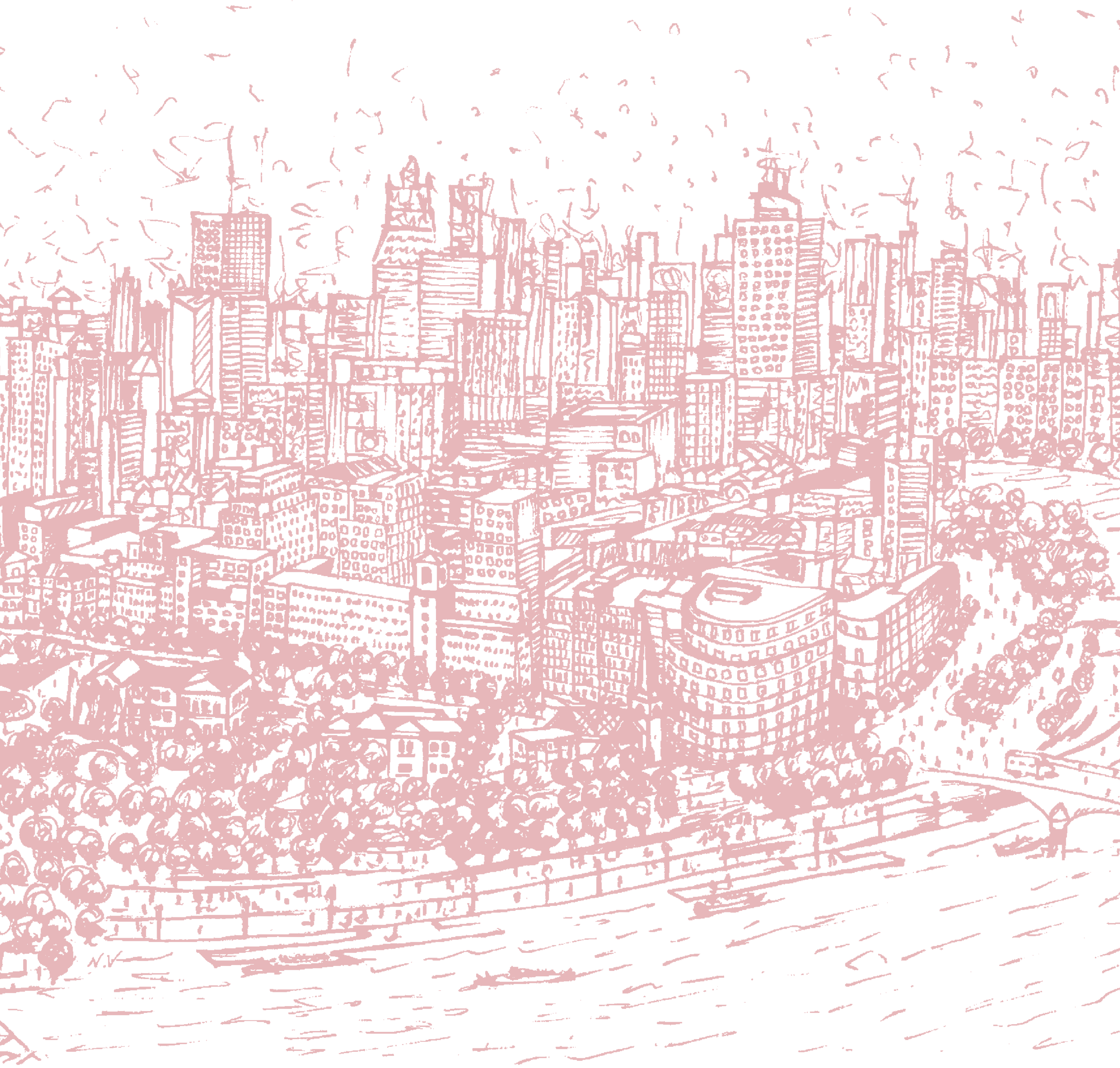
百仕達控股有限公司

# SINOLINK WORLDWIDE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1168



2010

ANNUAL REPORT

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

*Executive Directors*
Ou Yaping *(Chairman)*
Tang Yui Man Francis *(Chief Executive Officer)*
Chen Wei
Xiang Ya Bo

*Non-executive Directors*
Law Sze Lai
Li Ningjun

*Independent Non-executive Directors*
Tian Jin
Xiang Bing
Xin Luo Lin

## AUTHORISED REPRESENTATIVES

Ou Yaping
Tang Yui Man Francis

## COMPANY SECRETARY

Lo Tai On

## AUDIT COMMITTEE

Tian Jin
Xiang Bing
Xin Luo Lin *(Chairman)*

## REMUNERATION COMMITTEE

Ou Yaping
Xiang Bing
Xin Luo Lin *(Chairman)*

## AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

28th Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong
Telephone : (852) 2851 8811
Fascimile : (852) 2851 0970
Stock Code : 1168
Website : http://www.sinolinkhk.com

## PRINCIPAL SHARE AND CONVERTIBLE BOND REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group
(Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM 08
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong
Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## HONG KONG BRANCH SHARE TRANSFER OFFICE

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

## LEGAL ADVISORS

(As to Hong Kong Law)
Jackson Woo & Associates in
association with Ashurst Hong Kong
Norton Rose
Tsang, Chan & Wong
Woo, Kwan, Lee & Lo

(As to Bermuda Law)
Conyers Dill & Pearman

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China, Shenzhen Branch
Bank of Hangzhou, Shenzhen Branch
China Construction Bank Corporation,
Shenzhen Branch
Industrial and Commercial Bank of
China, Shenzhen Branch
Shenzhen Development Bank, Shenzhen Branch
The Bank of East Asia (China) Limited

# Contents

# Chairman's Statement

"On behalf of the board of directors (the "Board") of Sinolink Worldwide Holdings Limited ("Sinolink" or the "Company"), I present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010."

**Ou Yaping** Chairman

## BUSINESS REVIEW

For the year ended 31 December 2010, the Group's core businesses remained property development, investment and management. Turnover from operating activities amounted to HK$1,281 million and profit attributable to owners of the Group amounted to HK$560 million. Basic earnings per share (the "Share") was HK15.81 cents. The Board does not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: HK$0.03 per share).

In 2010, facing a complex and volatile environment at home and abroad, China, while implementing a package of measures to cope with the financial crisis, continued in the direction of macro regulation and control to further transform and adjust the economic development model and structure in order to achieve sustainable growth.

Hence for the Chinese real estate market, 2010 was literally a year of twists and turns. The year opened with rapid growth, but slipped into consolidation in the second quarter. During the third quarter, the market rebounded. This prompted the Government to introduce a second round of intensive control measures. Prices gradually declined in the fourth quarter.

Inasmuch as a year of regulation and control, 2010 did not see a weakening of confidence and enthusiasm among real estate developers and investors, as reflected by an increase in total investment compared to last year. Daunted by rising prices and mounting inflationary pressures, consumers took real estate as a favourable commodity to preserve value. Hence the general optimism about real estate's future growth was unchanged.

Sinolink is committed to maximizing the value of its resources to build quality products that give a favourable life. We inject long-lasting vitality elements into land development, pursuing the use of innovative construction techniques, distinctive architectural styles and unique development models to accomplish pleasurable aesthetics. We strive to employ the latest technology to put a perfect combination of architectural and living values into practice, and we manage to take good care of daily needs while explore the unlimited possibilities of future cultural and technological lives. We aim to create a lifestyle that is environmental, comfortable, efficient and intelligent, integrating organically the essence of life with an aesthetical architecture and design in a cultural and tasteful manner.

Our vision is to provide international resources and support to the PRC's economy, to build a platform for international investors sharing the PRC's economic growth, and to enhance the value of the Group and contribute to the society in the process.

## PROSPECTS

2011 will be an utmost intricate year for the Chinese economy. It is also the beginning year of the country's 12th Five-Year Plan, drawing on new policies such as Revitalizing the New Strategic Industries, the Regional Development Programme and the Livelihood Projects, to continue providing strong macroeconomic stimulus to effectively counter the pressure of possible economic downturn.

For the Chinese real estate market, 2011 will be a year of frequent control and regular adjustment. As we can see, the Government is determined to improve market regulation and stabilize housing prices. Hence, regulation and control will become a norm for the property market, and will remain so in the long run. The Group is prepared for this. At the same time, under the prevalence of active fiscal policy and prudent monetary policy, the real estate industry will, for a considerable period of time, continue to shoulder the important mission of driving the economy and improving people's livelihood. Alongside the sustained healthy growth of the Chinese economy, the real estate industry will continue to flourish amidst adjustment and transformation to embrace an auspicious tomorrow.

Taking advantage of its deep understanding of national policies, the Group strives to create a unique operating framework that can cope with the complexity of the environment. We will combine our forward-looking vision and pragmatic business model to provide substance to this operating framework. Such effort will enable the Group to secure a favourable position in the ever-changing market environment, as well as the room and power for sustainable growth that can generate satisfactory returns for shareholders.

## APPRECIATION

The Group's results were attributed to the concerted efforts of the management and all staff. On behalf of the shareholders and my fellow board members, I would like to express my gratitude to all of them.

**Ou Yaping**
*Chairman*

Hong Kong, 28 March 2011

# Chief Executive Officer's Report

"2010 saw the highest number of macro-control policies being introduced, totaling three rounds of regulatory measures covering both economic and administrative means. With the control policies gathering strength, the Mainland's real estate market is undergoing considerable consolidation, and investment opportunities are likely to emerge. We remain anticipatory as we enter into 2011."

**Tang Yui Man Francis** Chief Executive Officer

## BUSINESS REVIEW

Overall, the Mainland real estate market was riding a positive trend in 2010. From a macroeconomic perspective, the market was underpinned by an improving Chinese economy with increasing recovery momentum. From a policy perspective, the central Government has maintained a proactive fiscal policy and a moderately loose monetary policy. From a market perspective, demand for housing remained strong and inventory was at a historic low. These three factors supported the Chinese real estate market in the past year. Nonetheless, with the state introducing macro-control policies one after the other, the market succumbed to short-term adjustment and volatility.

During 2010, 3.7283 million square meters of commodity houses were sold in Shenzhen, a significant decline of 6.27% compared with 2009. The average transaction price was RMB22,023 per square meter, a sharp increase of 35.71% over the previous year, and a record high for commodity houses in Shenzhen. Benefited from a fury of property sales in 2009, developers were generally armed with strong capital. As such, selling prices remained firm even in the face of the most severe regulation and control in recent history.

In Shanghai, 9.646 million square meters of commodity houses were sold in 2010, a substantial decline of 48.86% compared to 18.86 million square meters in 2009. Prices showed a U-shaped trend during the year, moving downwards for months before picking up by the year-end. The average transaction price of Shanghai commodity houses amounted to RMB25,080 per square meter, an increase of 19.58% year-on-year.

For the year ended 31 December 2010, the Group's turnover amounted to HK$1,281 million, a decrease of 68.0% compared to the same period last year. Gross profit declined by 63.8% to HK$787 million. Profit attributable to owners of the Company dropped by 53.8% to HK$560 million. Basic earnings per share was HK15.81 cents, down by 56.4% compared to the same period last year. The setback was due to a significant decline in sales area and sales revenue recorded by the Group. With less properties available for sale, the Group's profit was significantly affected despite the positive market sentiment seen in Shenzhen and nationwide.

## PROPERTY SALES

For the year ended 31 December 2010, the Group through its property development arm Sinolink Properties Limited and Shenzhen Mangrove West Coast Property Development Co. Ltd. recorded a turnover of HK$1,097 million from property sales, a decrease of 71.7% compared to HK$3,871 million for the same period last year. A total gross floor area ("GFA") of approximately 27,468 square meters was sold during the year as compared to 127,333 square meters last year, representing a decrease of 78.4%. Property sales for the year were derived from the sale of *The Mangrove West Coast* and *The Seasons*.

During the year, gross profit of property sales declined by 66.8% to HK$705 million compared to HK$2,123 million a year ago. *The Seasons* sold a GFA of 11,591 square meters, a decrease of 84.9% compared to the same period last year. The average selling price was RMB28,303 per square meter, representing an increase of 15.0% compared to the same period last year. *The Mangrove West Coast* sold a GFA of 15,877 square meters, a decrease of 68.7%. The average selling price was RMB42,714 per square meter, up by 26.0% compared to the same period last year.

## PROPERTY RENTAL

For the year ended 31 December 2010, total rental income was HK$62 million, representing an increase of 187.3% compared to the same period last year. The increase was mainly attributable to the opening of *The Vi City* during the year, which has a GFA of 39,434 square meters.

A major commercial complex of Sinolink Garden Phase Five, *The Vi City* is positioned as a lifestyle shopping center focusing on major themes including fashion, family and cuisine. Opened in April 2010, *The Vi City* has approximately 140 tenants and is fully let.

## OPENING OF THE ROCKBUND ART MUSEUM ("RAM")

During the year, *Rockbund* underwent a new transformation in its historical development with the completion of façade restoration works of 11 heritage buildings in May 2010, followed by the commencement of a leasing drive. On 4 May 2010, the RAM was officially opened with an exhibition titled "Cai Guo-Qiang: Peasant Da Vincis". It showcased the works of Cai Guo-Qiang, an internationally renowned artist, and gained strong and wide acclaim at home and abroad. Subsequent exhibitions held in the RAM included "2010 Zeng Fanzhi", an exhibition of Zeng Fanzhi's works curated by Professor Wu Hung, and "By Day By Night, or Some (Special) Things a Museum Can Do", an exhibition curated by international curator Hou Hanru, which were highly original with strong academic and social significance. At the same time, other academic and educational activities, including more than 60 seminars, talks, performances and workshops, were held by the RAM, which received extensive publicity and favourable comments in the public media and the arts sectors. With the Shanghai Fine Jewellery and Art Fair and the Exhibition of the China Design Market titled "Supernatural" also held at *Rockbund*, together with other promotional and marketing activities, *Rockbund* has gained strong and wide publicity, which not only enhanced the reputation and brand status of *Rockbund* in the market but also laid a solid foundation for its future leasing activities.

## PROPERTIES UNDER DEVELOPMENT

As at 31 December 2010, the Group has the following properties under development:

(1) *Sinolink Tower*, the hotel and office complex of Sinolink Garden Phase Five, located in Luowu district in Shenzhen, has a GFA of 50,000 square meters of which hotel space occupies 30,000 square meters. During the year, *Sinolink Tower* completed its main structure. Renovation was completed in the elevator hall and lobby of the office segment, while the hotel facility finished renovation of a prototype storey. Letters of intention have been signed with potential tenants for approximately 50% of the office space. The property is expected to commence operation in 2012.

(2) *Rockbund*, located on the Bund in Shanghai, is a joint development project with the Rockefeller Group International Inc. The project has a total site area of 18,000 square meters and a GFA of 94,080 square meters. The Group intends to redevelop this historical site into an upscale mixed-use neighborhood, with residential, commercial, retail, offices and cultural facilities. The preserved heritage buildings under this development project have commenced operations since May 2010, and the whole project is expected to be completed in 2012.

(3) *Ningguo Mansions*, the 13,599.6 square meter site with a plot ratio of 1.0 at Kaifong 240 of Changning District in Shanghai, will be developed into 11 quadrate court houses, each with a GFA of 1,000 to 1,500 square meters. The project is currently under construction. David Chipperfield Architects, a British architecture design company, is responsible for the construction and decoration design of the project, which is located in one of the most accessible and luxury living districts in Shanghai. The land is situated in a low density neighbourhood with luxury residential properties around, and is conveniently located being approximately 10 minutes from the airport and approximately 30 minutes from the city center by car.

During the year, *Ningguo Mansions* received the Planning Permit for Construction and the Building Permit, and commenced construction works. Significant marketing and promotional activities have been launched for *Ningguo Mansions* during 2010. Moreover, the Group has conducted in-depth research about the leasing and sale of high-end properties in Shanghai, and has developed a blueprint for the product positioning and customer profile of *Ningguo Mansions*.

## MAJOR ASSOCIATE

The Group's major associate, Rockefeller Group Asia Pacific, Inc., contributed HK$13 million to the Group's profit due to the change in fair value of investment properties.

## OTHER BUSINESSES

Other businesses within the Group include property, facilities and project management provided by the Group's property management division. For the year ended 31 December 2010, the Group recorded revenue from other businesses of HK$122 million, representing an increase of 14.9% compared to the same period last year.

## NEW PROJECT DEVELOPMENT

With the sale of *The Mangrove West Coast* and *The Seasons* basically completed, new projects for development and investment have become major focus of the Group. During the past year, the Group has made in-depth research and careful preparations, and has actively participated in various sourcing events for property projects through by tenderings, public auctions or government listings in Beijing and Shanghai. Moreover, the Group has conducted serious discussions on joint development opportunities with other companies. Nonetheless, the Mainland's real estate market and land market were overheated in 2010. Competition was fierce and the prices of prime land lots were bid up to staggering levels. As such, we were eventually unable to acquire a satisfactory project within our expectations. The Group will continue to adhere to its investment principles and development strategies to actively identify project that match these criteria.

With more macro-control policies being introduced, we expect the Mainland's overheated real estate market to cool down in 2011 amidst consolidations and adjustments. We will continue to keep abreast with the governing policies and development trends in the real estate market through in-depth research and close monitoring, and strive to acquire projects with good potential in target cities that meet our development strategy so as to lay a solid foundation for our next round of development.

## PROSPECTS

The Mainland property market ended 2010 in the midst of macro-controls from the Government. Looking ahead, the regulation and control of the real estate market in 2011 will focus on increasing social housing, curbing excessive investing demand, and maintaining steady growth in the market. Moreover, regulatory measures targeting the housing sector, including administrative, economic, and taxation means, are expected to have some impact on the market. All in all, with credit and tax policies as well as an increasing supply of affordable homes and other measures in the pipeline, 2011 will be a challenging time for the Chinese real estate market. The various market indices are expected to slow down, and the overall market is expected to stabilize as a result of these interacting dynamics.

## FINANCIAL REVIEW

The Group's financial position remains strong with a low debt leverage and strong interest cover. The Group's total borrowings decreased from HK$1,167 million as at 31 December 2009 to HK$732 million as at 31 December 2010. The total borrowings as at 31 December 2010 included bank loans of HK$429 million and liability component of the convertible bonds of HK$303 million. During the year, new banking facilities and loans amount to HK$100 million were obtained while loans amounted to HK$100 million and RMB300 million were repaid. Gearing ratio as at 31 December 2010, calculated on the basis of total borrowings over shareholders' equity, was 11.1% as compared to 19.2% as at 31 December 2009. The Group is in a net cash position and bank borrowings are mainly arranged at floating interest rates.

Total assets pledged in securing these loans had a carrying value of HK$405 million as at 31 December 2010. The borrowings of the Group are denominated in RMB and HKD. As the entire operation of the Group is carried out in the PRC, substantial receipts and payments in relation to operation are denominated in RMB. No financial instruments have been used for hedging purpose; however, the Board will continue to evaluate and closely monitor the potential impact of RMB appreciation and interest rates movement on the Group.

The Group's cash and cash equivalents amounted to HK$4,918 million (including pledged deposits) as at 31 December 2010 and were mostly denominated in RMB, HKD and USD.

## REDEMPTION OF CONVERTIBLE BONDS

In December 2010, the Group entered into a redemption agreement with some of the holders of the Group's convertible bonds in the principal amount of HK$490 million, pursuant to which the Group redeemed convertible bonds in an aggregate amount of HK$150 million at face value. As at 31 December 2010, the outstanding principal amount of the convertible bonds was HK$340 million.

Pursuant to Hong Kong Accounting Standards, the convertible bonds issued by the Company should be valued based on market fair value. By reference to professional valuations conducted by an independent valuer, a gain of HK$203 million was recognized by the Group for the year on the derivative components of the convertible bonds.

## CAPITAL COMMITMENTS

As at 31 December 2010, the Group had capital commitments in respect of the properties under constructions and commitments in respect of properties under development amounting to HK$435 million and HK$510 million respectively; and committed funding to investment projects amounting to HK$78 million.

## CONTINGENT LIABILITIES

Guarantees given to banks as security for the mortgage loans arranged for the purchasers of the Group's properties amounted to HK$88 million.

## FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: HK$0.03 per share).

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, the Group employed approximately 836 full time employees for its principal activities. The Group recognizes the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme adopted by the Group.

## PURCHASES, SALE OR REDEMPTION OF LISTED SHARES

During the year, the Company repurchased 22,000,000 shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$28,956,020. All of the shares were subsequently cancelled.

| Month of repurchase | Number of shares repurchased | Price per Share<br>Highest | <br>Lowest | Aggregate consideration paid |
|---|---|---|---|---|
| | | HK$ | HK$ | HK$ |
| January 2010 | 20,000,000 | 1.33 | 1.29 | 26,302,900 |
| February 2010 | 2,000,000 | 1.34 | 1.32 | 2,653,120 |

The reason for the repurchases of shares was for the enhancement of shareholder value in the long term.

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

## AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive directors. The members of the Audit Committee are Mr. Tian Jin, Dr. Xiang Bing and Mr. Xin Luo Lin. The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The annual results of the Group for the year ended 31 December 2010 had been audited by the Company's auditor, Deloitte Touche Tohmatsu, and had been reviewed by the Audit Committee.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to all staff for their devoted efforts and hard work.

**Tang Yui Man Francis**
*Chief Executive Officer*

Hong Kong, 28 March 2011


2010
Zeng Fanzhi

## EXECUTIVE DIRECTORS

**Mr. Ou Yaping**, aged 49, was appointed as the chairman and an executive director of the Company in December 1997. Mr. Ou is the founder, a substantial shareholder of the Group and a member of remuneration committee of the Company. He is also the chairman and an executive director of Enerchina Holdings Limited ("Enerchina"), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Ou also serves as the chairman of the board of Rockbund Art Museum and a trustee for The Nature Conservancy's Asia Pacific and China Program. He was previously a director of China Merchants Bank and had held offices in a number of trading companies and investment companies. Mr. Ou holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology in the PRC and is also the vice chairman of the board of the Beijing Institute of Technology. Mr. Ou is a brother of Mr. Xiang Ya Bo, an executive director of the Company. He is also the director and shareholder of Asia Pacific Promotion Limited ("Asia Pacific"), a substantial shareholder of the Company, whose interest in shares of the Company is disclosed in the section of "Substantial Shareholder". He resigned as an executive director of Towngas China Company Limited, a company listed on the Stock Exchange, effective from 16 March 2011. Save as disclosed above, Mr. Ou has not held any directorship in other listed public companies in the past three years.

**Mr. Tang Yui Man Francis**, aged 48, was appointed as an executive director of the Company in September 2001 and the chief executive officer of the Company in 2002. He is also an executive director of Enerchina, a company listed on the Stock Exchange. Mr. Tang holds a Bachelor's degree in Computer Studies from the University of Victoria in Canada and a Master of Business Administration degree from The City University of New York in the United States. Mr. Tang has numerous years of experience in management, accounting and finance. Mr. Tang is responsible for corporate planning, strategic development and financial planning and management of the Group. He resigned as an alternate director to Mr. Ou Yaping of Towngas China Company Limited, a company listed on the Stock Exchange, effective from 16 March 2011. Save as disclosed above, Mr. Tang has not held any directorship in other listed public companies in the past three years.

**Mr. Chen Wei**, aged 49, was appointed as an executive director of the Company in December 1997. He is also an executive director and the chief executive officer of Enerchina, a company listed on the Stock Exchange. Mr. Chen holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology in the PRC. Mr. Chen was previously employed by a number of large organisations and has over 25 years of experience in engineering, business administration, market development and management. Mr. Chen joined the Group in February 1992 and is responsible for the overall business development, management and strategic planning of the Group. He was an executive director of Towngas China Company Limited, a company listed on the Stock Exchange, during 2001-2009. Save as disclosed above, Mr. Chen has not held any directorship in other listed public companies in the past three years.

**Mr. Xiang Ya Bo**, aged 54, was appointed as an executive director of the Company on 28 March 2011. He is also an executive director of Enerchina, a company listed on the Stock Exchange, and a director and the general manager of Sinolink Properties Limited, a subsidiary of the Company. He is a brother of Mr. Ou Yaping, the chairman of the Board, an executive director and a substantial shareholder of the Company. He graduated with an engineering degree. Mr. Xiang has over 25 years of experience in the field of corporate management, investment management and technical administration on computer technologies and e-commerce. Save as disclosed above, Mr. Xiang has not held any directorship in other listed public companies in the past three years.

## NON-EXECUTIVE DIRECTORS

**Mr. Law Sze Lai**, aged 68, was appointed as an executive director of the Company in December 1997 and redesignated as a non-executive director in September 2007. He is also the chairman of supervisory committee of Sinolink Properties Limited. Mr. Law was employed by a number of real estate companies in the PRC. He is a qualified economist in the PRC and has over 23 years of experience in property development. Mr. Law joined the Group in 1992. Mr. Law did not hold any directorship in other listed public companies in the past three years.

**Mr. Li Ningjun**, aged, 46, was appointed as an executive director of the Company in September 2007 and redesignated as a non-executive director in June 2009. He is also a director of Sinolink Properties Limited and the chief executive officer of Shanghai Bund de Rockefeller Group Master Development Co. Ltd.. Mr. Li holds a Master Degree of Civil Engineering and Construction in Changsha Railway University (now known as Central South University) and a Master Degree of Business Administration from China Europe International Business School. He joined the Group in 1995 as a director of sales and marketing, a director of planning and development, and deputy general manger of Sinolink Properties Limited. Mr. Li has over 19 years of experience in the field of property design and development, construction management, cost management, sales and marketing, business and strategic planning. Mr. Li did not hold any directorship in other listed public companies in the past three years.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Tian Jin**, aged 53, was appointed as an independent non-executive director of the Company in May 2005. He is also a member of audit committee of the Company. Mr. Tian holds a Bachelor of Arts from Hunan University, Master of Arts from Wuhan University and Doctorate in Administration and Management from Auburn University. He is the COO of Asia Operations, Morningstar Inc., CEO of Morningstar Asia Ltd, and chairman of Morningstar China. Before joining Morningstar Inc., he was a lecturer of Hunan University, visiting professor of Auburn University, Director of Academic Technology Development of DePaul University, Director of Institutional Planning and Research of DePaul University. Mr. Tian has not held any directorship in other listed public companies in the past three years.

**Dr. Xiang Bing**, aged 49, was appointed as an independent non-executive director of the Company in December 2008. He is also a member of audit committee and remuneration committee of the Company. Dr. Xiang obtained a Doctoral degree in accounting from the University of Alberta in Canada. He has over 11 years of teaching experience in the academic field. Dr. Xiang is currently the founding dean and professor of the Cheung Kong Graduate School of Business（長江商學院）. He is an independent non-executive director and a member of audit committee and remuneration committee of China Dongxiang (Group) Co., Ltd, Dan Form Holdings Company Limited, Enerchina , HC International, Inc. and Longfor Properties Co., Ltd.; an independent non-executive director and the chairman of remuneration committee of Little Sheep Group Limited; an independent non-executive director and the chairman of audit committee and remuneration committee and a member of nomination committee of Peak Sport Products Co., Limited, all of which are companies listed on the Stock Exchange. Dr. Xiang is also an independent non-executive director and a member of audit committee, remuneration committee and nomination committee of LDK Solar Co. Ltd. and an independent non-executive director and a member of audit committee of E-House (China) Holdings Limited, both are listed on New York Stock Exchange and an independent non-executive director and a member of audit committee and remuneration committee of Perfect World Co., Ltd., a company listed on Nasdaq. He is an independent non-executive director and a member of audit committee and Strategic committee and the chairman of remuneration committee of Yunnan Baiyao Group Co., Ltd., a company listed on the Shenzhen Stock Exchange. He was a director of Jutal Offshore Oil Services Limited, a company listed on the Stock Exchange, a director of Shenzhen Terca Technology Co., Ltd.（深圳市特爾佳科技股份有限公司）, TCL Corporation（TCL集團股份有限公司）, Shaanxi Qinchuan Machine Development Co., Ltd.（陝西秦川機械發展股份有限公司）and Guangdong Midea Electric Appliances Co. Ltd.（廣東美的電器股份有限公司）, all are listed on Shenzhen Stock Exchange, a director of Wuhan Jianmin Pharmaceutical Groups Co., Ltd.（武漢健民藥業集團股份有限公司）, a company listed on the Shanghai Stock Exchange. Dr. Xiang resigned as an independent non-executive director of E Fund Management Co., Ltd, a company listed on the Shenzhen Stock Exchange, on 29 June 2010. Save as disclosed above, Dr. Xiang has not held any directorship in other listed public companies in the past three years.

**Mr. Xin Luo Lin**, aged 62, was appointed as an independent non-executive director of the Company in June 2002. He is also the chairman of audit committee and remuneration committee of the Company. Mr. Xin postgraduated from the Peking University in the PRC and is the Justice of Peace in New South Wales of Australia. Mr. Xin is also an independent non-executive director of Enerchina, an independent non-executive director, a member of audit committee and member of remuneration committee of Central China Real Estate Limited on 1 March 2010, a non-executive director of Asian Capital Holdings Limited on 18 June 2010 and a non-executive director of Sino-Tech International Holdings Limited on 26 August 2010, all are listed companies on the Stock Exchange, a director of Mori Denki Mfg. Co., Ltd., a listed company on the Tokyo Stock Exchange and a director and the Vice Chairman of Oriental Technologies Investment Limited, a listed company on the Australian Stock Exchange. Save as disclosed above, Mr. Xin has not held any directorship in other listed public companies in the past three years.

## CHIEF FINANCIAL OFFICER

**Mr. Li Fujun**, aged 48, joined the Sinolink Group in May 1994 and was appointed as Chief Financial Officer of the Company in October 2007. He holds a Bachelor of Engineering degree from Tsinghua University and a Master of Economics degree from the University of International Business and Economics. Mr. Li is a CFA Charter holder. He has over 19 years of experience in project evaluation and strategic planning, investment analysis and engineering work, as well as project management and investment.

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

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 41 and 18 respectively 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 49 of the annual report.

No interim dividend (2009: Nil) was paid to the shareholders during the year.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: HK$0.03 per share).

## DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 53 to 54.

The Company's reserves available for distribution to shareholders at 31 December 2010, amounted to HK$916,604,000 (2009: HK$871,921,000).

## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for each of the five years ended 31 December 2010 is set out on pages 127 to 128.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

## INVESTMENT PROPERTIES

Details of movements during the year in the investment properties of the Group are set out in note 17 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 30 to the consolidated financial statements.

## DIRECTORS

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

**Executive Directors:**

Ou Yaping *(Chairman)*
Tang Yui Man Francis *(Chief Executive Officer)*
Chen Wei
Xiang Ya Bo (appointed on 28 March 2011)

**Non-executive Directors:**

Law Sze Lai
Li Ningjun

**Independent non-executive Directors:**

Tian Jin
Xiang Bing
Xin Luo Lin

In accordance with Bye-law 86(2) of the bye-laws of the Company (the "Bye-laws"), Mr. Xiang Ya Bo retires at the forthcoming annual general meeting of the Company ("AGM") and, being eligible, offer himself for re-election.

In accordance with Bye-laws 87(1) and (2) of the Bye-laws, Mr. Li Ningjun, Mr. Tang Yui Man Francis and Mr. Xin Luo Lin shall retire by rotation at the forthcoming AGM and, being eligible, would offer themselves for re-election.

The Company has received annual confirmation from each of the Independent Non-executive Directors as regards their independence to the Company pursuant to Rule 3.13 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. The Company considers that each of the Independent Non-executive Directors is independent to the Company.

## DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND SHARE OPTIONS

At 31 December 2010, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Share"), underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) Section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

### Long positions in Shares and underlying Shares

| | | Interest in Shares | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Name of Directors | Capacity | Personal interest | Corporate interest | Family interest | Total interest in Shares | Interest in underlying Shares pursuant to share options | Aggregate interest | Approximate percentage of issued share capital of the Company at 31.12.2010 |
| Chen Wei | Beneficial owner | 13,500,000 | – | – | 13,500,000 | 11,250,000 | 24,750,000 | 0.70% |
| Law Sze Lai | Beneficial owner | 9,345,500 | – | – | 9,345,500 | 9,675,000 | 19,020,500 | 0.54% |
| Li Ningjun | Beneficial Owner | 2,000,000 | – | – | 2,000,000 | 8,375,000 | 10,375,000 | 0.29% |
| Ou Yaping | Joint interest and interest of controlled corporation | – | 1,560,845,250 (Note) | 7,285,410 | 1,568,130,660 | – | 1,568,130,660 | 44.28% |
| Tang Yui Man Francis | Beneficial owner | 21,375,000 | – | – | 21,375,000 | 22,500,000 | 43,875,000 | 1.24% |
| Tian Jin | Beneficial owner | – | – | – | – | 5,175,000 | 5,175,000 | 0.15% |
| Xin Luo Lin | Beneficial owner | – | – | – | – | 2,925,000 | 2,925,000 | 0.08% |

Note: These 1,560,845,250 Shares are held by Asia Pacific Promotion Limited ("Asia Pacific"), a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Ou Yaping, Chairman of the Company.

Details of the Directors' interests in share options granted by the Company are set out below under the heading "Directors' rights to acquire Shares or debentures of the Company and associated corporation".

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION

### Interest in options to subscribe for Shares

Pursuant to the Company's share option scheme, the Company has granted to certain Directors of the Company options to subscribe for the Shares, details of which as at 31 December 2010 were as follows:

| Name of Directors | Date of grant | Exercise period | Exercise price HK$ | Number of Shares subject to outstanding options at 1.1.2010 | Granted during the year | Exercised during the year | Number of Shares subject to outstanding options at 31.12.2010 | Approximate percentage of issued share capital of the Company at 31.12.2010 |
|---|---|---|---|---|---|---|---|---|
| Chen Wei | 12.02.2007 | 01.01.2009 – 23.05.2012 | 1.778 | 3,375,000 | – | – | 3,375,000 | 0.10% |
| | 12.02.2007 | 01.07.2009 – 23.05.2012 | 1.778 | 3,375,000 | – | – | 3,375,000 | 0.10% |
| | 12.02.2007 | 01.01.2010 – 23.05.2012 | 1.778 | 2,250,000 | – | – | 2,250,000 | 0.06% |
| | 12.02.2007 | 01.07.2010 – 23.05.2012 | 1.778 | 2,250,000 | – | – | 2,250,000 | 0.06% |
| Law Sze Lai | 13.01.2005 | 30.06.2006 – 24.05.2012 | 1.001 | 2,700,000 | – | – | 2,700,000 | 0.08% |
| | 13.01.2005 | 31.12.2006 – 24.05.2012 | 1.001 | 3,600,000 | – | – | 3,600,000 | 0.10% |
| | 12.02.2007 | 01.01.2009 – 23.05.2012 | 1.778 | 1,012,500 | – | – | 1,012,500 | 0.03% |
| | 12.02.2007 | 01.07.2009 – 23.05.2012 | 1.778 | 1,012,500 | – | – | 1,012,500 | 0.03% |
| | 12.02.2007 | 01.01.2010 – 23.05.2012 | 1.778 | 675,000 | – | – | 675,000 | 0.02% |
| | 12.02.2007 | 01.07.2010 – 23.05.2012 | 1.778 | 675,000 | – | – | 675,000 | 0.02% |
| Li Ningjun | 13.01.2005 | 31.12.2006 – 24.05.2012 | 1.001 | 500,000 | – | – | 500,000 | 0.01% |
| | 06.02.2007 | 01.01.2009 – 23.05.2012 | 1.778 | 2,362,500 | – | – | 2,362,500 | 0.07% |
| | 06.02.2007 | 01.07.2009 – 23.05.2012 | 1.778 | 2,362,500 | – | – | 2,362,500 | 0.07% |
| | 06.02.2007 | 01.01.2010 – 23.05.2012 | 1.778 | 1,575,000 | – | – | 1,575,000 | 0.04% |
| | 06.02.2007 | 01.07.2010 – 23.05.2012 | 1.778 | 1,575,000 | – | – | 1,575,000 | 0.04% |

| Name of Directors | Date of grant | Exercise period | Exercise price HK$ | Number of Shares subject to outstanding options at 1.1.2010 | Granted during the year | Exercised during the year | Number of Shares subject to outstanding options at 31.12.2010 | Approximate percentage of issued share capital of the Company at 31.12.2010 |
|---|---|---|---|---|---|---|---|---|
| Tang Yui Man Francis | 12.02.2007 | 01.01.2009 – 23.05.2012 | 1.778 | 6,750,000 | – | – | 6,750,000 | 0.19% |
| | 12.02.2007 | 01.07.2009 – 23.05.2012 | 1.778 | 6,750,000 | – | – | 6,750,000 | 0.19% |
| | 12.02.2007 | 01.01.2010 – 23.05.2012 | 1.778 | 4,500,000 | – | – | 4,500,000 | 0.13% |
| | 12.02.2007 | 01.07.2010 – 23.05.2012 | 1.778 | 4,500,000 | – | – | 4,500,000 | 0.13% |
| Tian Jin | 22.01.2006 | 31.12.2006 – 24.05.2012 | 2.107 | 675,000 | – | – | 675,000 | 0.02% |
| | 22.01.2006 | 30.06.2007 – 24.05.2012 | 2.107 | 675,000 | – | – | 675,000 | 0.02% |
| | 22.01.2006 | 31.12.2007 – 24.05.2012 | 2.107 | 900,000 | – | – | 900,000 | 0.03% |
| | 12.02.2007 | 01.01.2009 – 23.05.2012 | 1.778 | 877,500 | – | – | 877,500 | 0.02% |
| | 12.02.2007 | 01.07.2009 – 23.05.2012 | 1.778 | 877,500 | – | – | 877,500 | 0.02% |
| | 12.02.2007 | 01.01.2010 – 23.05.2012 | 1.778 | 585,000 | – | – | 585,000 | 0.02% |
| | 12.02.2007 | 01.07.2010 – 23.05.2012 | 1.778 | 585,000 | – | – | 585,000 | 0.02% |
| Xin Luo Lin | 12.02.2007 | 01.01.2009 – 23.05.2012 | 1.778 | 877,500 | – | – | 877,500 | 0.02% |
| | 12.02.2007 | 01.07.2009 – 23.05.2012 | 1.778 | 877,500 | – | – | 877,500 | 0.02% |
| | 12.02.2007 | 01.01.2010 – 23.05.2012 | 1.778 | 585,000 | – | – | 585,000 | 0.02% |
| | 12.02.2007 | 01.07.2010 – 23.05.2012 | 1.778 | 585,000 | – | – | 585,000 | 0.02% |

Notes:

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

2. These options represent personal interest held by the Directors as beneficial owners.

3. During the year, no options were granted to or exercised by the Directors and no options held by the Directors were lapsed or cancelled.

Other than the share option as disclosed under the heading of "Share Option Scheme of the Company" below, at no time during the period was the Company, its holding company, or any of its subsidiaries or fellow 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, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

## SHARE OPTION SCHEME OF THE COMPANY

Pursuant to a share option scheme approved by shareholders of the Company at a special general meeting held on 24 May 2002 (the "Existing Scheme"), share options may be granted to Directors and employees of the Company or its subsidiaries for recognition of their contributions to the Group. The exercise price of the share options will be determined at the highest of (i) the average of closing prices on the Stock Exchange on the five trading days immediately preceding on the date of grant; (ii) the closing price of the Shares on the Stock Exchange on the date of grant; or (iii) the nominal value of the Shares. The share options granted must be taken up within 28 days of the date of grant.

At 31 December 2010, a total of 111,112,500 Shares (representing approximately 3.14% of the existing issued share capital of the Company as at the date of this annual report) may be issued upon exercise of all options which had been granted and yet to be exercised under the Existing Scheme and a total of 354,111,283 Shares (representing approximately 10% of the existing issued share capital of the Company as at the date of this annual reports) may be issued upon exercise of all options which may be granted under the Existing Scheme.

The share options are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years from the date of grant. The minimum period for which a share option must be held before it can be exercised would be determined by the Board of Directors.

The total number of Shares in respect of which options may be granted under the Existing Scheme are not permitted to exceed 10% of the Shares in issue at the date of approval of the Existing Scheme ("Scheme Mandate Limit"), without prior approval from the Company's shareholders. The Company may seek approval of its shareholders in general meeting to renew the Scheme Mandate Limit provided that the total number of shares in respect of which options may be granted under the Existing Scheme and any other share option schemes of the Company must not exceeded 10% of the shares in issue as at the date of the approval to renew the Scheme Mandate Limit. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Company's shareholders. In addition, the number of shares in respect of which options may be granted to any participant (who is a substantial shareholder or an independent non-executive director of the Company, or any of their associates (within the meaning as ascribed under the Listing Rules)) in any 12-month period is not permitted to exceed 0.1% of the total number of shares in issue and HK$5,000,000 in an aggregate value, based on the closing price of the shares at the date of each grant, without prior approval from the Company's shareholders.

Consideration of HK$1 is payable by participants on the grant of an option.

The Existing Scheme has a life of 10 years from 24 May 2002.

Additional information in relation to the Company's share option schemes are set out in note 35 to the consolidated financial statements.

Details of specific categories of share options are as follows:

| Option types | Date of grant | Exercise period | Exercise price<br>HK$ |
|---|---|---|---|
| 2005 Options | 13.01.2005 | 31.12.2005 – 24.05.2012 | 1.001 |
| | 13.01.2005 | 30.06.2006 – 24.05.2012 | 1.001 |
| | 13.01.2005 | 31.12.2006 – 24.05.2012 | 1.001 |
| 2006 Options | 22.01.2006 | 31.12.2006 – 24.05.2012 | 2.107 |
| | 22.01.2006 | 30.06.2007 – 24.05.2012 | 2.107 |
| | 22.01.2006 | 31.12.2007 – 24.05.2012 | 2.107 |
| 2007A Options | 06.02.2007 | 01.01.2009 – 23.05.2012 | 1.778 |
| | 06.02.2007 | 01.07.2009 – 23.05.2012 | 1.778 |
| | 06.02.2007 | 01.01.2010 – 23.05.2012 | 1.778 |
| | 06.02.2007 | 01.07.2010 – 23.05.2012 | 1.778 |
| 2007B Options | 12.02.2007 | 01.01.2009 – 23.05.2012 | 1.778 |
| | 12.02.2007 | 01.07.2009 – 23.05.2012 | 1.778 |
| | 12.02.2007 | 01.01.2010 – 23.05.2012 | 1.778 |
| | 12.02.2007 | 01.07.2010 – 23.05.2012 | 1.778 |

The following table discloses movements in the Company's share options during the year:

| | Option types | Outstanding at 1.1.2010 | Granted during the year | Exercised during the year | Lapsed during the year | Outstanding at 31.12.2010 |
|---|---|---|---|---|---|---|
| **Category 1: Directors** | | | | | | |
| Chen Wei | 2007B Options | 11,250,000 | – | – | – | 11,250,000 |
| Law Sze Lai | 2005 Options | 6,300,000 | – | – | – | 6,300,000 |
| | 2007B Options | 3,375,000 | – | – | – | 3,375,000 |
| Li Ningjun | 2005 Options | 500,000 | – | – | – | 500,000 |
| | 2007A Options | 7,875,000 | – | – | – | 7,875,000 |
| Tang Yui Man Francis | 2007B Options | 22,500,000 | – | – | – | 22,500,000 |
| Tian Jin | 2006 Options | 2,250,000 | – | – | – | 2,250,000 |
| | 2007B Options | 2,925,000 | – | – | – | 2,925,000 |
| Xin Luo Lin | 2007B Options | 2,925,000 | – | – | – | 2,925,000 |
| Total for Directors | | 59,900,000 | – | – | – | 59,900,000 |
| **Category 2: Employees** | | | | | | |
| | 2005 Options | 7,112,500 | – | – | (112,500) | 7,000,000 |
| | 2007A Options | 65,587,500 | – | – | (21,375,000) | 44,212,500 |
| Total for employees | | 72,700,000 | – | – | (21,487,500) | 51,212,500 |
| Total for all categories | | 132,600,000 | – | – | (21,487,500) | 111,112,500 |

Notes:

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

2. During the year, no options were granted, exercised or cancelled under the Existing Scheme.

3. During the year, 21,487,500 options were lapsed under the Existing Scheme.

## DIRECTORS' SERVICE CONTRACT

There is no unexpired directors' service contract which is not terminable by the Company within one year of any Director proposed for re-election at the forthcoming AGM.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed, no contracts of significance to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## SUBSTANTIAL SHAREHOLDERS

At 31 December 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of Directors, the following shareholder(s) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

**Long positions and short positions in Shares and underlying Shares**

| Name of shareholder | Capacity | Interest in Shares | Approximate percentage of the Company's issued share capital at 31.12.2010 |
|---|---|---|---|
| Asia Pacific | Beneficial owner | 1,560,845,250 (Long) (Note) | 44.08% |

Note: The 1,560,845,250 Shares are held by Asia Pacific, a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Ou Yaping, Chairman of the Company.

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

## CONNECTED TRANSACTIONS

During the year, the following connected transactions / continuing connected transactions of the Company were entered into by the Group:

### (a) Connected transactions

1. On 12 January 2010, Sinolink Properties Limited, a subsidiary of Sinolink, as vendor entered into a formal sale and purchase agreement with Ms. Cheung Loi Ping, the wife of Mr. Ou Yaping (the Chairman and executive director of Sinolink), as purchaser in relation to the sale and purchase of a residential unit at *The Seasons*, Sinolink Garden Phase Five, Shenzhen, PRC which is part of the residential development project of Sinolink for a total consideration of RMB3,072,636 (approximately HK$3,490,045) (the "S&P Agreement").

   Ms. Cheung is a connected person of Sinolink under the Listing Rules. Accordingly, the transactions constitute the connected transactions of Sinolink under Chapter 14A of the Listing Rules. As the S&P Agreement is on normal commercial terms and the total consideration are less than 2.5% of each of the appropriate percentage ratios calculated in accordance with the Listing Rules, the S&P Agreement is only subject to the reporting and announcement requirements set out in Chapter 14A of the Listing Rules and are exempted from the independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules. The Company had accordingly published an announcement in respect of the Connected Transactions dated 12 January 2010.

2. The related party transactions (with the exception of the remuneration paid to key management personnel and note 34(a) to the consolidated financial statements) set out in note 34 to the consolidated financial statements constitute connected transactions under Rule 14A of the Listing Rules and are exempt from reporting, announcement and independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

Save as disclosed above, there were no transactions which need to be disclosed as connected transaction pursuant to Chapter 14A of the Listing Rules.

**(b) Continuing connected transactions**

On 19 May 2008, Enerchina Holdings Limited ("Enerchina") and the Company entered into a Master Agreement for the purpose of regulating the Individual Lease Agreements for leasing of the properties by Enerchina and its subsidiaries from Sinolink and its subsidiaries, for a fixed term of three years from 1 April 2008 to 31 March 2011 (the "Master Agreement"). The annual cap amount for each of the financial years ended/ending 31 December 2008, 2009, 2010 and 2011 are HK$3,750,000, HK$5,000,000, HK$5,000,000 and HK$1,250,000 respectively. The total amount of the transactions as at 31 December 2010 was HK$3,378,000.

Enerchina and the Company are owned as to approximately 35.50% and 47.50% respectively by Asia Pacific Promotion Limited ("Asia Pacific"). Therefore, Asia Pacific is a substantial shareholder of Enerchina and the Company and thus a connected person of both Enerchina and the Company under the Listing Rules. As Asia Pacific owns more than 30% in both Enerchina and Sinolink, Enerchina and Sinolink are the associates of Asia Pacific under the Listing Rules.

Accordingly, the Master Agreement between Enerchina and the Company constitutes continuing connected transaction (the "Continuing Connected Transactions") for both Enerchina and the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios for the Master Agreement calculated on an annual basis with aggregation of the consideration under a License Agreement dated 2 January 2008 entered into between Sinolink and a wholly owned subsidiary of the Company are more than 0.1% and less than 2.5% for both Enerchina and the Company, in accordance with Rule 14A.34 of the Listing Rules, the Master Agreement is only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and is exempted from the independent shareholders' approval requirements. The Company had accordingly published an announcement in respect of the Continuing Connected Transactions dated 19 May 2008.

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported the factual findings on these procedures to the Board. The Independent Non-executive Directors of the Company have reviewed the continuing connected transactions pursuant to Rule 14A.37 of the Listing Rules and Auditor's Letter on Continuing Connected Transactions under the Listing Rules and have confirmed that the transactions have been entered into by the Company in the ordinary and usual course of its business; on terms no less favorable than terms available from/to independent third parties; and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

As the aforementioned Master Agreement is expiring on 31 March 2011, the Board is considering entering into a new agreement with Enerchina in respect of the aforementioned continuing connected transactions as from 1 April 2011. If the Company enters into such new agreement, the Company will issue an announcement as and when appropriate and comply with other requirements under the Listing Rules in this respect.

## DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 31 December 2010, the aggregate amount of financial assistance to associated companies by the Group in aggregate exceeded 8% of the assets ratios as defined in Rule 14.07(1) of the Listing Rules.

In accordance with the requirements under Rule 13.22 of the Lisiting Rules, a proforma combined statement of financial position of the associated companies as at 31 December 2010 is presented as follows:

| | HK$'000 |
|---|---|
| Non-current assets | 3,451,837 |
| Current assets | 491,275 |
| Current liabilities | (179,141) |
| Non-current liabilities | (3,536,541) |
| Net assets | 227,430 |

The Group's attributable interest in the associated companies as at 31 December 2010 comprised net assets of HK$110,929,000

The proforma combined statement of financial position of the associated companies has been prepared by combining their statement of financial position, after making adjustments to conform with the Group's significant accounting policies as 31 December 2010.

## DONATIONS

During the year the Group made charitable and other donations amounting to HK$6,546,000.

## PUBLIC FLOAT

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

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest supplier accounted for approximately 36% of the Group's total purchases and the Group's largest five suppliers accounted for approximately 62% of the Group's total purchases.

During the year, the Group's largest customer accounted for approximately 3% of the Group's total sales and the Group's largest five customers accounted for 12% of the Group's total sales.

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

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws of Bermuda.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year, the Company repurchased 22,000,000 shares on the Stock Exchange at an aggregate consideration of HK$28,956,020. All of the shares were subsequently cancelled.

| Month of repurchase | Number of shares repurchased | Price per share Highest | Price per share Lowest | Aggregate consideration paid |
|---|---|---|---|---|
| | | HK$ | HK$ | HK$ |
| January 2010 | 20,000,000 | 1.33 | 1.29 | 26,302,900 |
| February 2010 | 2,000,000 | 1.34 | 1.32 | 2,653,120 |

The reason for the repurchases of shares was for the enhancement of shareholder value in the long term.

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

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence.

The emoluments of the Directors are determined having regard to the Company's operating results, individual performance and comparable market statistics. No Director, or any of his associates, and executive is involved in dealing his own remuneration.

The Company has adopted share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 35 to the consolidated financial statements and under the heading "Share Option Scheme of the Company".

## AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2010 have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

**Ou Yaping**
*Chairman*

Hong Kong, 28 March 2011

## CODE ON CORPORATE GOVERNANCE PRACTICES

Having established a good, credible and dynamic foundation for corporate governance practices in the Company since 2005, the Company continues to ensure the transparency and protection of shareholders' interest, as well as the stakeholders' interests.

The Company has adopted all the code provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Listing Rules as its own code on corporate governance practices since 2005.

The Company understood the importance on sound corporate governance practices and recognized the changing regulatory environment. Therefore, the theme of the corporate governance practices in the Company has gone through an evolving process, from implementing the existing Code, evaluating the effectiveness of the Code, and responding to the rapid changes and continuous development in our corporate governance practices, if necessary.

## STATEMENT OF COMPLIANCE

The Company has complied with the code provisions as set out in the Code during the year ended 31 December 2010.

## BOARD OF DIRECTORS

### Composition

As the date of this report, the board of directors of the Company (the "Board") comprises 9 members (each member of the Board, a "Director "). Mr. Ou Yaping acts as Chairman of the Board, whereas Mr. Tang Yui Man Francis acts as Chief Executive Officer of the Company. Other Executive Directors are Mr. Chen Wei and Mr. Xiang Ya Bo (who was appointed as an Executive Director on 28 March 2011) and Non-executive Directors are Mr. Law Sze Lai and Mr. Li Ningjun. The Company has 3 Independent Non-executive Directors, Mr. Tian Jin, Dr. Xiang Bing and Mr. Xin Luo Lin, and all Independent Non-executive Directors possess appropriate professional accounting experience and expertise.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 18 to 22 of this Annual Report.

Each of the Independent Non-executive Director has confirmed, in accordance with Rule 3.13 of the Listing Rules, that he is independent of the Company and the Company also considers that they are independent.

Except for the family relationship between Mr. Ou Yaping and Mr. Xiang Ya Bo as disclosed in biographical details on pages 18 to 19 of this Annual Report, there is no relationship (including financial, business, family or other material relationship) between any members of the Board and in particular, between the Chairman and the Chief Executive Officer.

Pursuant to the Bye-laws of the Company (the "Bye-laws"), the Directors shall hold office subject to retirement by rotation at the annual general meeting of the Company at least once every three years. In addition, any Director appointed by the Board during a year, whether to fill a casual vacancy or as additional member to the Board, shall hold office only until the next following general meeting (in the case of an addition to the Board) of the Company and shall then be eligible for re-election in that meeting. The term of office of each Non-executive Director (including Independent Non-executive Director) is for a period of 1 year from 1 January 2011 to 31 December 2011 subject to retirement by rotation and re-election in accordance with the Bye-laws, except for Mr. Li Ningjun, whose term of office is for a period of 3 years from 13 September 2010 and is subject to retirement by rotation and re-election in accordance with the Bye-laws.

**Functions**

The Board, headed by the Chairman, is responsible for formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management in accordance with the regulations governing the meetings of the Board, the Chief Executive Officer's working guides, the Bye-laws and the rules governing the meetings of shareholders of the Company.

The executive Directors are responsible for day-to-day management of the Company's operations. The executive Directors conduct regular meetings with the senior management of the Company and its subsidiaries (collectively the "Group", at which operational issues and financial performance are evaluated.

The Company considers that internal controls system and risk management function are essential and that the Board plays an important role in implementing and monitoring internal financial control and risk management.

Matters specifically decided by the Board and those reserved for the management are reviewed by the Board on a periodic basis.

There are established procedures to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expenses.

The Bye-laws states the responsibilities and operational procedures of the Board. The Board meets at least 4 times a year at regular intervals to consider operational reports of the Company and policies. Significant operational policies have to be discussed and passed by the Board.

During the year 2010, the Board held 4 regular Board meetings (within the meanings of the Code) at approximately quarterly intervals and 15 board meetings convened as necessary. Due notice and Board papers were given to all Directors prior to each meeting in accordance with the Code and the Bye-laws. Details of individual attendance of Directors are set out below:

| | **No. of meetings attended** | |
|---|---|---|
| | **Regular Board Meeting** | **Other Board Meeting** |
| *Executive Directors* | | |
| Ou Yaping *(Chairman)* | 4 | 11 |
| Tang Yui Man Francis *(Chief Executive Officer)* | 4 | 11 |
| Chen Wei | 4 | 6 |
| *Non-executive Directors* | | |
| Law Sze Lai | 4 | 1 |
| Li Ningjun | 4 | 1 |
| *Independent Non-executive Directors* | | |
| Tian Jin | 4 | 1 |
| Xiang Bing | 4 | 1 |
| Xin Luo Lin | 4 | 1 |

**Chairman and Chief Executive Officer**

The role of the Chairman, Mr. Ou Yaping, remains separate from that of the Chief Executive Officer, Mr. Tang Yui Man Francis. Such division of responsibilities allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each.

The Chairman provides leadership for the Board and oversees the Board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account matters proposed by other Directors. The Chairman has overall responsibility for providing leadership, vision and direction regarding business development.

The Chief Executive Officer, assisted by other Executive Directors, is responsible for the day-to-day business management and operations of the Group for formulating and successfully implementing policies and for maintaining an effective executive support team. The Chief Executive Office is accountable to the Board for keeping the Chairman and all Directors fully informed of all major business developments and issues.

**Responsibilities**

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include:

- attending regular Board meetings and focusing on business strategy, operational issues and financial performance;
- active participation on the respective board of directors of the subsidiaries and associated companies of the Company;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of senior management, Board and shareholders of the Company;
- consideration of misuse of corporate assets and abuse of related party transactions; and
- ensuing processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to fulfill their obligations, an appropriate organizational structure is in place with clearly defined responsibilities and limits of authority.

**Board Committees**

A number of committees of the Board, including the Audit Committee and Remuneration Committee, have been set up by the Company, with specific terms of reference relating to authority and duties, to strengthen the Board's functions and enhance its expertise.

**Remuneration Committee**

As at the date of this Annual Report, the Remuneration Committee comprises one Executive Director, being Mr. Ou Yaping, and two Independent Non-executive Directors, being Dr. Xiang Bing and Mr. Xin Luo Lin and is chaired by Mr. Xin Luo Lin.

The terms of reference of the Remuneration Committee has complied with the Code which is posted on the website of the Company at www.sinolinkhk.com.

The Remuneration Committee's responsibilities include the reviewing and considering the Company's remuneration policy for Directors and senior management, the determining of remuneration packages for Executive Directors and senior management including benefits in kind, pension rights and compensation payments, and making recommendations relating to remuneration of Non-executive Directors.

During the year 2010, the Remuneration Committee:

- reviewed the remuneration policy for 2010/2011;
- reviewed the remuneration of the Executive Directors and the Independent Non-executive Directors and management year-end bonus; and
- reviewed and approved the service agreements of an Executive Director and Non-executive Director.

The Remuneration Committee held 5 meetings during 2010 with individual attendance as follows:

**Members of Remuneration Committee**

| | **No. of meetings attended** |
|---|---|
| Xin Luo Lin *(Chairman of the Remuneration Committee)* | 5 |
| Ou Yaping | 5 |
| Xiang Bing | 5 |

The Group recognises the importance of high caliber and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group (including Directors) in accordance with the terms of the approved share option scheme adopted by the Group.

**Audit Committee**

As at the date of this report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Tian Jin, Dr. Xiang Bing and Mr. Xin Luo Lin and is chaired by Mr. Xin Luo Lin.

The Audit Committee reports directly to the Board and reviews financial statements and internal controls in order to protect the interests of the Company's shareholders.

The Audit Committee meets regularly with the Company's external auditor to discuss accounting issues, and reviews effectiveness of internal controls and risk evaluation. Written terms of reference, which describe the authority and duties of the Audit Committee are regularly reviewed and updated by the Board. The terms of reference of the Audit Committee has complied with the Code which is posted on the website of the Company at www.sinolinkhk.com.

During the year 2010, the Audit Committee:

- reviewed the financial statements for the year ended 31 December 2009 and for the six months ended 30 June 2010;
- reviewed the effectiveness of the internal control system and risk management;
- reviewed the external auditor's findings; and
- reviewed and approved remuneration of auditor for financial year of 2009 and re-appointment of external auditor.

The Audit Committee held 3 meetings during the year 2010 with individual attendance as follows:

**Members of Audit Committee**

| | **No. of meetings attended** |
|---|---|
| Xin Luo Lin *(Chairman of the Audit Committee)* | 3 |
| Tian Jin | 3 |
| Xiang Bing | 3 |

### Nomination of Directors

The Board has not established a nomination committee. According to the Bye-laws, the Board has the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. In assessing the nomination of new Directors, the Board will take into account the nominee's qualifications, ability and potential contribution to the Company. Therefore, nomination will be made by members of the Board based on the need of the Company and the expertise and the experience of individual candidate. During the year under review, there was no change to the composition of the Board. On 28 March 2011, Mr. Xiang Ya Bo was appointed as an executive Director of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the year ended 31 December 2010, all Directors have complied with the required standard set out in the Model Code.

The Company also has written guidelines regarding securities transactions on terms no less exacting than the required standard set out in the Model Code for senior management and any individuals who may have access to price-sensitive information in relation to the securities of the Company.

## EXTERNAL AUDITOR

The external auditor of the Company is Deloitte Touche Tohmatsu ("Deloitte"). Deloitte provided professional services in respect of the audit of Company's consolidated financial statements prepared under Hong Kong Financial Reporting Standards ("HKFRSs") for the year ended 31 December 2010. Deloitte also reviewed the 2010 unaudited interim financial report of the Company prepared under HKFRSs.

Fees charged by Deloitte in respect of audit services for the year 2010 amounted to HK$1,750,000. Non- audit services fees charged by Deloitte are as follows:

| | **Fee** |
|---|---|
| | HK$ |
| Description of services performed | |
| Review of the interim financial report of the Company for the six months ended 30 June 2010 | 380,000 |

## INTERNAL CONTROL

The Company places great importance on internal control and risk management. The Board has overall responsibility for the system of internal controls and for reviewing its effectiveness. During the year, the Audit Committee and the Board have conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management system and consideration of adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget. Based on the results of the review, the system was satisfactory with no major irregularities reported and the Group would take steps to further enhance the effectiveness of the internal control system.

## GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue its operational existence for a foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

## SHAREHOLDERS COMMUNICATION

Shareholders are provided with detailed information about the Company set out in the interim/annual report and/or the circular so that they can exercise their rights in an informed manner.

The Company uses a range of communication tools, such as the annual general meeting, the annual report, interim report, various notices, announcements and circulars, to ensure its shareholders are kept well informed of key business imperatives. Procedures for demanding a poll are explained by the chairman of the meeting at the general meetings of the Company.

At the 2010 Annual General Meeting, a resolution was proposed by the Chairman in respect of each separate issue itemized on the agenda, including re-election of Directors. The Chairman of the Board and certain members of all committees or their respective duly appointed delegates attended the 2010 Annual General Meeting and answered questions from shareholders.

## DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the financial statements which give a true and fair view of the state of affairs of the Group and of the profit and cash flows of the Group for the year. The statement of the Auditor regarding their reporting responsibility for the financial statements is set out in the Independent Auditor's Report on pages 47 to 48.

Deloitte.
德勤

**TO THE MEMBERS OF SINOLINK WORLDWIDE HOLDINGS LIMITED**
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sinolink Worldwide Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 123, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 the 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 Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**
Certified Public Accountants
Hong Kong
28 March 2011

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

| | NOTES | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|---|
| Turnover | 5 | **1,280,936** | 3,999,178 |
| Cost of sales | | **(493,635)** | (1,827,224) |
| Gross profit | | **787,301** | 2,171,954 |
| Other income | 6 | **62,017** | 106,763 |
| Selling expenses | | **(19,722)** | (88,236) |
| Administrative expenses | | **(143,394)** | (111,074) |
| Other expenses | 7 | **(145,840)** | (8,105) |
| Increase in fair value of investment properties | 17 | **150,291** | 29,975 |
| Gain (loss) on derivative components of convertible bonds | | **202,856** | (216,990) |
| Changes in fair value of investments held for trading | | **25,323** | (13,608) |
| Share of results of associates | | **13,301** | 386,681 |
| Finance costs | 8 | **(30,916)** | (9,756) |
| Profit before taxation | 9 | **901,217** | 2,247,604 |
| Taxation | 12 | **(262,283)** | (821,011) |
| Profit for the year | | **638,934** | 1,426,593 |
| Attributable to: | | | |
| Owners of the Company | | **560,317** | 1,213,800 |
| Non-controlling interests | | **78,617** | 212,793 |
| | | **638,934** | 1,426,593 |
| | | **HK cents** | HK cents |
| Earnings per share | 14 | | |
| Basic | | **15.81** | 36.25 |
| Diluted | | **9.67** | 36.23 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Profit for the year | **638,934** | 1,426,593 |
| Other comprehensive income | | |
| Exchange differences arising on translation | **152,777** | 3,935 |
| Share of translation reserve of associates | **5,697** | 627 |
| Other comprehensive income for the year | **158,474** | 4,562 |
| Total comprehensive income for the year | **797,408** | 1,431,155 |
| Total comprehensive income attributable to: | | |
| Owners of the Company | **690,094** | 1,217,678 |
| Non-controlling interests | **107,314** | 213,477 |
| | **797,408** | 1,431,155 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

| | NOTES | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 15 | **151,403** | 75,878 |
| Prepaid lease payments | 16 | **116,051** | 114,068 |
| Investment properties | 17 | **1,518,895** | 978,323 |
| Interests in associates | 18 | **110,929** | 91,931 |
| Available-for-sale investments | 19 | **1,261** | 1,261 |
| Amount due from an investee company | 19 | **1,820** | – |
| Loan receivable | 20 | **2,021,078** | 2,159,198 |
| | | **3,921,437** | 3,420,659 |
| Current assets | | | |
| Stock of properties | 21 | **786,179** | 1,440,723 |
| Trade and other receivables, deposits and prepayments | 22 | **203,489** | 101,368 |
| Prepaid lease payments | 16 | **2,039** | 1,970 |
| Amounts due from associates | 23 | **57,140** | 37,096 |
| Investments held for trading | 24 | **547,563** | 327,401 |
| Pledged bank deposits | 25 | **1,633** | 17,864 |
| Bank balances and cash | 25 | **4,915,904** | 5,377,691 |
| | | **6,513,947** | 7,304,113 |
| Current liabilities | | | |
| Trade payables, deposits received and accrued charges | 26 | **580,744** | 1,046,385 |
| Taxation payable | | **1,424,188** | 1,280,063 |
| Borrowings – amount due within one year | 27 | **158,754** | 440,522 |
| Convertible bonds | 28 | **377,641** | 702,827 |
| | | **2,541,327** | 3,469,797 |
| Net current assets | | **3,972,620** | 3,834,316 |
| Total assets less current liabilities | | **7,894,057** | 7,254,975 |

At 31 December 2010

| | NOTES | **2010**<br>**HK$'000** | 2009<br>HK$'000 |
|---|---|---|---|
| Non-current liabilities | | | |
| Borrowings – amount due after one year | 27 | **270,271** | 317,821 |
| Deferred taxation | 29 | **147,785** | 102,320 |
| | | **418,056** | 420,141 |
| | | **7,476,001** | 6,834,834 |
| Capital and reserves | | | |
| Share capital | 30 | **354,111** | 356,311 |
| Reserves | | **6,271,985** | 5,712,970 |
| Equity attributable to owners of the Company | | **6,626,096** | 6,069,281 |
| Non-controlling interests | | **849,905** | 765,553 |
| | | **7,476,001** | 6,834,834 |

The consolidated financial statements on pages 49 to 123 were approved and authorised for issue by the Board of Directors on 28 March 2011 and are signed on its behalf by:

**Ou Yaping**
*CHAIRMAN*

**Tang Yui Man Francis**
*CHIEF EXECUTIVE OFFICER*

# 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 | Translation reserve HK$'000 | Share option reserve HK$'000 | General reserves HK$'000 (note 31) | Contributed surplus HK$'000 (note 31) | Retained earnings HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 1 January 2009 | 328,600 | 1,369,321 | 443,810 | 50,920 | 57,312 | 367,782 | 1,778,380 | 4,396,125 | 574,777 | 4,970,902 |
| Profit for the year | – | – | – | – | – | – | 1,213,800 | 1,213,800 | 212,793 | 1,426,593 |
| Other comprehensive income for the year | – | – | 3,878 | – | – | – | – | 3,878 | 684 | 4,562 |
| Total comprehensive income for the year | – | – | 3,878 | – | – | – | 1,213,800 | 1,217,678 | 213,477 | 1,431,155 |
| Issue of shares in placing and subscription arrangement | 29,010 | 513,489 | – | – | – | – | – | 542,499 | – | 542,499 |
| Issue of shares on conversion of convertible bonds | 909 | 15,211 | – | – | – | – | – | 16,120 | – | 16,120 |
| Issue of shares on the exercise of share options | 310 | 4,549 | – | (1,096) | – | – | – | 3,763 | – | 3,763 |
| Repurchases of shares | (2,518) | (33,795) | – | – | – | – | – | (36,313) | – | (36,313) |
| Expenses incurred in connection with issue of shares | – | (17,040) | – | – | – | – | – | (17,040) | – | (17,040) |
| Recognition of equity-settled share-based payments | – | – | – | 12,169 | – | – | – | 12,169 | – | 12,169 |
| Transfers | – | – | – | – | 31,120 | – | (31,120) | – | – | – |
| Dividends | – | – | – | – | – | – | (65,720) | (65,720) | – | (65,720) |
| Dividends paid to non-controlling shareholders of subsidiaries | – | – | – | – | – | – | – | – | (22,701) | (22,701) |
| At 31 December 2009 | 356,311 | 1,851,735 | 447,688 | 61,993 | 88,432 | 367,782 | 2,895,340 | 6,069,281 | 765,553 | 6,834,834 |

# 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 | Translation reserve HK$'000 | Share option reserve HK$'000 | General reserves HK$'000 (note 31) | Contributed surplus HK$'000 (note 31) | Retained earnings HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 1 January 2010 | 356,311 | 1,851,735 | 447,688 | 61,993 | 88,432 | 367,782 | 2,895,340 | 6,069,281 | 765,553 | 6,834,834 |
| Profit for the year | – | – | – | – | – | – | 560,317 | 560,317 | 78,617 | 638,934 |
| Other comprehensive income for the year | – | – | 129,777 | – | – | – | – | 129,777 | 28,697 | 158,474 |
| Total comprehensive income for the year | – | – | 129,777 | – | – | – | 560,317 | 690,094 | 107,314 | 797,408 |
| Repurchases of shares | (2,200) | (26,756) | – | – | – | – | – | (28,956) | – | (28,956) |
| Recognition of equity-settled share-based payments | – | – | – | 1,910 | – | – | – | 1,910 | – | 1,910 |
| Lapse of share options | – | – | – | (9,642) | – | – | 9,642 | – | – | – |
| Transfers | – | – | – | – | 60,414 | – | (60,414) | – | – | – |
| Dividends | – | – | – | – | – | – | (106,233) | (106,233) | – | (106,233) |
| Dividends paid to non-controlling shareholders of subsidiaries | – | – | – | – | – | – | – | – | (22,962) | (22,962) |
| At 31 December 2010 | 354,111 | 1,824,979 | 577,465 | 54,261 | 148,846 | 367,782 | 3,298,652 | 6,626,096 | 849,905 | 7,476,001 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit before taxation | **901,217** | 2,247,604 |
| Adjustments for: | | |
| Share of results of associates | **(13,301)** | (386,681) |
| Depreciation of property, plant and equipment | **7,022** | 5,804 |
| Release of prepaid lease payments | **95** | 94 |
| Share-based payment expenses | **1,910** | 12,169 |
| Interest income | **(56,663)** | (102,653) |
| Interest expenses | **30,916** | 9,756 |
| Increase in fair value of investment properties | **(150,291)** | (29,975) |
| (Gain) loss on derivative components of convertible bonds | **(202,856)** | 216,990 |
| Change in fair value of investments held for trading | **(25,323)** | 13,608 |
| Impairment loss recognised in respect of loan receivable | **138,120** | – |
| Loss (gain) on disposal of property, plant and equipment | **5** | (451) |
| Gain on disposal of available-for-sale investments | **–** | (10) |
| Operating cash flows before movements in working capital | **630,851** | 1,986,255 |
| Decrease in stock of properties | **375,096** | 1,037,067 |
| Increase in trade and other receivables, deposits and prepayments | **(97,169)** | (16,535) |
| Increase in investments held for trading | **(194,839)** | (334,100) |
| (Decrease) increase in trade payables, deposits received and accrued charges | **(493,372)** | 59,162 |
| Cash generated from operations | **220,567** | 2,731,849 |
| Taxation paid | **(124,590)** | (582,025) |
| **NET CASH FROM OPERATING ACTIVITIES** | **95,977** | 2,149,824 |

For the year ended 31 December 2010

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| **INVESTING ACTIVITIES** | | |
| Purchase of convertible note receivable | **(200,000)** | – |
| Redemption of convertible note receivable | **200,000** | – |
| Purchase of property, plant and equipment | **(66,550)** | (32,940) |
| Interest received | **56,663** | 32,702 |
| Development costs paid for investment properties under construction | **(42,157)** | (20,453) |
| Repayments from associates | **8,204** | 25,680 |
| Advances to associates | **(26,941)** | (26,195) |
| Decrease (increase) in pledged bank deposits | **16,460** | (6,327) |
| Advance to an investee company | **(1,820)** | – |
| Proceeds from disposal of investment properties | **13,896** | – |
| Proceeds from disposal of property, plant and equipment | **32** | 941 |
| Proceeds from disposal of available-for-sale investments | **–** | 10 |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(42,213)** | (26,582) |
| **FINANCING ACTIVITIES** | | |
| Repayment of bank loans | **(444,432)** | (190,326) |
| Redemption of convertible bonds | **(150,000)** | – |
| Dividends paid | **(106,233)** | (65,720) |
| New bank loans raised | **100,000** | 560,783 |
| Repurchase of shares | **(28,956)** | (36,313) |
| Interest paid | **(25,827)** | (33,931) |
| Dividends paid to non-controlling shareholders of subsidiaries | **(22,962)** | (22,701) |
| Proceeds from issue of shares | **–** | 546,262 |
| Proceeds from convertible bonds | **–** | 495,000 |
| Expenses paid in connection with issue of shares | **–** | (17,040) |
| **NET CASH (USED IN) FROM FINANCING ACTIVITIES** | **(678,410)** | 1,236,014 |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | **(624,646)** | 3,359,256 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | **5,377,691** | 2,015,916 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | **162,859** | 2,519 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH** | **4,915,904** | 5,377,691 |

## 1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi ("RMB"). The reason for selecting Hong Kong dollars as its presentation currency is because the Company is a public company with the shares listed on the Stock Exchange, and most of its investors are located in Hong Kong.

The principal activities of the Group are property development, property management and property investment.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

| | |
|---|---|
| HKFRS 3 (as revised in 2008) | Business combinations |
| HKAS 27 (as revised in 2008) | Consolidated and separate financial statements |
| HKAS 39 (Amendments) | Eligible hedged items |
| HKFRSs (Amendments) | Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 |
| HK(IFRIC) – INT 17 | Distributions of non-cash assets to owners |
| HK – INT 5 | Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause |

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements for the current or prior accounting periods.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

**HKFRS 3 (as revised in 2008) Business combinations and HKAS 27 (as revised in 2008) Consolidated and separate financial statements**

The Group applies HKFRS 3 (Revised) "Business combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidated and separate financial statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Result of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

**Hong Kong Interpretation 5 Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause**

Hong Kong Interpretation 5 "Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause" ("HK INT 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK INT 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK INT 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK INT 5, term loans with a repayment on demand clause are classified as current liabilities. As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$100,000,000 have been classified as current liabilities. This change in accounting policy did not have any impact on the consolidated statement of financial position as at 31 December 2009 as bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$100,000,000 has been classified as current liabilities as at 31 December 2009 in accordance with the scheduled repayment date due within one year after 31 December 2009. The application of HK INT 5 has had no impact on the reported profit or loss for the current and prior years.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2010[1] |
| HKFRS 7 (Amendments) | Disclosures – Transfers of financial assets[2] |
| HKFRS 9 | Financial Instruments[3] |
| HKAS 12 (Amendments) | Deferred Tax: Recovery of underlying assets[4] |
| HKAS 24 (as revised in 2009) | Related party disclosures[5] |
| HKAS 32 (Amendments) | Classification of rights issues[6] |
| HK(IFRIC) – INT 14 (Amendments) | Prepayments of a minimum funding requirement[5] |
| HK(IFRIC) – INT 19 | Extinguishing financial liabilities with equity instruments[7] |

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the application of HKFRS 9 may have impact on the amounts reported in respect of the Group's available-for-sale investments which are currently stated at cost less impairment and will be measured at fair value upon adoption.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties located in the PRC that are measured using the fair value model. If the presumption under the amendments is not rebutted, the deferred tax liability relating to the revaluation of investment properties may increase as the land appreciation tax rate of the PRC is higher than the tax rate currently used by the Group to calculate the deferred tax recognised for investment properties.

The Group has not early adopted these new and revised standards, amendments and interpretations in the preparation of the consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All inter-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

#### Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary 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 deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

### Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investments in associates *(Continued)*

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

From 1 January 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of properties

Revenue from the sale of properties is recognised in the consolidated income statement when the respective properties have been completed and delivered to the buyers.

Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Rental income

Rental income is recognised on a straight-line basis over the period of the relevant leases.

Service income

Service income including property management services and other services is recognised when services are provided.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Property, plant and equipment**

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under construction for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

**Leasing**

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leasing *(Continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

### Stock of properties

Stock of properties includes properties under development for sale and properties held for sale.

The carrying value of properties under development comprises the land cost together with development expenditure, which includes construction costs, capitalised interest and ancillary borrowing costs. The stock of properties are stated at the lower of cost and net realisable value.

The Group transfers properties from inventories to investment properties when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party.

The Group transfers the leasehold land component included in stock of properties to prepaid lease payment when there is a change of intention from holding the leasehold land for development of properties held for sales to future owner-occupied or other purposes.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as expense immediately.

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

### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### Financial assets

The Group's financial assets are mainly classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments *(Continued)***

Financial assets *(Continued)*

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

*Financial assets at fair value through profit or loss*

Financial assets at FVTPL are mainly those classified as investments held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including loan receivable, trade and other receivables, amounts due from associates, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments *(Continued)***

Financial assets *(Continued)*

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated equity investments held for an identified long term purpose as available-for-sale investments. Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments *(Continued)***

Financial assets *(Continued)*

*Impairment of financial assets (Continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

*Effective interest method*

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

Interest expense is recognised on an effective interest basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments *(Continued)***

Financial liabilities and equity instruments *(Continued)*

*Other financial liabilities*

Other financial liabilities including bank and other borrowings and trade and other payables are subsequently measured at amortised cost, using the effective interest method.

*Convertible bonds contains liability component, conversion and early redemption option derivatives*

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

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion and early redemption option derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and conversion and early redemption option components in proportion to their relative fair values. Transaction costs relating to the conversion and early redemption option derivatives are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

*Equity instruments*

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### 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 get ready for their intended use or sale, are added to the cost of those assets until such time as 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 eligible for capitalisation.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Share-based payment transactions**

Equity-settled share-based payment transactions

*Share options granted to employees*

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Foreign currencies *(Continued)***

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Taxation *(Continued)***

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

**Retirement benefits costs**

Payments to state-managed retirement plans and Mandatory Provident Fund Scheme ("MPF Scheme") are charged as expenses when employees have rendered service entitling them to contributions.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the directors of the Company are required to make various estimates based on past experience, expectations of the future and other information. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

**Loan and receivables**

Note 3 describes that loan and receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using effective interest method. Appropriate impairment for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

The Group has a loan receivable (see note 20) which represents shareholder's loan advanced to the Group's associate for financing a property development and property investment project in Shanghai and amounts due from associates (see note 23) represent advances to associates which will be recoverable within 12 months. The recoverability of these amounts is dependent on the cashflow to be generated from the property development and property investment project. Where the actual future cash flows are less than expected, an impairment loss may arise.

In making the estimates, management considered detailed procedures are in place to monitor this risk as a significant proportion of the Group's working capital is devoted to loan receivable and amounts due from associates. In determining whether an impairment for loan receivable and amounts due from associates is required, the management studied the development status of the property development and property investment project and the expected market price and the future rental income of the properties in order to estimate the recoverability of the loan receivable and the amounts due from associates. During the year ended 31 December 2010, an impairment loss of HK$138,120,000 (2009: nil) was recognised in respect of loan receivable due to the extension of the anticipated completion period of the relevant properties. As at 31 December 2010, the carrying amount of loan receivable (note 20) and amounts due from associates are HK$2,021,078,000 (2009: HK$2,159,198,000) and HK$57,140,000 (2009: HK$37,096,000) respectively.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### Investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions and assumptions made on the investment properties. In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the assumptions used in the valuation is reflective of the current market conditions and the Group's latest development proposal on the investment properties under construction and the associate's property investment project. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the Group's interests in associates in connection with the associate's property investment project and the corresponding adjustments to the amount of fair value gain or loss of the Group's investment properties and the Group's share of results of associates reported in the consolidated income statement. As at 31 December 2010, the carrying amount of investment properties (note 17) is HK$1,518,895,000 (2009: HK$978,323,000).

### Fair value of derivatives

As described in note 28, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market price and historical stock price volatilities of the Company adjusted for specific features of the instrument. As at 31 December 2010, the carrying amount of derivative financial instruments (note 28) is HK$74,378,000 (2009: HK$294,281,000).

## 5. TURNOVER AND SEGMENT INFORMATION

### (A) Turnover

Turnover primarily represents revenue arising on sales of properties, property management income, rental income and other services income, after deducting discounts, business tax and other sales related taxes. An analysis of the Group's revenue for the year is as follows:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Sales of properties | **1,096,721** | 3,871,426 |
| Property management income | **93,959** | 72,157 |
| Rental income | **62,409** | 21,726 |
| Other service income | **27,847** | 33,869 |
| | **1,280,936** | 3,999,178 |

For the year ended 31 December 2010

## 5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

### (B) Segment information

For management purposes, the Group is currently organised into the following operating divisions – property development, property management and property investment. These divisions are the basis on which the Group reports to the Chief Executive Officer ("CEO"), the Group's chief operating decision maker, for performance assessment and resource allocation.

The following is an analysis of the Group's revenue and results by operating and reportable segment.

**For the year ended 31 December 2010**

| | Property development HK$'000 | Property management HK$'000 | Property investment HK$'000 | Total for reportable segment HK$'000 | Others HK$'000 | Eliminations HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|---|---|
| TURNOVER | | | | | | | |
| External sales | 1,096,721 | 93,959 | 62,409 | 1,253,089 | 27,847 | – | 1,280,936 |
| Inter-segment sales | – | – | – | – | 2,064 | (2,064) | – |
| | 1,096,721 | 93,959 | 62,409 | 1,253,089 | 29,911 | (2,064) | 1,280,936 |
| RESULT | | | | | | | |
| Segment result | 607,922 | 3,333 | 206,797 | 818,052 | 15,963 | – | 834,015 |
| Other income | | | | | | | 62,017 |
| Unallocated corporate expenses | | | | | | | (67,259) |
| Impairment loss recognised in respect of loan receivable | | | | | | | (138,120) |
| Gain on derivative components of convertible bonds | | | | | | | 202,856 |
| Changes in fair value of investments held for trading | | | | | | | 25,323 |
| Share of results of associates | | | | | | | 13,301 |
| Finance costs | | | | | | | (30,916) |
| Profit before taxation | | | | | | | 901,217 |

## 5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

### (B) Segment information *(Continued)*

**For the year ended 31 December 2009**

| | Property development HK$'000 | Property management HK$'000 | Property investment HK$'000 | Total for reportable segment HK$'000 | Others HK$'000 | Eliminations HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|---|---|
| TURNOVER | | | | | | | |
| External sales | 3,871,426 | 72,157 | 21,726 | 3,965,309 | 33,869 | – | 3,999,178 |
| Inter-segment sales | – | – | – | – | 2,043 | (2,043) | – |
| | 3,871,426 | 72,157 | 21,726 | 3,965,309 | 35,912 | (2,043) | 3,999,178 |
| RESULT | | | | | | | |
| Segment result | 1,978,799 | 3,492 | 49,694 | 2,031,985 | 15,942 | – | 2,047,927 |
| Other income | | | | | | | 106,763 |
| Unallocated corporate expenses | | | | | | | (53,413) |
| Loss on derivative components of convertible bonds | | | | | | | (216,990) |
| Changes in fair value of investments held for trading | | | | | | | (13,608) |
| Share of results of associates | | | | | | | 386,681 |
| Finance costs | | | | | | | (9,756) |
| Profit before taxation | | | | | | | 2,247,604 |

Inter-segment sales are charged at prevailing market prices.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, share of results of associates, change in fair value of investments held for trading and derivative components of convertible bonds, investment revenue, finance costs and impairment loss recognised in respect of loan receivable.

## 5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

### (B) Segment information *(Continued)*

No analysis of the Group's assets and liabilities by reportable segments is disclosed as it is not regularly provided to the CEO for review.

All the Group's turnover for both years is generated from the People's Republic of China (the "PRC") (place of domicile of the group entities that derive turnover) and substantially all the Group's non-current assets other than financial instruments (loan receivable from an associate and available-for-sale investments) were also located in the PRC (place of domicile of the group entities that hold such assets). No individual customer of the Group has contributed sales over 10% of the turnover of the Group for each of the year ended 31 December 2010 or 2009.

## 6. OTHER INCOME

Other income mainly comprises:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest income on: | | |
| – bank deposits | **56,663** | 32,567 |
| – loan receivable | **–** | 69,951 |
| – amounts due from associates | **–** | 135 |
| Gain on disposal of property, plant and equipment, net | **–** | 451 |

## 7. OTHER EXPENSES

Other expenses mainly comprise:

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Donations | **6,546** | 5,363 |
| Impairment loss recognised in respect of loan receivable | **138,120** | – |

## 8. FINANCE COSTS

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Interest on: | | |
| – bank borrowings wholly repayable within five years | **24,560** | 32,077 |
| – bank borrowings not wholly repayable within five years | **1,267** | 1,854 |
| Effective interest expense on convertible bonds | **27,670** | 6,957 |
| | **53,497** | 40,888 |
| Less: Amount capitalised to properties under development for sale | **–** | (31,132) |
| Amount capitalised to property under construction | **(13,549)** | – |
| Amount capitalised to investment properties under construction | **(9,032)** | – |
| | **30,916** | 9,756 |

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.6% (2009: 6.0%) to expenditure on qualifying assets.

For the year ended 31 December 2010

## 9. PROFIT BEFORE TAXATION

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Profit before taxation has been arrived at after charging: | | |
| Staff costs including directors' remuneration | **98,852** | 90,717 |
| Share-based payments | **1,910** | 12,169 |
| Total staff cost | **100,762** | 102,886 |
| Auditor's remuneration | **1,750** | 1,650 |
| Stock of properties recognised as cost of sales | **392,085** | 1,748,126 |
| Depreciation of property, plant and equipment | **7,022** | 5,804 |
| Operating lease rentals in respect of land and buildings | **3,447** | 3,381 |
| Release of prepaid lease payments | **95** | 94 |
| Loss on disposal of property, plant and equipment, net | **5** | – |
| and after crediting: | | |
| Rental income, net of outgoings of approximately HK$5,903,000 (2009: HK$2,007,000) | **56,506** | 19,719 |

For the year ended 31 December 2010

## 10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 8 (2009: 8) directors were as follows:

| | Year ended 31 December 2010 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Mr. Ou Yaping HK$'000** | **Mr. Tang Yui Man Francis HK$'000** | **Mr. Chen Wei HK$'000** | **Mr. Law Sze Lai HK$'000** | **Mr. Li Ningjun HK$'000** | **Mr. Xin Luo Lin HK$'000** | **Mr. Tian Jin HK$'000** | **Dr. Xiang Bing HK$'000** | **Total HK$'000** |
| Fees | **–** | **–** | **–** | **–** | **–** | **250** | **250** | **250** | **750** |
| Other emoluments | | | | | | | | | |
| Salaries and other benefits | **5,422** | **2,398** | **614** | **1,463** | **964** | **–** | **–** | **–** | **10,861** |
| Bonuses | **2,000** | **1,500** | **1,074** | **–** | **712** | **–** | **–** | **–** | **5,286** |
| Retirement benefits scheme contributions | **42** | **12** | **36** | **29** | **39** | **–** | **–** | **–** | **158** |
| Share-based payments | **–** | **346** | **173** | **52** | **95** | **45** | **45** | **–** | **756** |
| Total emoluments | **7,464** | **4,256** | **1,897** | **1,544** | **1,810** | **295** | **295** | **250** | **17,811** |

| | Year ended 31 December 2009 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Mr. Ou Yaping HK$'000 | Mr. Tang Yui Man Francis HK$'000 | Mr. Chen Wei HK$'000 | Mr. Law Sze Lai HK$'000 | Mr. Li Ningjun HK$'000 | Mr. Xin Luo Lin HK$'000 | Mr. Tian Jin HK$'000 | Dr. Xiang Bing HK$'000 | Total HK$'000 |
| Fees | – | – | – | – | – | 250 | 250 | 250 | 750 |
| Other emoluments | | | | | | | | | |
| Salaries and other benefits | 5,443 | 2,398 | 786 | 1,461 | 840 | – | – | – | 10,928 |
| Bonuses | – | 100 | 400 | – | – | – | – | – | 500 |
| Retirement benefits scheme contributions | 42 | 12 | 42 | 29 | 37 | – | – | – | 162 |
| Share-based payments | – | 2,418 | 1,210 | 363 | 868 | 314 | 314 | – | 5,487 |
| Total emoluments | 5,485 | 4,928 | 2,438 | 1,853 | 1,745 | 564 | 564 | 250 | 17,827 |

Notes:

(a) The annual salary and year-end discretionary bonus (if any) of executive directors and non-executive directors are determined by the Board based on the review and recommendation from the remuneration committee of the Company with reference to his duties and responsibilities within the Group, the Group's performance and the prevailing market situation.

(b) The director's fee of Independent non-executive directors is determined by the Board and the remuneration committee of the Company with reference to their duties and responsibilities with the Group, the Group's performance and the prevailing market situation and to be authorized by the shareholders of the Company at the annual general meeting.

(c) The emoluments of the directors are covered by their respective service contracts and/or supplemental agreements or letters of appointment entered into with the Group.

None of the directors has waived or agreed to waive any remunerations for the years ended 31 December 2010 and 2009.

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## 11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2009: four) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining individual were as follows:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries and other emoluments benefits | **1,192** | 1,180 |
| Bonuses | **220** | 43 |
| Retirement benefits scheme contributions | **42** | 42 |
| Share-based payments | **135** | 992 |
| | **1,589** | 2,257 |

Note: The bonuses are determined with reference to the operating results, individual performance and comparable market statistic during the year.

During the year, no remunerations was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 12. TAXATION

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| The charge comprises: | | |
| PRC Enterprise Income Tax | | |
| – current year | **94,778** | 348,188 |
| – (over)underprovision in prior years | **(118,666)** | 35,856 |
| PRC land appreciation tax | **245,274** | 423,798 |
| | **221,386** | 807,842 |
| Deferred taxation (note 29) | **40,897** | 13,169 |
| | **262,283** | 821,011 |

## 12. TAXATION *(Continued)*

No provision for Hong Kong Profits Tax has been made in the financial statements as the amount involved was insignificant for both years.

Taxation for subsidiaries of the Group, which were established and principally operated in the Shenzhen Special Economic Zone, is calculated at the rate of 22% (2009: 20%) of their assessable profits for the year ended 31 December 2010 according to the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law.

Pursuant to State Administration of Taxation ("SAT") Bulletin [2010] No. 29 issued in 2010 ("Circular 29"), a real estate developer is allowed to allocate the final PRC Land Appreciation Tax ("LAT") liability on a project to the prior periods covered by the project retroactively and claim a refund of EIT previously paid if it is in EIT loss position in the year in which the final LAT settlement is made. A subsidiary of the Group had accrued LAT in prior years, which was treated as non-deductible for EIT at the relevant years before the issuance of Circular 29 as the management expected that the subsidiary would be in a loss position in the year of final settlement of LAT. Thus, the EIT previously paid in an amount of HK$118,666,000 is reversed in the current year pursuant to the issuance of Circular 29.

In addition, LAT shall be levied at progressive rates ranging from 30% to 60% on the appreciation of land value, represented by the excess of sales proceeds of properties over prescribed direct costs. Prescribed direct costs are defined to include costs of land, development and construction costs, as well as certain costs relating to the property development. According to the SAT's official circulars, LAT shall be payable provisionally upon sales of the properties, followed by final ascertainment of the gain at the completion of the properties development. The Shenzhen local tax bureau has echoed by promulgating Shenfubanhan [2005] No. 93 and Shendishuifa [2005], whereby among others, LAT should be seriously implemented towards sales of properties where contracts were signed on or after 1 November 2005. The management of the Group considers that it has complied with the rules of the aforementioned circulars and other official tax circulars in Shenzhen and LAT for the Group has been accrued accordingly.

## 12. TAXATION *(Continued)*

The charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

| | **2010** **HK$'000** | 2009 HK$'000 |
|---|---|---|
| Profit before taxation | **901,217** | 2,247,604 |
| Tax at the applicable tax rate of 22% (2009: 20%) (Note) | **198,268** | 449,521 |
| Tax effect of expenses that are not deductible for tax purpose | **34,600** | 48,312 |
| Tax effect of income that is not taxable for tax purpose | **(44,628)** | (14,980) |
| Tax effect of share of results of associates | **(2,926)** | (77,336) |
| Land appreciation tax | **245,274** | 423,798 |
| Tax effect of land appreciation tax deductible for tax purposes | **(53,960)** | (51,079) |
| Tax effect on deferred tax liabilities recognised at different tax rate | **4,291** | 1,499 |
| Tax effect on deferred tax liabilities resulting from withholding tax on undistributed profits of subsidiaries | **5,741** | 5,675 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(5,615)** | (2,500) |
| Tax effect of tax losses not recognised | **98** | 2,245 |
| Tax effect of utilisation of tax losses not previously recognised | **(194)** | – |
| (Over) underprovision of taxation in prior years | **(118,666)** | 35,856 |
| Taxation for the year | **262,283** | 821,011 |

Note: The tax rate of 22% for the year ended 31 December 2010 (2009: 20%) represents PRC Enterprise Income Tax which is applicable to most of the Group's operations in the PRC.

## 13. DIVIDENDS

| | **2010** **HK$'000** | 2009 HK$'000 |
|---|---|---|
| Dividends recognised as distribution during the year: | | |
| 2009 final of HK3.0 cents (2009: 2008 final of HK2.0 cents) per share | **106,233** | 65,720 |

The directors do not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: final dividend of HK3.0 cents per share).

## 14. EARNINGS PER SHARE

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

| | **2010** **HK$'000** | 2009 HK$'000 |
|---|---|---|
| Earnings for the purpose of basic earnings per share, being profit for the year attributable to owners of the Company | **560,317** | 1,213,800 |
| Effect of dilutive potential ordinary shares: | | |
| Gain on derivative components of convertible bonds | **(202,856)** | – |
| Interest on convertible bonds | **27,670** | – |
| Earnings for the purpose of diluted earnings per share | **385,131** | 1,213,800 |

For the year ended 31 December 2010

## 14. EARNINGS PER SHARE *(Continued)*

| | Number of shares | |
|---|---|---|
| | **2010** | 2009 |
| Weighted average number of shares for the purpose of basic earnings per share | **3,543,255,298** | 3,348,379,352 |
| Effect of dilutive potential shares: | | |
| Convertible bonds | **436,488,169** | – |
| Share options | **2,459,178** | 1,581,029 |
| Weighted average number of shares for the purpose of diluted earnings per share | **3,982,202,645** | 3,349,960,381 |

The computation of diluted earnings per share in 2009 did not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share for the year ended 31 December 2009.

For the year ended 31 December 2010

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings | Furniture, fixtures and equipment | Motor vehicles | Property under construction | Total |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **COST** | | | | | |
| At 1 January 2009 | 69,076 | 38,601 | 16,607 | – | 124,284 |
| Currency realignment | 78 | 40 | 16 | – | 134 |
| Additions | 1,087 | 589 | 586 | 30,678 | 32,940 |
| Disposals | – | (2,434) | (4,007) | – | (6,441) |
| At 31 December 2009 | 70,241 | 36,796 | 13,202 | 30,678 | 150,917 |
| Currency realignment | 2,477 | 1,171 | 351 | 1,082 | 5,081 |
| Additions | 152 | 1,029 | 2,135 | 76,783 | 80,099 |
| Disposals | – | (447) | – | – | (447) |
| At 31 December 2010 | 72,870 | 38,549 | 15,688 | 108,543 | 235,650 |
| **DEPRECIATION AND AMORTISATION** | | | | | |
| At 1 January 2009 | 33,952 | 33,840 | 7,312 | – | 75,104 |
| Currency realignment | 36 | 38 | 8 | – | 82 |
| Provided for the year | 1,746 | 1,070 | 2,988 | – | 5,804 |
| Eliminated on disposals | – | (2,371) | (3,580) | – | (5,951) |
| At 31 December 2009 | 35,734 | 32,577 | 6,728 | – | 75,039 |
| Currency realignment | 1,248 | 1,113 | 235 | – | 2,596 |
| Provided for the year | 3,151 | 951 | 2,920 | – | 7,022 |
| Eliminated on disposals | – | (410) | – | – | (410) |
| At 31 December 2010 | 40,133 | 34,231 | 9,883 | – | 84,247 |
| **CARRYING VALUES** | | | | | |
| At 31 December 2010 | 32,737 | 4,318 | 5,805 | 108,543 | 151,403 |
| At 31 December 2009 | 34,507 | 4,219 | 6,474 | 30,678 | 75,878 |

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

The carrying amount of the Group's leasehold land and buildings comprises properties situated in the PRC held under:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Long leases | **32,737** | 34,507 |

The above items of property, plant and equipment are depreciated on a straight line basis after taking into account of their estimated residual values, at the following rates per annum:

| | |
|---|---|
| Leasehold land and buildings | Over the shorter of the term of the lease and 50 years |
| Furniture, fixtures and equipment | 20% to 30% |
| Motor vehicles | 20% to 30% |

## 16. PREPAID LEASE PAYMENTS

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| The Group's prepaid lease payments comprise: | | |
| Leasehold land outside Hong Kong: | | |
| Long leases | **118,090** | 116,038 |
| Analysed for reporting purposes: | | |
| Non-current assets | **116,051** | 114,068 |
| Current assets | **2,039** | 1,970 |
| | **118,090** | 116,038 |

## 17. INVESTMENT PROPERTIES

| | Completed investment properties HK$'000 | Investment properties under construction HK$'000 | Total HK$'000 |
|---|---|---|---|
| **FAIR VALUE** | | | |
| At 1 January 2009 | 863,812 | – | 863,812 |
| Exchange realignment | 982 | – | 982 |
| Transfer from stock of properties | 63,101 | – | 63,101 |
| Construction costs incurred | – | 20,453 | 20,453 |
| Increase in fair value of investment properties | 29,975 | – | 29,975 |
| At 31 December 2009 | 957,870 | 20,453 | 978,323 |
| Exchange realignment | 37,855 | 721 | 38,576 |
| Transfer from stock of properties | 314,412 | – | 314,412 |
| Construction costs incurred | – | 51,189 | 51,189 |
| Increase in fair value of investment properties | 150,291 | – | 150,291 |
| Disposal of completed investment property | (13,896) | – | (13,896) |
| At 31 December 2010 | 1,446,532 | 72,363 | 1,518,895 |

The fair value of the Group's completed investment properties at 31 December 2010 and 2009 have been arrived at on the basis of a valuation carried out on those dates by Messrs. DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group, and are the members of The Hong Kong Institute of Surveyors. The valuation of investment properties was arrived at by reference to market evidence of transaction prices for similar properties. The investment properties under construction only include the building portion. The directors consider that the fair value of the investment properties under construction at the end of reporting period approximates to its carrying amount.

Stock of completed properties were transferred to investment properties when there was commencement of an operating lease to another party. The difference between the fair value of the property at the end of the reporting period and its previous carrying amount are recognised in profit or loss.

All of the Group's property interests in leasehold land and buildings to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

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## 17. INVESTMENT PROPERTIES *(Continued)*

The investment properties are held under long leases and are situated in the PRC.

At 31 December 2010, the Group's investment properties with a carrying value of HK$403,055,000 (2009: HK$389,330,000) were pledged to secure general banking facilities granted to the Group.

## 18. INTERESTS IN ASSOCIATES

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Cost of investment in associates | | |
| Unlisted | **4** | 4 |
| Share of post-acquisition results and other comprehensive income | **110,925** | 91,927 |
| Carrying amount | **110,929** | 91,931 |

Details of the Group's principal associates as at 31 December 2010 and 2009 are as follows:

| **Name of associate** | **Place of incorporation/ establishment and form of business structure** | **Principal place of operation** | **Percentage of equity interest attributable to the Group** | | **Principal activities** |
|---|---|---|---|---|---|
| | | | **2010** | 2009 | |
| Rockefeller Group Asia Pacific, Inc. | BVI – limited liability company | Hong Kong | **49%** | 49% | Investment holding |
| Shanghai Bund de Rockefeller Group Master Development Co., Ltd. | PRC – equity interest venture | PRC | **44.57%** | 44.57% | Property development and property investment |
| Shanghai Rockbund Property Management Limited | PRC – limited liability company | PRC | **44.57%** | 44.57% | Property management |

The above table lists the associates of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

## 18. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information (after adjustments for unrealised profits) in respect of the Group's associates is set out below:

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Total assets | **3,792,855** | 3,231,586 |
| Total liabilities | **(3,567,082)** | (3,046,286) |
| Net assets | **225,773** | 185,300 |
| Group's share of net assets of associates | **110,929** | 91,931 |
| Revenue | **–** | – |
| Profit for the year | **28,336** | 823,777 |
| Other comprehensive income for the year | **12,137** | 1,336 |
| Group's share of profit and other comprehensive income of associates for the year | **18,998** | 387,308 |

## 19. AVAILABLE-FOR-SALE INVESTMENTS/AMOUNT DUE FROM AN INVESTEE COMPANY

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Debentures, at cost | **1,261** | 1,261 |
| Unlisted shares in overseas, at cost | **–** | – |
| | **1,261** | 1,261 |
| Amount due from an investee company | **1,820** | – |

## 19. AVAILABLE-FOR-SALE INVESTMENTS/AMOUNT DUE FROM AN INVESTEE COMPANY *(Continued)*

The Group invested an unlisted convertible note with principal amount of HK$200,000,000 on 19 July 2010 issued by an independent third party, Hennabun Capital Group Limited ("Hennabun Capital"), a private company which is incorporated in the British Virgin Islands whose subsidiaries are principally engaged in the investment business. The convertible note bears zero interest and is due for redemption on 19 July 2013 ("Maturity Date"). Hennabun Capital is entitled, by giving not less than 7 business days' notice to the Group, to redeem up to HK$200,000,000 at any time. The Group is entitled at any time after the date of issue up to the Maturity Date to convert the convertible note into ordinary shares of Hennabun Capital, the conversion price of which is to be determined based on the then consolidated net asset value of Hennabun Capital, subject to adjustment if early redemption right was exercised.

At the issue date, the convertible note comprised of a liability component and embedded derivatives being the conversion option and the issuer's redemption option. In the opinion of the directors of the Company, the fair value of the convertible note on initial recognition is substantially the same as the cost.

During the year, Hennabun Capital redeemed the whole balance of such convertible note at its principal amount of HK$200,000,000 and thus no gain or loss is recognised in the statement of comprehensive income.

Investments in unlisted equity securities issued by a private entity incorporated overseas are held for an identified long term strategic purpose and are measured at cost less impairment at the end of the reporting period.

Amount due from an investee company as at 31 December 2010 represented an advance to the investee of the Group. The amount advanced is determined by the shareholding of the investee company. The advance is unsecured, interest bearing at 2.5% per annum, and has no fixed repayment terms. Accordingly, the amount is classified as non-current at 31 December 2010. The directors consider that the fair value of amount due from an investee company at the end of the reporting period approximates to the carrying amount.

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## 20. LOAN RECEIVABLE

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Shareholder's loan receivable | **2,021,078** | 2,159,198 |

Note:

The amount represents shareholder's loan receivable from the Group's associate, Rockefeller Group Asia Pacific, Inc. ("RGAP"), for financing a property development and property investment project in Shanghai, which carries a 20% coupon interest rate per annum and forms part of the net investment in RGAP. The amount is carried at amortised cost based on the estimated future cash flows that are expected to be received by the Group as well as the estimates of the timing of such receipts. The loan receivable including principal and interest is unsecured and not repayable in the foreseeable future.

Due to the extension of the anticipated completion period of the property projects, the Group has revised its estimates from the receipts of the shareholder's loan receivable during the year and therefore an impairment loss of HK$138,120,000 (2009: nil) was recognised for the year by reference to the present value of the estimated future cash flows discounted using the effective interest rate at initial recognition. In addition, the interest income recognised from the shareholder's loan for the six months ended 30 June 2010 of HK$171,841,000 was derecognised at the end of the year and there would be no further recognition of interest income until it is probable that such interest income would be recovered by the Group.

The directors have reviewed the carrying amount of loan receivable of HK$2,021,078,000 (2009: HK$2,159,198,000) and consider that this amount is fully recoverable.

## 21. STOCK OF PROPERTIES

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Properties under development | **653,462** | 675,163 |
| Stock of properties held for sale | **132,717** | 765,560 |
| | **786,179** | 1,440,723 |

Stock of properties were stated at cost. Included in the stock of properties is interest capitalised of HK$5,396,000 (2009: HK$49,886,000).

The stock of properties were located in the PRC under long lease. Properties under development of HK$653,462,000 (2009: HK$675,163,000) represent the carrying value of the properties expected to be completed and sold more than twelve months after the end of the reporting period which are classified under current asset as it is expected to be realised in the Group's normal operating cycle.

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## 22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables | **10,657** | 1,909 |
| Other receivables, deposits and prepayments (Note) | **192,832** | 99,459 |
| | **203,489** | 101,368 |

Note: Included in other receivables is an amount of RMB124,440,000 (equivalent to approximately HK$146,000,000) (2009: nil) paid to an independent third party for the development of intelligent community projects.

The Group allows an average credit period ranging from 0 to 60 days to its trade customers. The following is an aged analysis of trade receivables presented based on invoice date at the end of reporting period:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Aged: | | |
| 0 to 60 days | **6,825** | 929 |
| 61 to 180 days | **3,732** | 812 |
| Over 181 days | **100** | 168 |
| | **10,657** | 1,909 |

Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality.

Included in the Group's trade and other receivables, deposits and prepayments are debtors with aggregate carrying amount of HK$3,832,000 (2009: HK$980,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

## 22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Aging of trade debtors which are past due but not impaired:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 61-180 days | **3,732** | 812 |
| Over 181 days | **100** | 168 |
| | **3,832** | 980 |

The Group has not provided fully for all receivables aged over 60 days based on the historical experience of the Group that receivables are past due but not impaired are generally recoverable.

## 23. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured, interest-free and recoverable within 12 months.

## 24. INVESTMENTS HELD FOR TRADING

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| FAIR VALUE | | |
| Investments held for trading include: | | |
| – Equity securities listed in Hong Kong | **252,435** | 240,797 |
| – Unlisted managed investment funds | **295,128** | 86,604 |
| | **547,563** | 327,401 |

The fair value of the above listed securities was determined based on the quoted market bid prices of the listed securities available on the relevant exchanges.

The fair value of the investments in unlisted managed investment funds, which are redeemable and issuable at the net asset value as defined in the fund's constitution documents, is measured by reference to the net assets value provided by the financial institutions which are the administrators of the investment funds.

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## 25. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

The Group's pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. The deposits have been pledged to secure short-term bank loans and are therefore classified as current assets. The pledged bank deposits will be released upon the repayment of the relevant bank borrowings.

Bank balances and pledged bank deposits carry interest at prevailing market rates which range from 0.00% to 2.20% (2009: 0.00% to 1.98%) per annum at 31 December 2010. The fair values of the Group's bank balances and cash and pledged bank deposits at 31 December 2010 approximate to their carrying amounts.

## 26. TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

Included in trade payables, deposits received and accrued charges are trade payables of HK$363,219,000 (31.12.2009: HK$391,166,000) and receipt in advance from property sales of HK$62,454,000 (31.12.2009: HK$492,497,000).

The following is an aged analysis of trade payables at the end of the reporting period:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Aged: | | |
| 0 to 90 days | **331,734** | 265,970 |
| 91 to 180 days | **1,561** | 15,468 |
| 181 to 360 days | **8,094** | 5,601 |
| Over 360 days | **21,830** | 104,127 |
| | **363,219** | 391,166 |

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## 27. BORROWINGS

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Bank loans – secured | **94,007** | 147,560 |
| Bank loans – unsecured | **335,018** | 610,783 |
| | **429,025** | 758,343 |
| Carrying amount repayable: | | |
| On demand or within one year | **58,754** | 340,522 |
| More than one year but not exceeding two years | **58,754** | 56,754 |
| More than two years but not exceeding five years | **188,014** | 170,261 |
| Over five years | **23,503** | 90,806 |
| | **329,025** | 658,343 |
| Carrying amount of bank loans that are repayable in February 2012 (2009: February 2010) from the end of the reporting period but contain a repayment on demand clause (show under current liabilities) | **100,000** | 100,000 |
| | **429,025** | 758,343 |
| Less: Amount classified as current liabilities | **(158,754)** | (440,522) |
| Amount due after one year and classified as non-current liabilities | **270,271** | 317,821 |

Note: At 31 December 2010, the amount of borrowings of the Group includes an amount of HK$100,000,000 (2009: HK$100,000,000) which carries interest at Hong Kong Interbank Offer Rate plus 1.9% per annum for both years. The remaining borrowings are arranged at benchmark interest rate as stipulated by the People's Bank of China. The interest rates during the year for these loans range from 5.35% to 6.4% (2009: 5.31% to 7.83%) per annum.

## 28. CONVERTIBLE BONDS

On 15 June 2009, the Company entered into a placing agreement ("Placing Agreement") with an independent placing agent by which the Company has agreed to appoint the placing agent to procure, on a best-efforts basis, subscription of the convertible bonds of the Company, with the maximum principal amount of HK$500,000,000, subject to and upon the terms and conditions contained in the Placing Agreement and the shareholders' approval. The Placing Agreement, the creation and issue of the convertible bonds are approved by the shareholders of the Company in a special general meeting on 13 July 2009.

On 28 September 2009 ("Issue Date"), the Company issued the three-year zero coupon convertible bonds at par with a nominal value of HK$500,000,000 to independent third parties. The convertible bonds are denominated in Hong Kong dollars. The bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the bonds and their settlement date on 28 September 2012 ("Maturity Date") at a conversion price of HK$1.10 per ordinary share. If the bonds have not been converted, they will be redeemed on Maturity Date at par.

During the year ended 31 December 2010, convertible bonds with a nominal value of HK$150,000,000 (2009: nil) were redeemed by the Group at cash consideration of HK$150,000,000.

During the year ended 31 December 2009, convertible bonds with a nominal value of HK$10,000,000 (2010: nil) were converted by the bondholders into 9,090,908 ordinary shares at a conversion price of HK$1.10 per ordinary share. The weighted average share price at the date of exercise for the convertible bonds during that year was HK$1.975.

The convertible bonds contain two components, liability component and conversion and early redemption option derivative components. The effective interest rate of the liability component is 7.01%. The conversion and early redemption option derivatives are measured at fair value with changes in fair value recognised in profit or loss.

The Company has right to redeem, in whole and not in part, the convertible bonds, at any time commencing from the Issue Date to Maturity Date, by giving the bondholders at least seven business days' prior notice at the redemption amount which is 100% of the principal amount of the outstanding convertible bonds as at the date of redemption.

Each of the bond holders may, at any time during the period commencing from the Issue Date, and expiring on the Maturity Date, request the Company to redeem, in whole or in part, the outstanding convertible bonds held by it.

## 28. CONVERTIBLE BONDS *(Continued)*

The movement of the liability component and conversion and early redemption option derivative components of the convertible bonds for the year is set out as below:

| | **Principal amount** | **Carrying amount of liability component** |
|---|---|---|
| | HK$'000 | HK$'000 |
| At 1 January 2009 | – | – |
| Issuance of convertible bonds (net of transaction cost) | 500,000 | 409,755 |
| At date of issuance | 500,000 | 409,755 |
| Interest charge | – | 6,957 |
| Conversion during the year | (10,000) | (8,166) |
| At 31 December 2009 | 490,000 | 408,546 |
| Interest charge | – | 27,670 |
| Redemption during the year | (150,000) | (132,953) |
| At 31 December 2010 | 340,000 | 303,263 |

## 28. CONVERTIBLE BONDS *(Continued)*

| | Conversion and early redemption option derivatives HK$'000 |
|---|---|
| At 1 January 2009 | – |
| Loss on derivative components prior to issuance of convertible bonds recognised in profit or loss | 355,865 |
| Issuance of convertible bonds | 85,245 |
| Settlements resulting from conversion during the year | (7,954) |
| Gain on derivative components subsequent to issuance recognised in profit or loss | (138,875) |
| At 31 December 2009 | 294,281 |
| Settlements resulting from redemption during the year | (17,047) |
| Gain on derivative components recognised in profit or loss | (202,856) |
| At 31 December 2010 | 74,378 |

The change of fair value of the derivatives prior to the issuance of convertible bonds of the Company on 28 September 2009 was mainly due to the increase of share price of the Company.

The estimate of the fair value of the conversion and early redemption option derivatives is measured based on the binomial option pricing model. Details of the assumptions of conversion and early redemption option derivatives are as follows:

| **Date of valuation** | **31.12.2010** | **31.12.2009** | **28.9.2009 (date of issue)** | **13.7.2009 (date of commitment)** |
|---|---|---|---|---|
| Share price (HK$) | 1.130 | 1.480 | 1.940 | 1.240 |
| Exercise price (HK$) | 1.100 | 1.100 | 1.100 | 1.100 |
| Expected volatility (expressed as a weighted average volatility used in the modelling under binomial option pricing model) | 35.61% | 43.81% | 42.57% | 42.56% |
| Maturity period | 1.7 years | 2.7 years | 3.0 years | 3.0 years |
| Conversion period | 1.7 years | 2.7 years | 3.0 years | 3.0 years |

## 29. DEFERRED TAXATION

| | Revaluation on investment properties HK$'000 | Undistributed profits of subsidiaries HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 January 2009 | 84,555 | 4,494 | 89,049 |
| Currency realignment | 97 | 5 | 102 |
| Charge to consolidated income statement | 7,494 | 5,675 | 13,169 |
| At 31 December 2009 | 92,146 | 10,174 | 102,320 |
| Currency realignment | 4,074 | 494 | 4,568 |
| Charge to consolidated income statement | 35,156 | 5,741 | 40,897 |
| At 31 December 2010 | 131,376 | 16,409 | 147,785 |

At the end of the reporting period, the Group has estimated unused tax losses of HK$57,741,000 (2009: HK$58,186,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams and such tax losses may be carried forward indefinitely.

Deferred taxation on undistributed profits of subsidiaries has been recognised taking into accounts the dividends to be distributed from profits earned by the subsidiaries in the PRC starting from 1 January 2008 under the New Law of the PRC that requires withholding tax with tax rate ranging from 5% to 10% upon the distribution of such profits to the shareholders. Deferred taxation has not been recognised in respect of certain undistributable retained profits earned by the subsidiaries in the PRC starting from 1 January 2008 amounting to HK$1,343,000,000 (31 December 2009: HK$1,124,000,000) as the directors are of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 30. SHARE CAPITAL

| | Number of shares | Amount HK$'000 |
|---|---|---|
| Shares of HK$0.10 each | | |
| Authorised: | | |
| At 1 January 2009 | 4,800,000,000 | 480,000 |
| Increase on 13 July 2009 | 1,200,000,000 | 120,000 |
| At 31 December 2009 and 31 December 2010 | 6,000,000,000 | 600,000 |
| Issued and fully paid: | | |
| At 1 January 2009 | 3,285,997,924 | 328,600 |
| Issue of shares on the exercise of share options | 3,100,000 | 310 |
| Issue of shares on conversion of convertible bond | 9,090,908 | 909 |
| Issue of shares on the placing and subscription arrangements | 290,106,000 | 29,010 |
| Repurchase of shares | (25,182,000) | (2,518) |
| At 31 December 2009 | 3,563,112,832 | 356,311 |
| Repurchase of shares | (22,000,000) | (2,200) |
| At 31 December 2010 | 3,541,112,832 | 354,111 |

Changes in the share capital of the Company during the year ended 31 December 2009 are as follows:

(a) The Company allotted and issued a total of 2,250,000 and 850,000 shares of HK$0.10 each for cash at the exercise prices of HK$1.001 and HK$1.778 per share respectively as a result of exercise of share options.

(b) During the year ended 31 December 2009, convertible bonds with nominal values of HK$10,000,000 were converted into 9,090,908 ordinary shares at a conversion price of HK$1.10 per ordinary share.

(c) Pursuant to a placing and subscription agreement entered by the Company on 9 October 2009, the Company allotted and issued 290,106,000 new shares of HK$0.10 each at subscription price of HK$1.87 per share to independent investors on 16 October 2009.

## 30. SHARE CAPITAL *(Continued)*

(d) During the year ended 31 December 2009, the Company repurchased its own shares on the Stock Exchange as follows:

| Month of repurchase | Number of ordinary shares | Price per share Highest | Price per share Lowest | Aggregate consideration paid |
|---|---|---|---|---|
| | | HK$ | HK$ | HK$'000 |
| November 2009 | 25,182,000 | 1.480 | 1.410 | 36,313 |

The shares repurchased by the Company in 2009 were cancelled.

During the year ended 31 December 2010, the Company repurchased its own shares on the Stock Exchange as follows:

| Month of repurchase | Number of ordinary shares | Price per share Highest | Price per share Lowest | Aggregate consideration paid |
|---|---|---|---|---|
| | | **HK$** | **HK$** | **HK$'000** |
| **January 2010** | **20,000,000** | **1.33** | **1.29** | **26,303** |
| **February 2010** | **2,000,000** | **1.34** | **1.32** | **2,653** |

The shares repurchased by the Company during the year were cancelled.

All the shares which were issued during the year rank pari passu with the existing shares in all respects.

## 31. RESERVES

The contributed surplus of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1998.

The general reserves represent the enterprise expansion fund and general reserve fund set aside by certain subsidiaries in accordance with the relevant laws and regulations of the PRC, which are not available for distribution.

## 32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings and convertible bonds disclosed in notes 27 and 28, and equity attributable to equity holders of the Company, comprising issued share capital, reserves including retained earnings.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

## 33. FINANCIAL INSTRUMENTS

**Categories of financial instruments**

| | **2010**<br>**HK$'000** | 2009<br>HK$'000 |
|---|---|---|
| Financial assets | | |
| Fair value through profit or loss | | |
| Held for trading | **547,563** | 327,401 |
| Loans and receivables | | |
| (including cash and cash equivalents) | **7,181,593** | 7,656,852 |
| Available-for-sale financial assets | **1,261** | 1,261 |
| | | |
| Financial liabilities | | |
| Amortised cost | **1,235,708** | 1,709,878 |
| Derivative instruments | **74,378** | 294,281 |

## 33. FINANCIAL INSTRUMENTS *(Continued)*

**Financial risk management objectives and policies**

The Group's major financial instruments include available-for-sale investments, loan receivable, trade and other receivables, amounts due from associates, investments held for trading, pledged bank deposits, bank balance and cash, borrowings, convertible bonds and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

*Currency risk*

Currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. The management considers the Group does not expose to significant foreign currency risk as majority of its transactions are denominated in RMB (the functional currency of the Group's major subsidiaries). There were certain balances of financial assets and liabilities denominated in foreign currency at the consolidated statement of financial position. The 5% (2009: 1%) increase and decrease in RMB against the relevant foreign currencies is the rate used which represents management's assessment of the possible change in foreign exchange rates. A higher percentage is adopted in current year with reference to the fluctuation of Hong Kong dollars against Renminbi during the year. If foreign currency exchange rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit after taxation for the year ended 31 December 2010 would decrease/increase by HK$21,032,000 (2009: decrease/increase by HK$4,677,000). This is mainly attributable to the Group's exposure to foreign currency exchange rate on the convertible bonds, bank balances and bank borrowing denominated in Hong Kong dollars.

*Interest rate risk*

The Group is primarily exposed to fair value interest rate risk in relation to fixed-rate loan receivable from an associate (see note 20) and liability component of convertible bonds (see note 28) and cash flow interest rate risk in relation to bank balances and pledged bank deposits (see note 25) at prevailing market rates and variable-rate bank borrowings (see note 27). The Group currently does not have any policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

## 33. FINANCIAL INSTRUMENTS *(Continued)*

**Financial risk management objectives and policies *(Continued)***

Market risk *(Continued)*

*Interest rate risk (Continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to cash flow interest rate risk for financial instruments at the end of the reporting period. For variable-rate financial instruments, the analysis is prepared assuming the stipulated changes taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit after taxation for the year ended 31 December 2010 would increase/decrease by HK$17,226,000 (2009: increase/decrease by HK$16,273,000). This is mainly attributable to the Group's exposure to interest rates on its interest bearing bank balances, pledge bank deposits and variable-rate bank borrowings in the PRC.

*Other price risk*

The Group is exposed to equity price risk through its investments in listed equity securities and unlisted managed investment funds. The Group has concentration risk on its investments held for trading which were mainly invest on property industry sector and has equity price risk on equity instruments quoted in the Stock Exchange and from a financial institution respectively. The Group has a team to monitor the price risk and will consider hedging the risk exposure should the need arise.

In addition, the Group is required to estimate the fair value of the conversion and early redemption option derivatives in the convertible bonds at the end of the reporting period with changes in fair value to be recognised in the consolidated income statements as long as the convertible bonds are outstanding. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes of the Company's share market price and share price volatility.

## 33. FINANCIAL INSTRUMENTS *(Continued)*

**Financial risk management objectives and policies *(Continued)***

Market risk *(Continued)*

*Other price risk (Continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks and the Company's share price risk at the reporting date respectively.

If the prices of the respective equity instruments had been 10% higher/lower, profit after taxation for the year ended 31 December 2010 increase/decrease by HK$45,721,000 (2009: HK$27,338,000) as a result of the changes in fair value of investments held for trading.

If the Company's share price had been 10% higher/lower and all other variables were held constant, the Group's profit for the year (as a result of changes in fair value of derivative components of convertible bonds) would decrease/increase by HK$23,962,000 (2009: HK$53,256,000) and HK$19,324,000 (2009: HK$50,964,000) respectively.

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group arising from:

* the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

* the amount of contingent liabilities disclosed in note 37.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables, amounts due from associates and loan receivable at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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## 33. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

Other than concentration of credit risk on loan receivable (note 20) and amounts due from associates (note 23) and unlisted managed investment funds (note 24) which are concentrated in one counter party with high credit-rating, the Group does not have any other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on sale of properties and borrowings as a source of liquidity.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

| | Weighted average interest rate % | On demand or less than 1 month HK$'000 | 1 month to 1 year HK$'000 | 1 – 5 years HK$'000 | Over 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.12.2010 HK$'000 |
|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | |
| Trade and other payables | – | 80,367 | 423,053 | – | – | 503,420 | 503,420 |
| Convertible bonds (liability) | 7.01% | 340,000 | – | – | – | 340,000 | 303,263 |
| Convertible bonds (derivative components) | | 74,378 | – | – | – | 74,378 | 74,378 |
| Financial guarantee | – | – | 88,081 | – | – | 88,081 | – |
| Borrowings | 5.06% | 101,809 | 74,016 | 284,228 | 24,691 | 484,744 | 429,025 |
| | | 596,554 | 585,150 | 284,228 | 24,691 | 1,490,623 | 1,310,086 |

For the year ended 31 December 2010

## 33. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

| | Weighted average interest rate % | On demand or less than 1 month HK$'000 | 1 month to 1 year HK$'000 | 1 – 5 years HK$'000 | Over 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.12.2009 HK$'000 |
|---|---|---|---|---|---|---|---|
| 2009 | | | | | | | |
| Trade and other payables | – | 68,376 | 474,613 | – | – | 542,989 | 542,989 |
| Convertible bonds (liability) | 7.01% | 490,000 | – | – | – | 490,000 | 408,546 |
| Convertible bonds (derivative components) | | 294,281 | – | – | – | 294,281 | 294,281 |
| Financial guarantee | – | – | 106,622 | – | – | 106,622 | – |
| Borrowings | 5.38% | 100,449 | 361,557 | 277,744 | 95,695 | 835,445 | 758,343 |
| | | 953,106 | 942,792 | 277,744 | 95,695 | 2,269,337 | 2,004,159 |

Note: The amounts included above for financial guarantee contracts were the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if the mortgage loans are defaulted by the counter parties. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under that arrangement. However, this estimate is subject to change depending on the probability of the counter parties would default on the relevant loans under the guarantee which is a function of the likelihood that the financial receivables held by banks which are guaranteed suffer credit losses.

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2010 and 31 December 2009, the aggregate undiscounted principal amounts of these bank loans amounted to HK$100,000,000 and HK$100,000,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans at 31 December 2010 will be repaid between one to two years after the reporting date and such bank loans at 31 December 2009 will be repaid between 1 month to 1 year period after 31 December 2009 in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$102,508,000 (2009: HK$100,325,000).

## 33. FINANCIAL INSTRUMENTS *(Continued)*

### Fair value

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions; and

- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of option pricing models for optional derivatives.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at cost or amortised cost in the consolidated financial statements approximate their fair values.

### Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 33. FINANCIAL INSTRUMENTS *(Continued)*

**Fair value measurements recognised in the statement of financial position *(Continued)***

| | 2010 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| **Financial assets at FVTPL** | | | | |
| Non-derivative financial assets held for trading | | | | |
| Listed equity securities | **252,435** | **–** | **–** | **252,435** |
| Unlisted managed investment funds | **–** | **295,128** | **–** | **295,128** |
| | **252,435** | **295,128** | **–** | **547,563** |
| **Financial liabilities at FVTPL** | | | | |
| Conversion and early redemption option derivatives | **–** | **–** | **74,378** | **74,378** |

| | 2009 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Financial assets at FVTPL** | | | | |
| Non-derivative financial assets held for trading | | | | |
| Listed equity securities | 240,797 | – | – | 240,797 |
| Unlisted managed investment funds | – | 86,604 | – | 86,604 |
| | 240,797 | 86,604 | – | 327,401 |
| **Financial liabilities at FVTPL** | | | | |
| Conversion and early redemption option derivatives | – | – | 294,281 | 294,281 |

There were no transfers between Level 1 and 2 in the current and prior years.

## 33. FINANCIAL INSTRUMENTS *(Continued)*

Reconciliation of Level 3 fair value measurements of financial liabilities:

| | **Conversion and early redemption option derivatives** HK$'000 |
|---|---|
| At 1 January 2009 | – |
| Issues | 85,245 |
| Settlements | (7,954) |
| Total gains or losses recognised in profit or loss | 216,990 |
| At 31 December 2009 | 294,281 |
| Settlements | (17,047) |
| Total gains or losses recognised in profit or loss | (202,856) |
| At 31 December 2010 | 74,378 |

Of the total gains or losses for the year included in profit or loss, gain of HK$202,856,000 (2009: loss of HK$216,990,000) relates to conversion and early redemption option derivatives at the end of the reporting period. Fair value gains or losses on the conversion and early redemption option derivatives are included in change in fair value of derivative components of convertible bonds.

## 34. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year.

| **Name of related party** | **Nature of transaction** | Notes | **2010** **HK$'000** | 2009 HK$'000 |
|---|---|---|---|---|
| RGAP | Interest income on shareholder's loan | a | **–** | 69,951 |
| | Interest income on amounts due from associates | a | **–** | 135 |
| Shanghai Bund de Rockefeller Group Master Development Co., Ltd. ("Shanghai Rockefeller") | Project management fee income | a | **26,195** | 26,195 |
| Enerchina Holding Limited ("Enerchina") | Rental and other fees received | b | **3,378** | 3,378 |
| Ms. Cheung Loi Ping | Sales of properties | c | **3,490** | 9,276 |

Notes:

(a) RGAP and Shanghai Rockefeller are associates of the Group.

(b) Enerchina is a related party to the Group as Mr. Ou Yaping, a director and a substantial shareholder of the Company, is also a director and substantial shareholder of Enerchina.

(c) Ms. Cheung Loi Ping is the wife of Mr. Ou Yaping, a director and a substantial shareholder of the Company.

The key management personnel are the directors and the five highest paid individuals of the Company. The details of the remuneration paid to them are set out in notes 10 and 11.

For the year ended 31 December 2010

## 35. SHARE OPTIONS

The Company's share option schemes were adopted pursuant to the resolutions passed on 24 May 2002 (the "Sinolink Existing Scheme") for providing incentives to directors and eligible employees. The Sinolink Existing Scheme will expire on 23 May 2012. Under the Sinolink Existing Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company, any of its subsidiaries, to subscribe for shares in the Company.

Movements of the Company's share options held by employees (including directors) during the year were as follows:

| | Number of share options | | | |
|---|---|---|---|---|
| | Outstanding at beginning of year | Exercised during the year | Lapsed during the year | Outstanding at end of year |
| For the year ended 31 December 2010 | **132,600,000** | **–** | **(21,487,500)** | **111,112,500** |
| Exercisable at the end of the year | | | | **111,112,500** |
| Weighted average exercise price (HK$) | **1.702** | **N/A** | **1.774** | **1.680** |
| For the year ended 31 December 2009 | 146,218,100 | (3,100,000) | (10,518,100) | 132,600,000 |
| Exercisable at the end of the year | | | | 86,025,000 |
| Weighted average exercise price (HK$) | 1.694 | 1.214 | 1.736 | 1.702 |

Details of share options exercised during the year ended 31 December 2009 were as follows:

| | |
|---|---|
| Exercisable period | 31.12.2005 – 24.5.2012 |
| Exercise price | HK$1.001 and HK$1.778 |
| Aggregate issue proceeds | HK$3,763,000 |

The weighted average share price at the date of exercise of share options during the year ended 31 December 2009 was HK$1.960 (2010: nil).

## 35. SHARE OPTIONS *(Continued)*

The Group recognised total expenses of HK$1,910,000 (2009: HK$12,169,000) for the year ended 31 December 2010 in relation to share options granted by the Company.

The number of share options expected to vest has been reduced to reflect historical experience of forfeiture of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share options reserve.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

## 36. RETIREMENT BENEFITS SCHEMES

The Group's subsidiaries operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Group is required to make specific contributions to the retirement schemes at a rate of 7 to 25 percent of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made.

The Group has joined a MPF Scheme for all its non-PRC employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to contributes 5% of relevant payroll costs with a maximum of HK$1,000 per employee to the MPF Scheme, which contribution is matched by the employee. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

During the year, the Group made contributions to the retirement benefits schemes amounted to HK$4,983,000 (2009: HK$4,871,000).

For the year ended 31 December 2010

## 37. CONTINGENT LIABILITIES

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Guarantees given to banks for the mortgage loans arranged for the purchasers of the Group's properties | **88,081** | 106,622 |

No financial liabilities were recorded as, in the opinion of the directors, the fair values of the financial guarantee contracts at initial recognition were not significant during both years and it is not probable that the counter parties would default on the relevant loans.

## 38. COMMITMENTS

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Capital commitments in respect of properties under constructions: | | |
| – contracted for but not provided in the consolidated financial statements | **58,754** | 117,244 |
| – authorised but not contracted for | **375,890** | 366,098 |
| Commitments in respect of properties under development: | | |
| – contracted for but not provided in the consolidated financial statements | **442,411** | 13,075 |
| – authorised but not contracted for | **67,398** | 110,355 |
| Committed funding to an investment fund | **77,500** | 77,500 |

## 39. OPERATING LEASE COMMITMENTS

### The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for future minimum lease receipts in respect of land and buildings under non-cancellable operating leases which fall due as follows:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **60,970** | 34,299 |
| In the second to fifth year inclusive | **165,761** | 137,637 |
| Over five years | **97,688** | 109,796 |
| | **324,419** | 281,732 |

The properties held have committed tenants for periods up to ten years after the end of the reporting period.

### The Group as lessee

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

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **2,012** | 5,965 |
| In the second to fifth years inclusive | **52** | 1,516 |
| | **2,064** | 7,481 |

Operating lease payments represent rental payable by the Group for certain of its office properties.

Leases are negotiated for terms ranging from one to two years.

## 40. PLEDGE OF ASSETS

At 31 December 2010, bank deposits of HK$1,633,000 (2009: HK$17,864,000) and investment properties with an aggregate carrying amount of HK$403,055,000 (2009: HK$389,330,000) were pledged to banks to secure general banking facilities granted to the Group.

For the year ended 31 December 2010

## 41. LIST OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2010 and 2009 are as follows:

| Name of subsidiary | Place of incorporation/ establishment | Issued and fully paid up share capital/ registered capital | Attributable proportion of nominal value of issued/registered capital held by the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| Cnhooray Internet Technology Co., Ltd. 深圳日訊網絡科技股份有限公司 | PRC – Sino-foreign equity joint venture | RMB40,000,000 | – | 80% | Consultancy services in relation to information, multimedia and communication technologies |
| Ease Win International Limited | BVI | US$1 | 100% | – | Investment holding |
| Firstline Investment Limited | BVI | US$1 | – | 100% | Investment holding |
| Global Mark Investments Limited | BVI | US$1 | – | 100% | Investment holding |
| Knatwood Limited | BVI | US$1 | – | 100% | Investment holding |
| Leader Faith International Limited | BVI | US$1 | 100% | – | Investment holding |
| Link Capital Investments Limited | BVI | US$50,000 | – | 100% | Investment holding |
| Mei Long Investments Limited | Hong Kong | HK$1 | – | 100% | Investment holding |
| Ocean Diamond Limited | BVI | US$50,000 | – | 100% | Investment holding |
| Real Achieve Limited | BVI | US$1 | 100% | – | Investment holding |
| Shanghai Sinolink Xijiao Property Development Co., Ltd. 上海百仕達西郊地產發展有限公司 | PRC – Limited company | RMB190,000,000 | – | 80% | Property development |

## 41. LIST OF SUBSIDIARIES *(Continued)*

| Name of subsidiary | Place of incorporation/ establishment | Issued and fully paid up share capital/ registered capital | Attributable proportion of nominal value of issued/registered capital held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|
| 上海百仕達蘇河灣地產發展有限公司(note) | PRC – Limited company | RMB5,000,000 | – | 80% | Property development |
| 深圳市百仕達置地有限公司 (note) | PRC – Limited company | RMB10,000,000 | – | 80% | Property development |
| Shenzhen Mangrove West Coast Property Development Co., Ltd. 深圳紅樹西岸地產發展有限公司 | PRC – Sino-foreign equity joint venture | RMB200,000,000 | – | 87% | Property development |
| 深圳百仕達商業管理有限公司 | PRC – Limited company | RMB1,000,000 | – | 80% | Property management |
| 深圳百仕達酒店管理有限公司 (note) | PRC – Limited company | RMB1,000,000 | – | 80% | Property management |
| Shenzhen Sinolink Property Management Co., Ltd. 深圳百仕達物業管理有限公司 | PRC – Limited company | RMB5,000,000 | – | 80% | Property management |
| Sino Elegance Investment Holdings Limited (note) 源品投資控股有限公司 | Hong Kong | HK$1 | – | 100% | Investment holding |
| Sino Support Holdings Limited (note) 漢承控股有限公司 | BVI | USD3,000 | 100% | – | Investment holding |
| Sinolink Assets Management Limited | BVI | HK$2 | 100% | – | Investment holding |

For the year ended 31 December 2010

## 41. LIST OF SUBSIDIARIES *(Continued)*

| Name of subsidiary | Place of incorporation/ establishment | Issued and fully paid up share capital/ registered capital | Attributable proportion of nominal value of issued/registered capital held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|
| Sinolink LPG Development Limited | BVI | US$1 | – | 100% | Investment holding |
| Sinolink Petrochemical Investment Limited | BVI | US$1 | – | 100% | Investment holding |
| Sinolink Progressive Limited | BVI | US$47,207 | 100% | – | Investment holding |
| Sinolink Properties Agent Limited 百仕達物業代理有限公司 | Hong Kong | HK$10,000 | – | 100% | Dormant |
| Sinolink Properties Limited 百仕達地產有限公司 | PRC – Foreign equity joint venture | RMB375,000,000 | – | 80% | Property development |
| Sinolink Shanghai Investments Ltd. | BVI | US$1 | 100% | – | Investment holding |
| Sinolink Worldwide (HK) Company Limited 香港百仕達有限公司 | Hong Kong | HK$10,000,000 | – | 100% | Investment holding |
| Smart Orient Investments Limited | BVI | US$1 | 100% | – | Investment holding |
| Timeway Holdings Limited | Hong Kong | HK$10,000 | 100% | – | Investment holding |

Note: The company was incorporated in 2010.

Except for the investment holding companies which have no definite place of operation, all the above subsidiaries operate principally in their respective place of incorporation/establishment.

None of the subsidiaries had issued any debt securities at the end of the year.

At 31 December 2010

## PROPERTIES HELD FOR DEVELOPMENT/SALE

| | Description | Type of use | GFA ($M^2$) | Effective % held | Stage of completion | Anticipated completion |
|---|---|---|---|---|---|---|
| 1. | Sinolink Garden Phase V Part I Eastern District Taining Road, Taibai Road, Buxin Road, Luowu District, Shenzhen | Residential and commercial | 1,077 | 80% | Completed | N/A |
| 2. | Mangrove West Coast Land lot no. 7207-0026 Bin Hai Da Dao North, Sha He Dong East, Nanshan, Shenzhen | Residential | 8,987 | 87% | Completed | N/A |
| 3. | Land lot no. 240 of Xinjingzhen, Changning District, Shanghai | Residential | 13,830 | 80% | Construction in progress | 2012 |

# PARTICULARS OF MAJOR PROPERTIES

At 31 December 2010

## PROPERTIES HELD FOR INVESTMENTS

| | Property | Type of use | GFA ($M^2$) | Effective % held |
|---|---|---|---|---|
| 1. | 518 car parks at<br>Residence Club House<br>Phase 1 Sinolink Garden<br>Taining Road<br>Luowu District<br>Shenzhen | Car parks | 16,500 | 80% |
| 2. | Shops of the basement<br>Phase 3 Sinolink Garden<br>Taibai Road<br>Luowu District<br>Shenzhen | Shops | 729 | 80% |
| 3. | Shop unit Nos. 1,2, and 3 on level 1<br>and whole floor of level 2<br>Sinolink Ancillary Building No. 8<br>Dongxiao Road<br>Luowu District<br>Shenzhen | Shops | 2,376 | 80% |
| 4. | Unit Nos. 101,102 ad 103<br>Ancillary Building<br>West District, Phase 4,<br>Sinolink Garden<br>Taining Road<br>Luowu District<br>Shenzhen | Commercial | 20,232 | 80% |

At 31 December 2010

| | Property | Type of use | GFA ($M^2$) | Effective % held |
|---|---|---|---|---|
| 5. | 4 lorry parking spaces and 1,070 car parks<br>Phase 4, Sinolink Garden<br>Taining Road<br>Luowu District<br>Shenzhen | Car parks | 44,000 | 80% |
| 6. | 1,700 car parks at<br>Residence Club House<br>Mangrove West Coast<br>Land lot no. 7207-0026<br>Bin Hai Da Dao North<br>Sha He Dong East, Nanshan<br>Shenzhen | Car parks | 85,000 | 87% |
| 7. | Sinolink Garden Phase V<br>Eastern District<br>Taining Road<br>Luowu District<br>Shenzhen | Commercial | 39,434 | 80% |

# FINANCIAL SUMMARY

For the year ended 31 December 2010

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | **2010** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| **RESULTS** | | | | | |
| Turnover | 3,329,052 | 2,921,556 | 1,688,807 | 3,999,178 | **1,280,936** |
| Profit before taxation | 1,424,772 | 2,014,434 | 785,360 | 2,247,604 | **901,217** |
| Taxation | (419,520) | (699,530) | (351,675) | (821,011) | **(262,283)** |
| Profit for the year | 1,005,252 | 1,314,904 | 433,685 | 1,426,593 | **638,934** |
| Attributable to: | | | | | |
| Owners of the Company | 962,431 | 1,167,067 | 342,874 | 1,213,800 | **560,317** |
| Non-controlling interests | 42,821 | 147,837 | 90,811 | 212,793 | **78,617** |
| | 1,005,252 | 1,314,904 | 433,685 | 1,426,593 | **638,934** |
| | HK cents | HK cents | HK cents | HK cents | **HK cents** |
| Earnings per share | | | | | |
| Basic | 30.21 | 35.95 | 10.43 | 36.25 | **15.81** |
| Diluted | 29.82 | 35.64 | 10.43 | 36.23 | **9.67** |

For the year ended 31 December 2010

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | **2010** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | 5,585,258 | 6,749,383 | 7,486,663 | 10,724,772 | **10,435,384** |
| Total liabilities | (1,438,502) | (2,207,291) | (2,515,761) | (3,889,938) | **(2,959,383)** |
| | 4,146,756 | 4,542,092 | 4,970,902 | 6,834,834 | **7,476,001** |
| Equity attributable to owners of the Company | 3,829,427 | 4,064,079 | 4,396,125 | 6,069,281 | **6,626,096** |
| Non-controlling interests | 317,329 | 478,013 | 574,777 | 765,553 | **849,905** |
| | 4,146,756 | 4,542,092 | 4,970,902 | 6,834,834 | **7,476,001** |