	100%	80%	9/2008	2nd half 2011
Zone IV, Glorious City Sai Han District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	Residential/ Commercial	19,752	55,000	100%	90%	11/2009	2nd half 2011
Royal East Sai Han District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	Residential/ Commercial	84,900	225,100	100%	0%	10/2010	2nd half 2012

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(II) Land Held for Future Development

Name/Location	Intended Usage	Approximate Total Site Area (Square Metre)	Approximate Gross Floor Area (Square Metre)	Attributable Interest	Stage of Completion
Reserved Land at the Eastern and Western Sides of the Qizilian Lake, South of Jinfeng District, Yinchuan City, Ningxia Hui, Autonomous Region, the PRC	Residential/ Commercial	1,351,000	3,314,000	70%	Land under development
Reserved Land at Mau Er Shan, Jiangan Road, Guilin City, GuangXi, the PRC	Residential	64,310	163,100	100%	Land under development
Reserved Land at the Shanghu Construction Land, Shahe Town, Changping District, Beijing, the PRC	Residential	281,300	250,300	80%	Land under development
Reserved Land at the Guilin Environment Garden, Guiyang Road, YanShan District, Guilin City, Guangxi Zhuang Autonomous Region, the PRC	Residential	724,400	184,900	65.8%	Land under development
Reserved Land at Binhe North Road, Sai Han District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	Residential	241,000	637,600	100%	Land under development

(III) Properties Held for Sale

Name/Location	Category	Approximate Unsold Saleable Gross Floor Area (Square Metre) (excluding Car Park)	Attributable Interest
No. 1 Building, China Overseas World Center, No.28 Pinganlixi Avenue, Xicheng District, Beijing City, the PRC	Office (excluding leased and self-used)/Car Park	6,293	100%
Academic Pavilion, Southern College Road, Haidian District, Beijing City, the PRC	Residential/Office/Shop/ Car Park	21,692	100%
Zone I to III, Glorious City, Sai Han District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	Residential/Shop	6,773	100%
Zone K-North Section, Zone J Phase I (J1-J3) and other old zones, Banyan Bay Rongjing Road, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Residential/Shop	17,481	100%

(D) PROPERTIES HELD UNDER JOINT-CONTROLLED ENTITIES

(I) Land Held for Future Development

Name/Location	Intended Usage	Approximate Total Site Area (Square Metre)	Approximate Gross Floor Area (Square Metre)	Attributable Interest	Stage of Completion
The reserved Land for Beijing Tonghui River Land, Zhuanchuang Hutong, JianWai Street, ChaoYang District, Beijing City, the PRC	Residential/ Commercial	10,100	91,900	44.5%	Land under development

(II) Properties Held for investment

Name/Location	Category	Approximate Gross Floor Area (Square metre)	Attributable Interest	Lease Term
China Overseas Jinhe Information Technology Park, Zhangheng Road, Shanghai Zhangjiang Hi-tech Park, Pudong District, Shanghai City, the PRC	Office/Car Park	16,805	65%	Medium

中國海外宏洋集團有限公司
CHINA OVERSEAS GRAND OCEANS GROUP LTD.

Suite 3012, 30/F, One Pacific Place,
88 Queensway, Hong Kong
Tel : 2918 5181
Fax : 2918 5199
Website : www.cogogl.com.hk