SHANGHAI ZENDAI
上海証大房地產有限公司

SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 00755

Continued Growth

ANNUAL REPORT 2010

CORPORATE DEVELOPMENT STRATEGY

Shanghai Zendai is a comprehensive real estate value creator engaged in real estate development, property development, property operations, property management and property-related finance activities. For the decade ahead, the Company will devote itself in the following during the first five years: brand development of the Thumb project, a residential and commercial integrated community, and Mandarin Palace villas; brand building of the Himalayas project, an urban integrated commercial property; hotels and resorts development; product improvement; brands figuring; and scale expansion. For the remaining five years, it will strive to be a first-rate property operator in China through optimizing property services and strengthening property-related finance activities.

CONTENTS

BOARD AND COMMITTEES

BOARD

Executive Directors

Mr. Ma Chengliang *(Chairman)*
Mr. Wang Fujie
Mr. Dai Zhikang
Mr. Zhu Nansong
Mr. Zuo Xingping
Ms. Zhou Yan
Mr. Tang Jian

Non-executive Directors

Mr. Wu Yang
Mr. Wang Zhe
Mr. Zhang Hua
Mr. Liu Zhiwei

Independent Non-executive Directors

Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan
Dr. Tse Hiu Tung, Sheldon

COMMITTEES

Executive Committee

Mr. Ma Chengliang *(Chairman)*
Mr. Wang Fujie *(Vice Chairman)*
Mr. Dai Zhikang
Mr. Zhu Nansong
Mr. Zuo Xingping
Ms. Zhou Yan
Mr. Tang Jian

Strategic Decisions Committee

Mr. Lo Mun Lam, Raymond *(Chairman)**
Mr. Ma Chengliang *(Vice Chairman)*
Mr. Wang Zhe

Review Committee

Dr. Tse Hiu Tung, Sheldon *(Chairman)**
Mr. Zhu Nansong *(Vice Chairman)*
Mr. Tang Jian
Mr. Zhang Hua

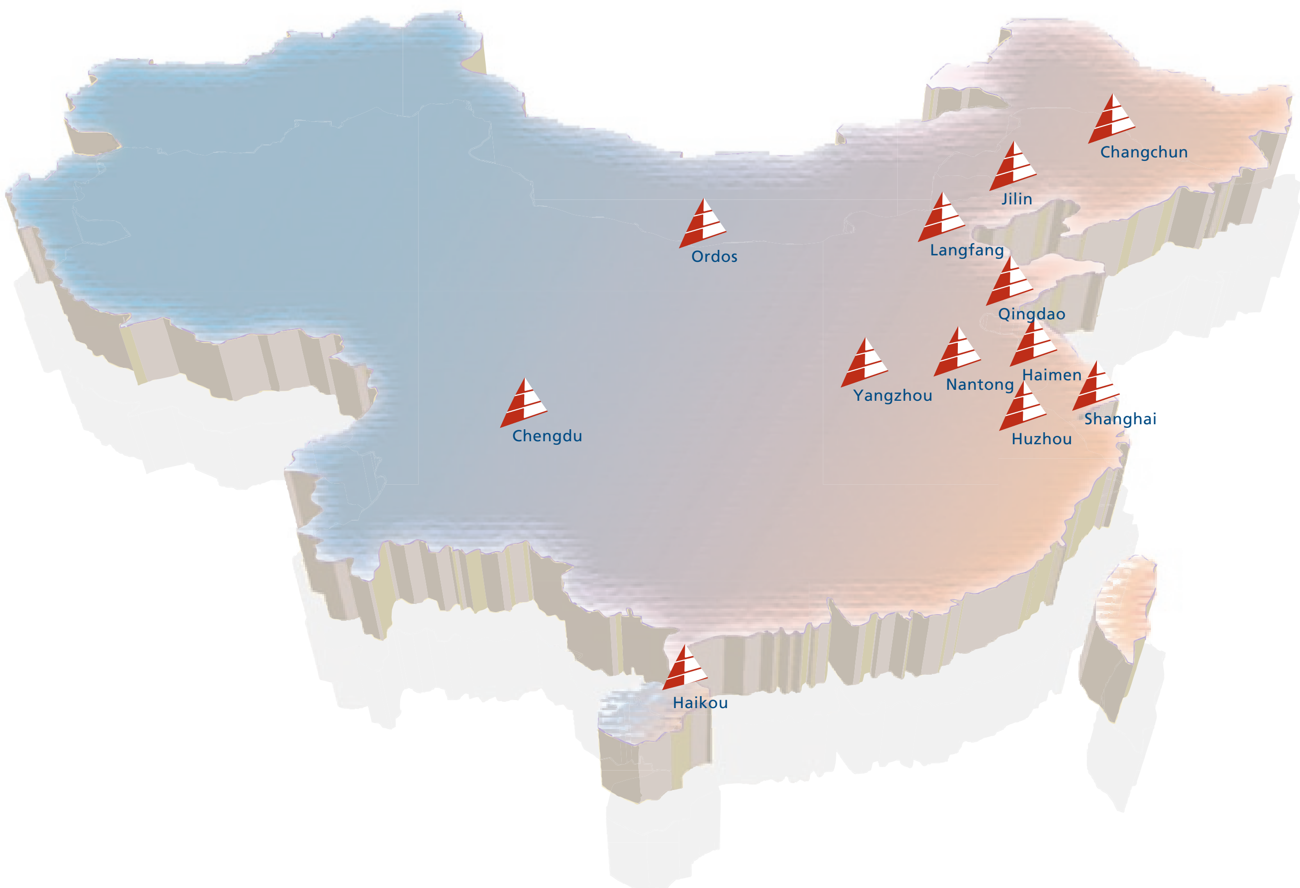
Human Resources Committee

Mr. Lai Chik Fan *(Chairman)**
Mr. Wang Fujie *(Vice Chairman)*
Ms. Zhou Yan

* Independent non-executive Directors

MAP OF LOCATIONS OF PROPERTY PROJECTS

Being a diversified property development company in China, the Group has been focusing on development, investment and management in respect of residential and commercial properties in China. The Group is currently developing real estate projects in three regions, i.e. the north of China, Shanghai and its surrounding area, as well as Hainan, across 12 cities.



CORPORATE INFORMATION

PRINCIPAL BANKERS

Standard Chartered Bank
Citic Ka Wah Bank Limited
Bank of China
Hua Xia Bank
Shanghai Pudong Development Bank
Agricultural Bank of China

SOLICITORS

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Bermuda

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AUDITOR

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Certified Public Accountants
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111 Connaught Road Central
Hong Kong

COMPANY SECRETARY

Mr. Tso Shiu Kei Vincent

QUALIFIED ACCOUNTANT

Mr. Wong Ngan Hung

REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Secretaries Limited
Level 26, Tesbury Centre
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Hong Kong

Hainan Zendai International Financial Center

FINANCIAL RESULTS

The board of directors (the "Directors") of Shanghai Zendai Property Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 (the "period" or "year under review").

During the year under review, turnover of the Group amounted to approximately HK$3,959,091,000, an increase of 83% against approximately HK$2,162,092,000 last year. Profit attributable to shareholders of the Company (the "Shareholders") rose by around 35% to approximately HK$569,838,000 as compared with HK$421,262,000 last year. Basic earnings per share of shares of the Company (the "Share") were HK4.6 cents (2009: HK4.1 cents). The Group's turnover and profit for the year were mainly generated from:

- Delivery of office buildings in "Wu Dao Kou Financial Center", Shanghai
- Delivery of office buildings in "Zendai Yuanshen Financial Building", Shanghai
- Delivery of residential properties and ancillary commercial space in "Zendai Quantland", Shanghai
- Delivery of residential properties in Changchun, Jilin, Haimen and Chengdu
- Sharing of the profits of associates generated from the delivery of residential properties and revaluation gains on investment properties

Coastal view of Nantong residential project (rendering)

BUSINESS REVIEW

In 2010, as the transaction volume and price of properties in the People's Republic of China (the "PRC") continued to record satisfactory growth, the PRC Government launched a series of macroeconomic policies to restrict the overheated development of the residential property market. However, the continued strong demand has supported the growth in both the transaction volume and prices of properties. Moreover, as the effect of the financial tsunami in 2009 gradually subsided, the PRC's commercial property market in the year under review has begun to recover with satisfactory growth recorded in transaction volume, prices and rentals.

During the year under review, the Group continued to capitalise on its excellent brand and enhance its position as an integrated property developer by launching high-end residential and commercial property projects as well as developing and investing in commercial properties. In February 2010, the Group succeeded in bidding for the land parcel of 外灘國際金融中心(8-1) ("the Land Parcel") at an auction at an aggregate price of RMB9,220,000,000 (equivalent to approximately HK$10,566,000,000). The Group plans to develop the Land Parcel into a large-scale integrated office, commercial, financial and cultural project. This integrated project is set to become another milestone in the Group's development history.

Himalayas Center, the largest urban integrated cultural and commercial property in Shanghai, opened in November 2010. The project which is an amalgam of the Jumeirah Himalayas Hotel Shanghai, the Himalayas Art Museum, the DaGuan Theatre and Shopping Centre is situated on a prime location and represents a landmark development for the Group. All of the investments and projects mentioned above enable the Group to continue to consolidate its position as a leading integrated commercial property project developer in the PRC, further expand its business and secure a broader and stable income stream.

COMMERCIAL PROPERTY PROJECTS

Shanghai

Wu Dao Kou Financial Centre

"Wu Dao Kou Financial Centre", a grade A commercial project of the Group in Pudong, Shanghai comprises a south tower and a north tower, with a total saleable area of 83,265 square metres. The south tower, with a total floor area of 25,865 square metres, was acquired by Evergreen Group of Taiwan as its Asia Pacific headquarters and has been delivered. The north tower, comprised of office and ancillary commercial space with a total floor area of 57,400 square metres had 52,066 square metres sold and delivered as at 31 December 2010. During the period, 20,596 square metres were delivered and contract value totaling RMB735,939,000 (equivalent to HK$843,386,000) has been recognised as turnover.

Zendai Yuanshen Financial Building

"Zendai Yuanshen Financial Building" of the Group, located in Pudong, Shanghai, has a total saleable area of approximately 47,400 square metres. It comprises a 17-storey office building with two additional floors of commercial space, two 18-storey serviced apartments with the first floor serving as a commercial area, and two floors underground serving entertainment and leisure-related purposes and used as a car park. "Zendai Yuanshen Financial Building" was completed at the end of 2009. A cumulative floor area of 15,992 square metres of the office building together with 192 car parking spaces were sold and delivered during the year under review, and a contract value totaling RMB553,499,000 (equivalent to HK$634,310,000) has been recognised as turnover.

Zendai Cube Tower

"Zendai Cube Tower", another grade A office building of the Group in Pudong, Shanghai comprises office and commercial space with a total floor area of 33,149 square metres. As at 31 December 2010, a cumulative floor area of 33,149 square metres was sold, and 972 square metres were delivered during the period. A contract value totaling RMB36,507,000 (equivalent to HK$41,837,000) was recognised as turnover.

Bird's-eye view of Nantong commercial project (rendering)

Bird's-eye view of West Town project (rendering)

Zendai Thumb Plaza

The area of retail shops in "Zendai Thumb Plaza" owned by the Group in Shanghai covers a total floor area of 47,382 square metres with 447 underground car parking spaces. Zendai Thumb Plaza is a modern integrated commercial complex in a prime location near Century Park and the Lujiazui financial district. Since March 2010, the Group has commenced upgrade work in order to enhance its image. Construction was completed in the fourth quarter. As at 31 December 2010, more than 90% of the commercial space in the plaza was leased. Rental income recognised during the period was RMB55,967,000 (equivalent to HK$64,138,000).

Radisson Hotel Pudong

Zendai Thumb Plaza also included the five-star Radisson Hotel Pudong. The 18-storey hotel boasts a gross floor area of 31,826 square metres and 361 guest rooms, a four-storey ancillary building and one level of basement. It is managed under the "Radisson" brand by Carlson Companies. The average occupancy rate of the hotel was 72% in 2010. Total income of the hotel during the period reached RMB133,528,000 (equivalent to HK$153,023,000), an increase of 41% from the last corresponding period.

Changchun residential project – Zendai Ideal City

Himalayas Center

"Himalayas Center", the largest urban integrated cultural and commercial property in Shanghai and 45% owned by the Group, has opened on 28 November 2010. The project is situated on a prime location in Pudong facing the Shanghai New International Expo Center. Furthermore, the Fangdian Road station exit of the Metro Line 7 directly links with the basement of the Center's shopping mall and it is also near the Long Yang Road Station, the junction of Metro Line 2 and the Shanghai Maglev Line. The project occupies a site area of 28,893 square metres with a total gross floor area of approximately 164,500 square metres, including a commercial area of approximately 55,700 square metres.

The Himalayas Center is an amalgam of the Jumeirah Himalayas Hotel Shanghai, the Himalayas Art Museum, the DaGuan Theatre and Shopping Centre and will be completed in phases between February 2011 and the third quarter of 2011. The Jumeirah Himalayas Hotel Shanghai with a total gross floor area of approximately 66,400 square metres, has 405 guest rooms. It is the first hotel in China managed by Jumeirah Hotel Group. Trial operations will commence in March 2011. The Himalayas Art Museum is the first large open museum in the world and the DaGuan Theatre is the official venue of the "Shanghai International Film Festival".

The Himalayas Center was designed by Arata Isozaki, an internationally acclaimed architect. Guided by an architectural theme of the modern panoramic natural landscape and greenery, the Center includes the city's largest "specially contoured" building, which has an overall height of 31.5 metres and comprises 29 single building units in different styles, complemented by the largest sky garden in Shanghai. It was named as the "The Only Project Outside Shanghai World Expo Park" ("唯一世博場館外項目") in the "Dedicated Design for the World Expo" (《為世博而設計》) programme by China Central Television ("CCTV") and one of the "Nine Landmark Buildings in China" in the Dedicated Design for China (《為中國而設計》) programme on CCTV in 2010.

Parcel of Land in Qingpu District

The Group has a parcel of land in the tourist site of Zhujiajiao Town, Qingpu District, Shanghai. This 140,099 square metres land is to be developed as an integrated project comprising mid-to-high-end serviced apartments, retail shops, hotels and a club house, with a gross floor area of approximately 180,000 square metres. The Project is to be divided into two phases. Phase I with a gross floor area of approximately 124,634 square metres contains both residential (43,299 square metres) and commercial areas (57,782 square metres) as well as a business hotel (23,553 square metres). Construction will be started in the first quarter of 2011, while pre-sale of the residential and commercial areas are scheduled to start in the third quarter of 2011 and to be delivered in the second quarter of 2012, and construction of the business hotel will be completed in the third quarter of 2012. Phase II with a gross floor area of approximately 55,390 square metres has construction planned to commence in the third quarter of 2011 with a commercial plaza and resort hotel to be erected. Pre-sale of the commercial plaza is expected to begin in the second quarter of 2012 and construction of the whole project will be completed by the end of 2012.

Parcel of Land in the Bund, Shanghai

The Group has succeeded in its bid for the land parcel of 外灘國際金融中心(8-1) (the "Land Parcel") in Shanghai in February 2010. The land premium of RMB9,220,000,000 (equivalent to approximately HK$10,566,000,000) has been fully paid. The Land Parcel is located at the Bund in the dynamic Huangpu District and between Yu Garden and the Shiliupu EXPO Pier, in the prestigious central financial and commercial district within Shanghai. The Land Parcel offers a panoramic view from the bank of the Huangpu River, the Shanghai World Financial Center and Jin Mao Tower in Pudong district. It has been designated for integrated office, commercial, financial and cultural use.

The Land Parcel has a total site area of 45,472 square metres with the total planned gross floor area in the above-ground space covering approximately 270,000 square metres and an additional 100,000 square metres of underground space. Upon completion of the development, the total gross floor area of the office and commercial units in the above-ground space is expected to be greater than 70% and 15% of the developed area respectively. The development of the Land Parcel is currently under planning and is expected to become another landmark project in Shanghai.

Other Cities

Qingdao "Zendai Thumb Plaza"

The Group owns a parcel of land in Laoshan District, Qingdao City, Shandong Province, in the PRC. The approximately 38,092 square metres site is located northwest of the junction of Haier Road and Tongan Road, and is intended to be developed into an integrated project, "Qingdao Zendai Thumb Plaza". The project is to include retail shops, a hotel and serviced apartments with a gross floor area of approximately 215,678 square metres. The construction work has begun in June, 2010 and the entire project is expected to be completed by end of 2011. Pre-sale of the project is expected to start in the second quarter of 2011.

A Parcel of Land in Lao Shan District, Qingdao City

The Group has a 45% interest in a parcel of land in the Lao Shan District of Qingdao City, Shandong Province. This site covering approximately 43,613 square metres in southwestern Lao Shan District of Qingdao City is bounded by Hongkong Road to its south and Songling Road to its west. The site is intended for development of an integrated project named "Qingdao Shangshi International Plaza" which comprises serviced apartments, residential apartments and an underground car park. The project with a total gross floor area of approximately 143,000 square metres is to be constructed in phases. Phase I comprising five 28- to 30-storey high-end residential buildings with a gross floor area of approximately 66,190 square metres was completed in the first quarter of 2010. The pre-sale of the residential units started in late May of 2009 and 66,190 square metres had been sold as at 31 December 2010, generating a total contract value of RMB1,752,158,000 (equivalent to HK$2,007,974,000). The 66,190 square metres sold were all delivered during the year. Other parts of the project are still under planning.

Yangzhou Commercial Project

The Group is developing an integrated property project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, including a cultural sightseeing area and a commercial district. The project has a total saleable area of approximately 81,200 square metres. It is to be developed in two phases. Phase I is to include 12 blocks and 243 units, which will be reserved for leasing, with a gross area of approximately 20,089 square metres. Construction of Phase I was completed in the fourth quarter of 2009. Trial operation commenced at early 2010. Planning of Phase II is currently underway.

Haikou Project

The Group owns "Zendai International Financial Centre", a project with a saleable area of approximately 56,237 square metres in Haikou City, Hainan Province. The project was completed at the end of 2010. As at 31 December 2010, a total gross floor area of 19,427 square metres was sold, generating a total contract value of RMB307,691,000 (equivalent to HK$352,614,000). Among this area, 2,491 square metres were delivered during the period and a total contract value of RMB33,083,000 (equivalent to HK$37,913,000) was recognised as turnover.

A Parcel of Land in Chenmai County, Hainan Province

The Group owns 60% interest in a parcel of land in Chenmai County, Hainan with a site area of 1,309,563 square metres. The land is intended to be developed into a leisure-related commercial and residential property, including hotels, villas and other related facilities. Related layouts and concrete design are currently on the drawing board.

"Zhongke Langfang Technology Valley" in Langfang City

The Group and Shan Shan Investment Holdings Co., Limited ("Shan Shan Investment") are jointly developing the "Zhongke Langfang Technology Valley" ("Technology Valley") in Langfang City, Hebei Province. The project has a total site area of approximately 3,300,000 square metres, around 30% of which is to be used for development of commercial properties. The project is intended to become a technology research and development centre with Silicon Valley in the US as a role model. Construction of infrastructure has been completed and it is now launching for tenants. The first batch of tenants to be stationed in the Technology Valley includes seven research centers under the Chinese Academy of Science. The strategic alliance facilitates the Group to gain a foothold in the Bohai Rim to seize business opportunities.

Land Parcels in Nantong City, Jiangsu

The Group has formed a joint venture, 文廣証大南通文化投資發展有限公司, with Shanghai Media & Entertainment Group ("SMEG") through its wholly-owned subsidiary Shanghai Zendai Real Estate Co., Ltd. ("Shanghai Zendai Land") in March 2010. The joint venture is owned in equal parts by Shanghai Zendai Land and 上海精文置業（集團）有限公司 (a subsidiary of SMEG) to acquire and develop two parcels of land in Nantong City, Jiangsu Province, the PRC. The total site area of the land parcels is 281,912 square metres. Shanghai Zendai Land is to assume a leading role in the management of the project.

The two parcels of land are located in the southern part of Chongchuan District in Nantong City, Jiangsu Province and are adjacent to the Langshan Scenic Region, one of the major tourist attractions in Jiangsu Province, and in close proximity to the major commercial and Government administration districts of Nantong City. A number of high-end entertainment facilities and a golf course are located in this area. This part of Chongchuan District is expected to be developed into a prestigious commercial area and residential community. The Group is planning to develop the land parcels into a large scale commercial and residential project modeled after Shanghai Zendai Thumb Plaza with a total gross floor area of approximately 201,680 square metres. Construction is to be divided into three phases. The first phase, with a total commercial area of approximately 51,680 square metres, has started construction at the beginning of 2010 and is to be completed in stages between October 2010 and June 2011. The second phase is intended to be a residential project with a total gross floor area of approximately 109,200 square metres. Construction has started in the fourth quarter of 2010 and is expected to be completed by the end of 2011. Pre-sale of the project is planned to start in June 2011. The third phase is a commercial area of approximately 40,800 square metres, with construction to start in 2012.

RESIDENTIAL PROJECTS

Shanghai

Mandarin Palace

"Mandarin Palace", the Group's premium residential project in Shanghai, comprises 54 villas with a total saleable area of approximately 39,696 square metres. As at 31 December 2010, 46 villas with total saleable area of 33,037 square metres had been sold, generating RMB1,571,345,000 (equivalent to approximately HK$1,800,762,000) of total contract value for the Group. During the period, two villas with a total saleable area of 1,232 square metres have been delivered and a total contract value of RMB97,500,000 (equivalent to HK$111,735,000) has been recorded in the period.

Zendai Yuanshen Financial Building – Zendai Quantland

"Zendai Yuanshen Financial Building" is located in Pudong, Shanghai. It has a total saleable area of approximately 47,400 square metres, which is planned to be developed into an office building of 17 floors with two levels of commercial space and two 18-storey serviced apartment blocks with the ground floor as commercial space. In addition, there will be two underground levels for entertainment and leisure-related uses and car parking. The "Zendai Quantland" residential units in Zendai Yuanshen Financial Building have total residential and commercial saleable areas of approximately 22,100 square metres and 9,308 square metres respectively. Construction of the building was completed at the end of 2009 and the pre-sale commenced in January 2009. As at 31 December 2010, a cumulative area of 30,516 square metres was sold. Approximately 10,893 square metres were sold during the period, generating RMB262,718,000 (equivalent to HK$301,075,000) in contract value. During the period, 16,865 square metres were delivered and a total contract value of RMB436,786,000 (equivalent to HK$500,557,000) was recognised as turnover.

Other Cities

"Valley International" in Jilin

Occupying a 191,100 square metres site, the total saleable area of the residential project "Valley International" is approximately 202,000 square metres. The project is to be developed in four phases.

"楓林別墅", the first phase of the project, comprises 118 town houses and 11 villas with a saleable area of 39,252 square metres. As at 31 December 2010, a total saleable area of 38,987 square metres were sold, among which 2,171 square metres were delivered during the period, carrying a total contract value of RMB19,165,000 (equivalent to HK$21,963,000) which was recognised as turnover.

The second phase of the project will comprise four low-rise blocks and seven high-rise residential blocks, providing 503 residential units and ancillary commercial facilities in aggregate, with a saleable area of approximately 83,357 square metres, (79,552 square metres of which will be for residential use and 3,805 square metres will be for commercial use). Construction of the 11 buildings will be delivered in three batches.

Construction of the first batch, comprising four low-rise blocks with residential units and ancillary commercial units of a saleable area measuring 22,996 square metres, has been completed. The units were all sold out, generating total sales of RMB82,488,000 (equivalent to HK$93,779,000). During the year under review, the Group has delivered units with total area of 22,872 square metres, carrying a total contract value of RMB82,083,000 (equivalent to HK$94,067,000) which was recognised as turnover.

Construction of the second batch comprises five high-rise blocks and provides 250 residential units with a saleable area of 42,258 square metres, among which a total area of 22,167 square metres was completed at the end of 2010. Pre-sale has started in October 2009. As at 31 December 2010, a total saleable area of 16,979 square metres has been sold, carrying a total contract value of RMB86,208,000 (equivalent to HK$98,794,000). During the year under review, a saleable area of approximately 14,369 square metres was sold, generating RMB74,059,000 (equivalent to HK$84,872,000) of contract value. A total area of 9,287 square metres has been delivered during the year under review and a total contract value of RMB48,929,000 (equivalent to HK$56,073,000) was recognised as turnover.

The third batch is to comprise two high-rise blocks with 44 residential units of saleable area covering approximately 14,298 square metres. Construction has commenced in the second quarter of 2009. Pre-sale of the units is planned to commence in the second quarter of 2011 and the units are to be delivered in the fourth quarter of 2011.

The third phase of the project is to provide 117 villas and town houses with a saleable area of approximately 44,500 square metres. Construction has started in May 2008 and was completed in the second quarter of 2010. Pre-sale began in October 2008. As at 31 December 2010, 112 units with a total saleable area of 42,509 square metres were sold, generating a total contract value of RMB233,111,000 (equivalent to HK$267,145,000) for the Group. During the year under review, a saleable area of approximately 11,417 square metres was sold, generating RMB63,806,000 (HK$73,122,000) in contract value. A total of 40,172 square metres were delivered during the period and contract value totaling RMB220,798,000 (equivalent to HK$253,035,000) was recognised as turnover.

Specific planning is still under progress for phase four of the project which will be developed into villas with a saleable area of approximately 34,920 square metres.

"Zendai Ideal City" In Changchun

Located in Changchun, "Zendai Ideal City" is to comprise residential properties and ancillary commercial space on a 308,800 square metres site, with a total saleable area of 413,000 square metres. The project is to be constructed in five phases. The first phase is to have a total saleable area of approximately 112,000 square metres on an approximately 77,300 square metres site. It is to include 23 multi-storey residential buildings and three high-rise residential buildings, offering a total of 1,210 units and related ancillary commercial facilities. Construction was completed in October 2009. As at 31 December 2010, 1,205 residential units with total saleable area of 105,380 square metres in the first phase were sold, generating a total contract value of RMB357,437,000 (equivalent to HK$409,623,000). During the year under review, the Group delivered 69 residential units with an area of 4,845 square metres and a contract value of RMB17,896,000 (equivalent to HK$20,509,000) was recognised as turnover.

The second phase of the project is planned to be developed into 19 multi-storey residential buildings, 10 high-rise residential buildings and ancillary commercial facilities, with a total saleable area of about 114,074 square metres. (Of this, 102,371 square metres would be for residential use and 11,703 square metres would be for commercial use). Construction was completed within 2010 and to be delivered in batches. Pre-sale has commenced in the first quarter of 2009. As at 31 December 2010, a total area of 99,998 square metres was sold, generating a total contract value of RMB391,434,000 (equivalent to HK$448,584,000) for the Group. An area of approximately 45,258 square metres was sold during the period, bringing a total contract value of RMB189,028,000 (equivalent to HK$216,626,000). During the year under review, 99,212 square metres has been delivered and a contract value of RMB388,303,000 (equivalent to HK$444,995,000) was recognised as turnover.

The third phase of the project is to be developed into 16 multi-storey and eight high rise residential complexes with retail shops with a total saleable area of about 126,238 square metres (of which the residential area accounts for 112,769 square metres and commercial space accounts for 13,469 square metres). The construction has commenced in May 2010, while pre-sale has started in early 2011. The phase is expected to be delivered in batches commencing from second half of 2011.

"Zendai Garden-Riverside Town" in Haimen

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province comprises two parcels of land occupying a total site area of 1,388,872 square metres.

The first parcel has an area of 577,336 square metres and is to be developed into two parts. "Dong Zhou Mansion", the first part of the parcel, is being developed in three phases with Phase I offering 52 villas with a saleable area of approximately 17,457 square metres. As at 31 December 2010, a cumulative 51 units with a total saleable area of 17,153 square metres were sold, generating RMB87,276,000 (equivalent to HK$100,018,000) of contract value. Eight blocks with an area of 2,486 square metres were sold during the period, generating a total contractual value of RMB17,913,000 (equivalent to HK$20,528,000). During the year under review, the Group delivered nine units with an area of 2,792 square metres and recognised from them a total contract sum of RMB19,601,000 (equivalent to HK$22,463,000). Phases II and III of the "Dong Zhou Mansion" are still in the planning stage. "Multiflora Garden", on the second part of the parcel of land, is to be developed in three phases into an integrated residential area comprising low density town houses. Phases I and II offer 212 units with a saleable area of approximately 57,500 square metres. As at 31 December 2010, a cumulative 199 units with a total saleable area of 53,383 square metres were sold, generating a total contract value of RMB249,030,000 (equivalent to HK$285,388,000). During the period under review, the Group delivered 48 units totalling 12,877 square metres and recognised the sum total of their contracts of RMB63,123,000 (equivalent to HK$72,339,000) as turnover. Phase III of Multiflora Garden has a total gross floor area of approximately 112,190 square metres and a saleable area of approximately 72,350 square metres. Construction has been underway since early 2010 while pre-sale has started in September 2010. As at 31 December 2010, a cumulative 32 units with a total saleable area of 10,271 square metres were sold, generating a total contract value of RMB61,610,000 (equivalent to HK$70,605,000).

The second parcel with an area of approximately 811,536 square metres is to be developed into residential properties in phases. The construction of the first phase, "清華園生態花園洋房", with an area of approximately 43,551 square metres and a saleable area of approximately 63,886 square metres, was completed in November 2010 and pre-sale of units has started in the first quarter of 2010. As at 31 December 2010, an area of 15,575 square metres was sold, generating RMB65,041,000 (equivalent to HK$74,537,000) of contract value. During the period under review, an area of 8,964 square metres has been delivered and a total contract value of RMB37,182,000 (equivalent to HK$42,611,000) was recognised as turnover. Other aspects of development for the second parcel are currently under planning.

Chengdu "山水琨玉"

The Group has acquired "山水琨玉", a multi-storey residential project with ancillary commercial facilities in Chengdu, Sichuan Province in 2009. Construction of the project, with total saleable area of 33,002 square meters, was completed in December, 2010. Pre-sale of project has been started in November, 2009 and an accumulative area of 32,712 square meters were sold as at 31 December 2010, generating a total contract value of RMB350,775,000 (equivalent to HK$401,988,000). During the year under review, a total area of 30,348 square meters was sold with contract value amounting to RMB330,357,000 (equivalent to HK$378,589,000). Among this area, 28,937 square meters were delivered and a total contract value of RMB308,944,000 (equivalent to HK$354,050,000 was recognised as turnover in the review period.

Land Parcels in Inner Mongolia Autonomous Region

The Group owns one parcel of land in Dongsheng Kangbashi New Area, Ordos City, Inner Mongolia Autonomous Region, the PRC, with a total site area of 149,184 square metres. The land parcel is intended to be developed into villas with a planned saleable area of 73,276 square metres. It will commence construction in March 2011 and is expected to be completed and delivered in December 2011. Pre-sale will begin in July 2011.

Huzhou in Zhejiang Province

The Group owns a parcel of land with an area of approximately 59,935 square metres in Huzhou, Zhejiang Province. The project with a total gross floor area of approximately 119,000 square metres is to be developed into a project with residential properties and ancillary commercial spaces. Specific planning of the project is underway.

PROSPECTS

To prevent any assets bubble created by the overheated property market, the PRC Government is expected to continue its policy of implementing various macro-economic control measures subject to changes of the market situation. These efforts are aimed at reducing overflowing liquidity and suppressing property speculation by developers, as well as guiding the development of subsidised housing to assist lower income families. The overriding objective is to stabilise the soaring property market in the PRC and to ensure that the entire market can grow in a healthy, balanced and orderly manner. In view of the sustained macroeconomic development of the PRC, the accompanying rising living standards and accelerating urbanisation, the demand for residential property is expected to remain at high level. Thus, the Group's management remains very optimistic about the long-term prospects of the PRC property market.

The Group will adhere to its ten-year development strategies formulated last year to capture the growth opportunities presented within the PRC property market. Key to this will be the Group's use of the successful experience gained from the Zendai Thumb Plaza community project, a residential and commercial integrated community, Mandarin Palace villas and Himalayas project as models which will be replicated in the second- and third-tier and coastal cities during the first five years. During this time, we will focus on delivering more good projects, strengthening our branding advantage and growing our business. In the second five years, the Group will devote itself to optimising property services and strengthening its real estate financial services, with an aim to become the top property developer in the sector.

Moreover, the Group plans to invest in larger projects and enhance its overall competitiveness through setting up joint ventures with leading property developers and investment companies within the PRC. In April 2010, the Group entered into an agreement with Shanghai Forte Land Co., Ltd. Hangzhou Greentown Land Investment Co., Ltd. and Shanghai Panshi Investment Management Co., Ltd. to establish a joint venture to engage in property development and investment projects in Shanghai to be recommended by the Group.

The Group also entered into a letter of intent with Renown Capital Investments Limited ("RCI") in late June last year to establish a fund management company to invest in high-end sports-related property projects. The target areas for investment are mainly first-tier cities in the PRC and Hainan Province during its first stage. The Group is to hold a 60% interest in the fund management company. The establishment of the fund management company enables the Group to further expand its business and add a profit growth driver.

In the future, the Group will develop and market projects after evaluating the potential with close reference to market trends. It will also carefully seek investment opportunities in areas with promising prospects for development potential while leveraging its own strengths to generate better returns for its shareholders.


Qinghua Garden, Haimen


Qinghua Garden, Haimen

REVIEW OF OPERATIONS

The results of the Group for the year under review was satisfactory. The turnover and profit for the year were mainly attributable to sales and delivery of office units of Wu Dao Kou Financial Centre and Zendai Yuanshen Financial Building, residential units in Zendai Quantland, Zendai Ideal City, Jilin, Haimen and Chengdu and share of profits from associates. The Group continued to offer both residential and commercial properties for sale. For commercial projects, they were office premises in Wu Dao Kou Financial Centre, Zendai International Financial Centre and Zendai Yuanshen Financial Building. In respect of residential projects, they were apartments in Zendai Quantland and Chengdu and, apartments, villas and detached houses in Haimen, Jilin and Changchun.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING

As at 31 December 2010 the Group had a healthy financial position with total net assets increased from approximately HK$3,784 million in 2009 to approximately HK$5,127 million. Net current assets amounted to approximately HK$5,471 million (2009: approximately HK$3,373 million) with current ratio of approximately 1.43 times (2009: 2.13 times). The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 31 December 2010, the Group had consolidated bank loans of approximately HK$2,541 million in which HK$897 million was repayable within one year and HK$1,644 million was repayable more than one year. As at 31 December 2010, the Group's bank balances and cash including pledged bank deposits are approximately HK$1,682 million. The gearing ratio of the Group increased from 0.70 times in 2009 to 0.96 times in 2010 (basis: total of amounts due to related companies, bank loans, senior loan notes payable and other borrowing divided by Shareholders' funds).

Bird's-eye view of Ordos residential project (rendering)

SEGMENT INFORMATION

Sales of properties

The turnover of this segment for the year amounted to HK$3,612,066,000 (2009: HK$1,881,965,000) increased substantially due to more properties were delivered.

Travel and related business

The turnover of this segment for the year reached approximately HK$12,038,000 (2009: HK$8,874,000).

Property rental, management and agency services

The turnover of this segment for the year was approximately HK$181,964,000 (2009: HK$163,102,000). The increase was due to the recovery of the economy as the adverse effect of the financial crisis in 2009 diminished.

Hotel Operations

The turnover of this segment for the year was HK$153,023,000 (2009: 108,151,000). The increase was due to the higher occupancy rate and room rate charged as a result of Shanghai Expo took place in Shanghai.

FOREIGN CURRENCY EXPOSURES

The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. The Group undertakes certain transactions denominated in currencies other than RMB, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents and senior loan notes also expose to such foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

EMPLOYEES

As at 31 December 2010, the Group employed approximately 1,300 employees (2009: 1,110 employees) in Hong Kong and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, insurance and medical insurance and share option scheme.

MAJOR ACQUISITION

The Group succeeded in its bid for the land parcel of 外灘國際金融中心(8-1) (the "Land Parcel") for RMB9,220,000,000 in February 2010. The Land Parcel has a total site area of 45,472 square metres and is designated for integrated office, commercial, financial and culture use.

Toronto Garden of Phase II of Jilin project

Bird's-eye view of the Thumb Plaza at Qingdao (rendering)

CHARGE ON ASSETS

As at 31 December 2010, the Group's property, plant and equipment, payment for leasehold land held for own use under operating leases, investment properties, properties under development and for sales and pledged bank deposits of approximately HK$361,581,000, HK$591,808,000, HK$1,769,068,000, HK$2,805,034,000 and HK$393,945,000 respectively had been pledged to banks to secure bank loans granted to the Group.

During the year ended and as at 31 December 2010, the Group also pledged its entire interest in 上海証大喜瑪拉雅置業有限公司 and 10% interest in 上海海之門房地產投資管理有限公司, being associates of the Group with carrying amounts of HK$458,730,000 and HK$117,818,000 respectively, and a subsidiary, 上海証大西鎮房地產開發有限公司 with carrying amount of HK$479,077,000 (including properties under development and for sales with carrying amount of HK$568,231,000) for other financing arrangements of the Group.

COMMUNITY SERVICE

The Group has placed importance on community service since its establishment. While the Group enjoys stable growth, it also fulfills its social responsibilities by motivating its employees to participate in a wide variety of community services, and contributes to the society by way of a number of initiatives, including donation of money and goods, and organisation of various activities. The Group has been actively participating in community service for many years and taking actions to fulfil corporate social responsibility. Our efforts have received wide recognition from different sectors of the society.

On 25th April 2010, Dai Zhikang, Chairman of Zendai Group attended the "BAZAAR Celebrities Charity Night" gala organised by Harper's Bazaar magazine and became the highest bidder of the night by spending RMB10 million on "Tai Ping You Xiang", an art piece created by Zeng Fanzhi. The proceeds from the auction have been donated to China Social Assistance Foundation to aid the environmental initiatives at Alxa League and the construction of public facilities in the western regions.

COMMUNITY SERVICE

On 7 May 2010, “Life and Sunshine · Joint Visit to World Expo with the Disabled” kicked off its first stop at Zendai Group. That evening, teachers and 50 little guests from Dujiangyan Youai School were invited by Zendai Group to Radisson Hotel, Pudong Century Park.

After the 5.12 Wenchuan Earthquake in 2008, in order to provide better education to the children in the disaster area, Zendai Group invested in RMB10 million to jointly establish Chengdu Jiangyan Youai School with China Foundation for Disabled Persons and other caring enterprises. As the first nine-year compulsory education school equipped with accessible facilities in China, the school’s mission is to explore the concept of “integrating with the disabled and passing love” and to distribute the disabled students in different classes in different grades, which is beneficial to the physical and mental health development of the disabled students and the nurturing of caring awareness among healthy students. Such ground-breaking education model is the pioneer in the history of education in China.

Wuji College’s second opening ceremony

Starting from 2009, Zendai Group has been adopting public education to cultivate its undergraduates where each semester begins in July. The training program is unique and high-profiled, displaying ingenuity from structure of curriculum to program design. The program also sets out a series of themes featuring “architecture, fine arts, and life” based on the characteristics of the enterprise, as complemented by a “six arts” program which aims at teaching the traditional culture. Influential entrepreneurs, artists, architects and cultural scholars are invited to form a team of tutors to guide young students to become the future elites of our society in adherence to the concept of “leaders’ training” and by utilizing practicum, cultural seminars and brainstorming activities that go beyond mere application of skills and knowledge to in-depth discussion and exploration.

From the perspective of a privately-owned enterprise and with the structure of a corporate enterprise and commercial vision which is backed by the support of the general public, Wuji College is founded by Zendai Group, which attaches great importance to moral education, culture nurturing and mental inspiration, as well as reflection on and breakthrough of the means of traditional education to explore the way for new elite education in the course of modern education development in China.

In addition to training future elites that are strong in commercial operation and with qualities such as self-cultivation, broad vision and fine disposition and interests, Wuji College, founded by Zendai Group, also has the following mission: to promote the Chinese culture to a global scale through capital operation and with the application of “literature and martial arts”, focusing on two areas: Chinese language and Taichi. Capitalizing on the market demand from foreign language speakers for learning Chinese language, core products for Chinese language studies based on “Shuowen Jiezi” (which describes the culture of China through explaining origin of Chinese characters via animation) and with the online platform as a tool for speedy dissemination, the Chinese culture will be promoted worldwide, achieving the Greater China Renaissance.

GROWING WITH OUR EMPLOYEES

The Group has adopted a corporate culture of "growing with our employees", pursuant to which the employees enjoy more opportunities for development, and protection of individual rights are strengthened. In the face of changes in internal and external environment of the Group, we have created an atmosphere of love and care to cater for the different needs of our employees, as well as a culture that uphold their morale. We have organised a wide variety of activities, including seminars, training programs, sport activities, and seminars on professional counselling, to facilitate harmonious and trustful interpersonal relationships, relieve stress and emotion, and improve the psychological quality of our employees so that they could handle problems related to their work and life with a positive attitude.

WINNING SHOTS OF STAFF PHOTO CONTEST 2010

Morning in Phoenix Town

Joy

ANNUAL STAFF PARTY 2011

PUBLIC CULTURAL AND ART FACILITIES DEVELOPMENT

As a qualified corporate citizen, Zendai Property actively takes many corporate social responsibilities while pursuing product quality excellence. As a propagandist of public welfare, the Group is committed to social development, various cultural developments and construction of public art facilities such as Zendai Himalaya Art Museum, which represents the refined tradition of Zendai Property and a great strategy in the course of development of the Company.

Zendai Art S-Supermarket

BIOGRAPHICAL DETAILS OF DIRECTORS

A. EXECUTIVE DIRECTORS

Mr. Ma Chengliang ("Mr. Ma"), aged 53, was appointed as an executive Director and chairman of the Company in April 2009. Mr. Ma graduated from Shanghai Normal University in 1980 and obtained his master's degree in economics and doctorate degree in business administration from Fudan University in 1993 and 2004 respectively. He also received his master's degree in business administration from the School of Management, University of Arizona, the US in 2006. Prior to joining the Company, Mr. Ma served and held several executive positions and directorships in Shanghai Industrial Investment (Holdings) Co. Limited (上海實業（集團）有限公司) and its subsidiaries for more than ten years.

Mr. Wang Fujie ("Mr. Wang"), aged 56, was appointed as an executive Director and vice chairman of the Company in February 2010, and was appointed as chief executive officer of the Company on 11 November 2010. He is also chairman of Shanghai Zendai Land, a subsidiary of the Company. Mr. Wang graduated from the economics and management school of Tianjin University with a master of business administration degree. Having worked for various governmental bodies, departments and local governments of the PRC for over 30 years in the past, Mr. Wang is experienced in management and administration. He once served as deputy director of Hainan Branch, Xinhua News Agency, director of Hebei Branch, Xinhua News Agency, director general of Culture Office of Hebei Province, mayor of Langfang Municipal People's Government, Hebei Province, deputy director of General Office of the Ministry of Agriculture and spokesman of the Ministry of Agriculture of the State. He was also a representative of the ninth session of the National People's Congress of the PRC from 1998 to 2002.

Mr. Dai Zhikang ("Mr. Dai"), aged 46, who joined the Group in March 2002, is an executive Director. He is also the founder and chairman of Shanghai Zendai Investment Group (上海証大投資集團) ("Zendai Group"). He graduated from Renmin University of China with a bachelor's degree in economics (finance). He is also a postgraduate of the Graduate School of the People's Bank of China. He founded Zendai Group in 1994, and subsequently restructured the group and became its founder and chairman in 1998. Mr. Dai is a director of Giant Glory Assets Limited, which was interested in 2,325,560,000 Shares as at 31 December 2010, representing approximately 18.62% of the issued share capital of the Company as at 31 December 2010. Giant Glory Assets Limited was also interested in 85% of the issued share capital of Jointex Investment Holdings Limited, a substantial Shareholder which was interested in 2,932,000,000 Shares as at 31 December 2010, representing approximately 23.47% of the issued share capital of the Company as at 31 December 2010.

Mr. Zhu Nansong ("Mr. Zhu"), aged 44, was an executive Director from May 2003 to October 2005. Mr. Zhu was re-appointed as an executive Director in January 2009. Mr. Zhu graduated from Renmin University of China and Graduate School of the People's Bank of China. Mr. Zhu also obtained a doctorate degree in philosophy from Fudan University. Mr. Zhu was interested in 50,000,000 Shares as at 31 December 2010, representing approximately 0.40% of the issued share capital of the Company. He was also interested in 15% of the issued share capital of Jointex Investment Holdings Limited, a substantial Shareholder interested in 2,932,000,000 Shares as at 31 December 2010, representing approximately 23.47% of the issued share capital of the Company as at as at 31 December 2010.

Mr. Zuo Xingping ("Mr. Zuo"), aged 45 was appointed as an executive Director from November 2010. Mr. Zuo graduated from 中國人民大學 (Renmin University of China) with a bachelor's degree, and obtained a master degree from 中國人民銀行研究生部 (The People's Bank of China Graduate Research Department). Mr. Zuo has over 15 years of experience in securities investment and the capital markets and is currently the executive director and general manager of 深圳立方投資有限公司 ("Shenzhen Lifang Investment Company Limited"), chairman and general manager of 北京証大資源投資有限公司 ("Beijing Zendai Resources Investment Company Limited"), which are wholly owned subsidiary companies of 上海証大投資發展有限公司 (Shanghai Zendai Investment Development Company Ltd). Mr. Zuo is also the vice president of 上海証大投資發展有限公司 (Shanghai Zendai Investment Development Company Limited), a company in which Mr. Dai Zhikang, the controlling shareholder and executive Director of the Company, is interested in 60% of its issued share capital.

Mr. Tang Jian ("Mr. Tang"), aged 34, who joined the Board in May 2003 and is an executive Director and was appointed as the authorised representative of the Company in June 2003. Mr. Tang obtained a bachelor's degree from Shanghai University of Finance and Economics specialising in finance and once worked for the Bank of Shanghai. Mr. Tang is responsible for the business management and corporate governance of the Group and has more than ten years of experience in this field. Mr. Tang is a director of Giant Glory Assets Limited, which was interested in 2,325,560,000 Shares, representing approximately 18.62% of the issued share capital of the Company as at 31 December 2010.

Ms. Zhou Yan ("Ms. Zhou"), aged 43, was appointed as an executive Director in January 2009 and is also director of Shanghai Zendai Land, Shanghai Zendai Delta Land Company Limited (上海証大三角洲置業有限公司), Shanghai Tianhai Company Limited (上海天海有限責任公司), Shanghai Zendai Wu Dou Kuo Property Development Company Limited (上海証大五道口房地產開發有限公司), Shanghai Zendai Commercial Operation Management Co., Ltd (上海証大商業經營管理有限公司) and Shanghai Zendai Travel and Commercial Investment Company Limited (上海証大商業旅遊投資發展有限公司), all being wholly-owned subsidiaries of the Company. Ms. Zhou received a bachelor's degree in arts from the School of Literature of Shanghai University (a branch of the Fudan University), and a master's degree in business studies from Massey University of New Zealand in 2000. Ms. Zhou has more than 8 years of sales experience in various property development companies in the PRC.

B. NON-EXECUTIVE DIRECTORS

Mr. Wu Yang ("Mr. Wu"), aged 45, has been re-designated as a non-executive Director from being an executive Director effective on 11 November 2010. Mr. Wu was appointed as an executive Director of the Company in January 2009, and is also director of Shanghai Zendai Real Estate Company Limited (上海証大置業有限公司), Shanghai Zendai Travel and Commercial Investment Company Limited (上海証大商業旅遊投資發展有限公司), and Ordos City Zendai Property Development Limited (鄂爾多斯市証大房地產開發有限公司), all being wholly-owned subsidiaries of the Company. Mr. Wu received his bachelor's degree in construction from Shengyang Radio and TV University in 1987, and his master's degree in industrial economics from Capital University of Economics and Business. Mr. Wu has over 14 years of experience in the property development business.

Mr. Zhang Hua ("Mr. Zhang"), aged 46, was appointed as a non-executive Director in February 2010. He is also president and an executive director of Shanghai Forte Land Ltd. ("Forte Land"). Forte Land is the holding company of China Alliance Properties Limited, which in turn was interested in approximately 19.47% of the issued share capital of the Company as at 31 December 2010. Mr. Zhang obtained a bachelor's degree in management from Tong Ji University in July 2003, and was qualified as a national registered property valuer and an engineer in May 1998 and July 1992 respectively.

Mr. Wang Zhe ("Mr. Wang"), aged 40, was appointed as an executive Director in January 2009 and was redesignated as a non-executive Director in February 2010. He is also an executive director and vice president of Forte Land. Mr. Wang received a bachelor's degree in world economics from Fudan University in 1992, and a master's degree in international finance from the international economics faculty of Fudan University in 1999. Mr. Wang was titled as an economist in 1997.

Mr. Liu Zhiwei ("Mr. Liu"), aged 43, is appointed as a non-executive Director in February 2010. Mr. Liu is an entrepreneur and is currently chairman of Shenzhen Chunda Investment Co. Ltd. (深圳市淳大投資有限公司) and vice chairman of Xi'an International Trust Co., Ltd. (西安國際信託有限公司). Mr. Liu obtained a bachelor's degree in industrial management engineering from Zhe Jiang University in 1989. He continued to study in the Graduate School of the People's Bank of China between 1989 and 1992 and received a master's degree in international finance. In 2007, he obtained a doctorate degree in law from Hunan University. Mr. Liu has over 15 years of experience in finance, securities investment and the capital markets. He once served as general manager and chairman of Xin Jiang Hui-tong (Group) Co., Ltd. (新疆滙通（集團）股份有限公司), general manager of the merger and acquisition department of Guosen Securities Co., Ltd. and general manager of the investment banking department of Great Wall Securities Co., Ltd. His wholly-owned company Grand Link Finance Limited was interested in 400,000,000 Shares, representing 3.20% of the issued share capital of the Company at 31 December 2010.

C. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Mun Lam, Raymond ("Mr. Lo"), aged 58, who joined the Board in 2002, is the principal of an investment and corporate finance firm with offices in London and Hong Kong. As a chartered accountant of London, he was licensed as a Responsible Officer by the Securities & Futures Commission of Hong Kong for engaging in the Type 6 (advising on corporate finance) activity. He has extensive expertise and experience in international corporate finance, merger & acquisition, cross-border direct investment and hedge fund investment, focusing on lifestyle, real estate and hospitality sectors. He held directorship and strategist positions with multinational financial and international emerging companies. In addition to serving the Company, he currently serves as non-executive chairman of Luk Fook Holdings Limited (stock code: 0590), and as non-executive director of Asian Capital Resources (Holdings) Limited (stock code: 8025), the issued shares of both companies are listed on the Stock Exchange and the Growth Enterprise Market of the Stock Exchange respectively. He graduated from University of Wisconsin-Madison and held post-graduate degrees and professional qualifications in accounting, law, finance, real estate and hospitality sectors, focusing on research of corporate finance.

Mr. Lai Chik Fan, Raymond ("Mr. Lai"), aged 62, who joined the Board in 2004, was born in China and was educated in Hong Kong and the US. As an investment banker with over 30 years of experience in the industry, he is known for his knowledge, integrity and vast experience in the areas of investment banking and international equity sales and distribution. Mr. Lai is currently a managing director of AR Evans Capital Limited. In the past, he once worked for a number of investment banks, including Koffman Financial Holdings Limited, Paine Webber Hong Kong Limited, Merrill Lynch Asia Ltd, Smith Barney (Hong Kong) Ltd, and Chin Tung Securities Ltd. Mr. Lai serves as a director for a number of listed companies in Hong Kong. He was a non-executive director of China Medical and Bio Science Ltd (listed on the Growth Enterprise Market of the Stock Exchange) but resigned in July 2007. On 10 August 2007, he was appointed as an executive director of China Golden Development Holdings Ltd. (listed on the Main Board), and subsequently resigned in October 2008.

Dr. Tse Hiu Tung, Sheldon ("Dr. Tse"), aged 46, who joined the Board in October 2005, is a partner at a law firm in Hong Kong providing corporate and commercial legal services and has over 16 years of experience in corporate finance, mergers and acquisitions, private equity, joint ventures and compliance matters of the business in the PRC. Dr. Tse was authorised to practise law in Hong Kong, England and Wales and the PRC. He graduated with a bachelor's degree in laws from Zhongshan University in Guangzhou in 1986. Dr. Tse obtained a master's degree in laws and a doctorate degree in philosophy from the University of London, the United Kingdom in 1989 and 1993 respectively. He was appointed as a member of the arbitrators' panel of the Guangzhou Arbitration Commission and a China-appointed attesting officer, and is also a member of the Hong Kong Securities Institute.

D. COMPANY SECRETARY

Mr. Tso Shiu Kei, Vincent ("Mr. Tso"), aged 44, is a solicitor practising in Hong Kong and a partner of K&L Gates. He has extensive experience in corporate finance, corporate supervision and China practice in Hong Kong. Mr. Tso obtained a bachelor's degree in laws and a bachelor's degree in commerce from the University of Queensland, Australia. He was qualified as a solicitor in Australia in 1992 and was then admitted as a solicitor of the Supreme Court of Hong Kong in 1994.

The directors of the Company (the "Directors") have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries are principally engaging in property development business, property investments, management and agency services, hotel operations and provision of travel and related services.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on pages 49 to 50. The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2010.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 156.

SHARE CAPITAL

Details of movement in the share capital on the Company are set out in note 45(a) to the financial statements.

In January 2010, the Company placed 1,550,000,000 shares and 400,000,000 shares (the "Shares") in the capital of the Company to China Alliance Properties Limited, a wholly owned subsidiary of Shanghai Forte Land Co. Ltd., the issued shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Grand Link Finance Limited respectively. The placing Shares (at the placing price of HK$0.31 per Share) accounted for 18.73% of the then enlarged issued share capital of the Company. The aforesaid placing brought in approximately HK$604,500,000 net proceeds to the Group, which may use to fund future properties acquisitions in the PRC.

RESERVES

Details of the movements in reserves of the Group and the Company during the year 2010 are set out in the consolidated statement of changes in equity and note 46 to the financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2010 were HK$130,328,000. In the opinion of the directors, the Company's reserves available for distribution represent the contributed surplus, special capital reserve and retained profits.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year 2010 are set out in note 17 to the financial statements.

PROPERTIES UNDER DEVELOPMENT AND FOR SALES

Details of properties under development and for sales of the Group for the year are set out on pages 7 to 18 of the annual report.

DIRECTORS

The Directors during the year 2010 and up to the date of this report were as follows:

Executive Directors

Mr. Ma Chengliang (Chairman)
Mr. Wang Fujie (appointed on 5 February 2010)
Mr. Dai Zhikang
Mr. Zhu Nansong
Mr. Zuo Xingping (appointed on 11 November 2010)
Mr. Tang Jian
Ms. Zhou Yan
Mr. Fang Bin (resigned on 11 November 2010)

Non-executive Directors

Mr. Wu Yang (appointed as executive Director on 21 January 2009 but re-designated as non-executive Director on 11 November 2010)
Mr. Wang Zhe (appointed as executive Director on 21 January 2009 but re-designated as non-executive Director on 5 February 2010)
Mr. Zhang Hua (appointed on 5 February 2010)
Mr. Liu Zhiwei (appointed on 5 February 2010)

Independent non-executive Directors

Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan
Dr. Tse Hiu Tung, Sheldon

According to bye-laws of the Company, Mr. Ma Chengliang, Mr. Dai Zhikang, Mr. Zuo Xingping, Mr. Tang Jian and Ms. Zhou Yan shall retire from office by rotation and then be eligible for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

As at 31 December 2010, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are set out below:

Name of Director	Number of Shares/ underlying Shares	Capacity and nature of interests	Approximate percentage of issued share capital
Mr. Ma Chengliang	50,000,000 (L)	Beneficial owner	0.40%
Mr. Ma Chengliang *(Note 2)*	50,000,000 (L)	Beneficial owner	0.40%
Mr. Wang Fujie *(Note 2)*	10,000,000 (L)	Beneficial owner	0.08%
Mr. Dai Zhikang ("Mr. Dai") *(Note 1)*	6,752,635,000 (L)	Interests of controlled corporations	54.06%
Mr. Dai *(Note 2)*	10,000,000 (L)	Beneficial owner	0.08%
Mr. Zhu Nansong	50,000,000 (L)	Beneficial owner	0.40%
Mr. Wu Yang *(Note 2)*	30,000,000 (L)	Beneficial owner	0.24%
Ms. Zhou Yan *(Note 2)*	10,000,000 (L)	Beneficial owner	0.08%
Mr. Tang Jian	10,000,000 (L)	Beneficial owner	0.08%
Mr. Tang Jian *(Note 2)*	5,000,000 (L)	Beneficial owner	0.04%
Mr. Liu Zhiwei ("Mr. Liu") *(Note 3)*	400,000,000 (L)	Interests of controlled corporations	3.20%
Mr. Liu *(Note 2)*	120,000,000 (L)	Beneficial owner	0.96%
Mr. Lo Mun Lam, Raymond *(Note 2)*	5,000,000 (L)	Beneficial owner	0.04%
Mr. Lai Chik Fan *(Note 2)*	5,000,000 (L)	Beneficial owner	0.04%
Dr. Tse Hiu Tung, Sheldon *(Note 2)*	5,000,000 (L)	Beneficial owner	0.04%

(L) denotes long position

Notes:

1. Mr. Dai was deemed to be interested in an aggregate of 6,752,635,000 Shares held by Giant Glory Assets Limited, Jointex Investment Holdings Limited, Dorsing Star Limited, Shanghai Zendai Investment Development (Hong Kong) Company Limited and Gold Lucky Investment Holdings Limited, respectively, as follows:

    (a) 2,325,560,000 Shares were held by Giant Glory Assets Limited in which is wholly-owned by Mr. Dai;

(b) 2,932,000,000 Shares were held by Jointex Investment Holdings Limited in which is owned as to 85% by Giant Glory Assets Limited;

(c) 1,000,000,000 Shares were held by Dorsing Star Limited which is wholly owned by Master Faith Group Limited. All shares of Master Faith Group Limited are held by DBS Trustee H.K. (Jersey) Limited in its capacity as trustee of the DLD Trust, the beneficiaries of which include Liu Qiong Yu and Dai Mo Cao, both are family members of Mr. Dai. Mr. Dai is the settlor of the DLD Trust and therefore is deemed to be interested in the 1,000,000,000 Shares held by Dorsing Star Limited;

(d) 455,175,000 Shares are held by Shanghai Zendai Investment Development (Hong Kong) Company Limited which is owned as to 60% by Mr. Dai; and

(e) 39,900,000 Shares are held by Gold Lucky Investment Holdings Limited which is wholly-owned by Mr. Dai.

2. These Shares represent the Shares to be allotted and issued upon the exercise of share options granted.

3. Mr. Liu was deemed to be interested in 400,000,000 Shares held by Grand Link Finance Limited which is his wholly owned Company.

Save as disclosed above, none of the Directors or chief executive of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO on or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 31 December 2010.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

No Director retiring and eligible for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Details of the Directors', supervisors' and senior management's emoluments are set out in notes 11 and 52(a) to the financial statements. The Group's general policy on remuneration is to maintain fair and competitive packages based on industry practice and market conditions. The following factors are considered when determining the remuneration packages of executive Directors:

- Business needs;
- The Group's results and performance;
- Appraisal of individual contributions to results of the Group;
- Changes in market conditions such as demand and supply.

Furthermore, the Company has adopted a share option scheme as a long term incentive scheme to all eligible staff of the Group.

SHARE OPTIONS

Details of the share option scheme adopted by the Company are set out in note 45(d) to the financial statements. On 30 March 2010, the Company granted share options to subscribe for up to a total of 187,000,000 ordinary shares of HK$0.02 each to certain individuals.

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

	Number of Options					
	Outstanding at beginning of year	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding at end of year	Exercisable period
Directors						
Mr. Ma Chengliang	20,000,000	–	–	–	20,000,000	12 November 2010 – 11 November 2013
	15,000,000	–	–	–	15,000,000	12 November 2011 – 11 November 2013
	15,000,000	–	–	–	15,000,000	12 November 2012 – 11 November 2013
	50,000,000	–	–	–	50,000,000	
Mr. Wu Yang	12,000,000	–	–	–	12,000,000	12 November 2010 – 11 November 2013
	9,000,000	–	–	–	9,000,000	12 November 2011 – 11 November 2013
	9,000,000	–	–	–	9,000,000	12 November 2012 – 11 November 2013
	30,000,000	–	–	–	30,000,000	
Ms. Zhou Yan	5,000,000	–	–	–	5,000,000	12 November 2010 – 11 November 2013
	5,000,000	–	–	–	5,000,000	12 November 2011 – 11 November 2013
	10,000,000	–	–	–	10,000,000	
Mr. Fang Bin	5,000,000	–	–	(5,000,000)	–	12 November 2010 – 11 November 2013
Mr. Tang Jian	5,000,000	–	–	–	5,000,000	12 November 2010 – 11 November 2013
Mr. Dai Zhikang	–	5,000,000	–	–	5,000,000	30 March 2011 – 29 March 2014
	–	5,000,000	–	–	5,000,000	30 March 2012 – 29 March 2014
	–	10,000,000	–	–	10,000,000	
Mr. Wang Fujie	–	5,000,000	–	–	5,000,000	30 March 2011 – 29 March 2014
	–	5,000,000	–	–	5,000,000	30 March 2012 – 29 March 2014
	–	10,000,000	–	–	10,000,000	

	Number of Options					
	Outstanding at beginning of year	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding at end of year	Exercisable period
Mr Liu Zhiwei	–	48,000,000	–	–	48,000,000	30 March 2011 – 29 March 2014
	–	36,000,000	–	–	36,000,000	30 March 2012 – 29 March 2014
	–	36,000,000	–	–	36,000,000	30 March 2013 – 29 March 2014
	–	120,000,000	–	–	120,000,000	
Mr. Lo Mun Lam, Raymond	–	5,000,000	–	–	5,000,000	30 March 2011 – 29 March 2014
Mr. Lai Chik Fan	–	5,000,000	–	–	5,000,000	30 March 2011 – 29 March 2014
Dr. Tse Hiu Tung, Sheldon	–	5,000,000	–	–	5,000,000	30 March 2011 – 29 March 2014
Total	**100,000,000**	**155,000,000**	**–**	**(5,000,000)**	**250,000,000**	
Employees	8,000,000	–	–	–	8,000,000	12 May 2010 – 11 November 2013
	35,000,000	–	–	–	35,000,000	12 November 2010 – 11 November 2013
	15,000,000	–	–	–	15,000,000	12 November 2011 – 11 November 2013
	–	15,000,000	–	–	15,000,000	30 March 2011 – 29 March 2014
	–	11,000,000	–	–	11,000,000	30 March 2012 – 29 March 2014
	–	6,000,000	–	–	6,000,000	30 March 2013 – 29 March 2014
Total	**58,000,000**	**32,000,000**	**–**	**–**	**90,000,000**	
Non-Employees	132,500,000	–	(132,500,000)	–	–	23 February 2008 – 22 February 2010
Total	**290,500,000**	**187,000,000**	**(132,500,000)**	**(5,000,000)**	**340,000,000**	

The closing price of the Company's share immediately before 30 March 2010, the date of grant of the 2010 options, was HK$0.375.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme set out in note 45(d) to the financial statements, at no time during the year 2010 was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the related party transactions set out in note 52 to the financial statements and as set out in the section headed "Connected and related party transactions" below, no contracts of significance to which the Company, its holding company or any of its subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year 2010 or any time during the year 2010.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year 2010, the Group entered into certain related party transactions which also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules and details of these transactions are set out in note 52 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company discloses that during the year 2010 and up to the date of this report, Mr. Dai Zhikang held directorships in Shanghai Zendai Investment Development Company Limited, and/or its subsidiaries (collectively referred to as the "Zendai Group"), which are also engaged in property development and related business. As the board of directors of the Group operates independently from the boards of Zendai Group, the Group operates its business independently or, and at arm's length from, the business of Zendai Group.

PERSONS HAVING 5% OR MORE INTERESTS

As at 31 December 2010, the interests or short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Name of company	Nature of interests	Number of shares interested or amount of registered capital interested	Approximate percentage of the issued share capital or registered capital
Giant Glory Assets Limited *(Note 1)*	The Company	Beneficial owner	2,325,560,000 Shares (L)	18.62%
Giant Glory Assets Limited	The Company	Interests of controlled corporation	2,932,000,000 Shares (L)	23.47%
Jointex Investment Holdings Limited *(Note 1)*	The Company	Beneficial owner	2,932,000,000 Shares (L)	23.47%
Dorsing Star Limited *(Note 1)*	The Company	Beneficial owner	1,000,000,000 Shares (L)	8.01%
Liu Qiong Yu *(Note 1)*	The Company	Beneficiary of a trust	1,000,000,000 Shares (L)	8.01%
Dai Mo Cao *(Note 1)*	The Company	Beneficiary of a trust	1,000,000,000 Shares (L)	8.01%
Master Faith Group Limited *(Note 1)*	The Company	Interests of controlled corporation	1,000,000,000 Shares (L)	8.01%
DBS Trustee H.K. (Jersey) Limited *(Note 1)*	The Company	Trustee	1,000,000,000 Shares (L)	8.01%
China Alliance Properties Limited *(Note 2)*	The Company	Beneficial owner	2,431,815,000 Shares (L)	19.47%
Shanghai Forte Land Co., Ltd. *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.47%

Name	Name of company	Nature of interests	Number of shares interested or amount of registered capital interested	Approximate percentage of the issued share capital or registered capital
Shanghai Fosun High Technology (Group) Co., Ltd. *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.47%
Fosun International Limited *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.47%
Fosun Holdings Limited *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.47%
Fosun International Holdings Ltd. *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.47%
Guo Guangchang *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.47%

(L) denotes long position

Notes:

1. These Shares constitutes part of the deemed interest of Mr. Dai as referred to in the note under the section headed "Directors' interests" in shares or debentures above.

2. Guo Guangchang has 58% control of Fosun International Holdings Ltd., which has 100% control of Fosun Holdings Limited, which has 78.24% control of Fosun International Limited, which has 100% control of Shanghai Fosun High Technology (Group) Co., Ltd, which together with Fosun International Limited have a 70.56% control of Shanghai Forte Land Co., Limited, which has 100% control of China Alliance Properties Limited.

Save as disclosed above, as at 31 December 2010, no persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of Bermuda.

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

Neither the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year 2010, the Group's sales to the five largest customers accounted for 42% of the Group's turnover for the year, of which the largest customer accounted for 20% of the Group's turnover for the year. During the year 2010, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 8% and 25% respectively, of the Group's total purchases for the year. None of the Directors, their associates or any shareholders of the Company which to the knowledge of the Directors, own more than 5% of the Company's share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered that the independent non-executive Directors to be independent.

AUDITOR

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

PUBLIC FLOAT

Based on information that in publicly available to the Company and within the knowledge of the Directors as at 10 March 2011, being the latest practicable date prior to the issue of this report, there was sufficient public float for the Shares.

On behalf of the Board
Ma Chengliang
Director
10 March 2011

The Company has adopted the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Code") as its own code of corporate governance and has taken careful measures to ensure that the provisions have been duly complied with from time to time. The Directors are of the opinion that the Company has met the code provisions in the Code during the year ended 31 December 2010.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, the Directors had complied with the required standard set out in the Model Code during the year ended 31 December 2010.

BOARD OF DIRECTORS

The composition of the Board for the year ended 31 December 2010 was as follows:

Executive Directors

Mr. Ma Chengliang *(Chairman)*
Mr. Wang Fujie (appointed on 5 February 2010)
Mr. Dai Zhikang
Mr. Zhu Nansong
Mr. Zuo Xingping (appointed on 11 November 2010)
Ms. Zhou Yan
Mr. Tang Jian
Mr. Fang Bin (resigned on 11 November 2010)

Non-executive Directors

Mr. Wu Yang (appointed as executive Director on 21 January 2009 but re-designated as non-executive Director on 11 November 2010)
Mr. Wang Zhe (appointed as executive Director on 21 January 2009 but re-designated as non-executive Director on 5 February 2010)
Mr. Zhang Hua (appointed on 5 February 2010)
Mr. Liu Zhiwei (appointed on 5 February 2010)

Independent non-executive Directors

Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan
Dr. Tse Hiu Tung, Sheldon

For the year ended 31 December 2010, 15 Board meetings were held, among which Mr. Ma Chengliang attended 12 Board meetings, Mr. Wang Fujie attended 6 Board meetings, Mr. Dai Zhikang attended 4 Board meetings, Mr. Zhu Nansong attended 1 Board meeting, Mr. Zuo Xingping attended nil Board meetings, Mr. Tang Jian attended 14 Board meetings, Ms Zhou Yan attended 12 Board meetings, Mr. Fang Bin attended 10 Board meetings, Mr. Wu Yang attended 4 Board meeting, Mr. Wang Zhe attended 4 Board meetings, Mr. Zhang Hua attended 1 Board meetings, Mr. Liu Zhiwei attended nil Board meetings, Mr. Lo Man Lam, Raymond attended 6 Board meetings, Mr. Lai Chik Fan attended 7 Board meetings and Mr Tse Hiu Tung, Sheldon attended 6 Board meetings.

The non-executive Directors were appointed for a fixed term of 2 years, with Mr. Wu Yang's term commencing from 11 November 2010 and Mr. Wang Zhe, Mr Zhang Hua and Mr. Liu Zhiwei's term commencing from 5 February 2010. The independent non-executive Directors were also appointed for a fixed term of 2 years, with Mr. Lo Man Lam, Raymond and Mr. Lai Chik Fan's term commencing from 1 January 2011 and Mr. Tse Hiu Tung, Sheldon's term commencing from 14 October 2009. The Board was responsible for making overall strategic decisions, financial matters and equity related transactions such as acquisitions. The management will handle and execute the decisions made by the Board and oversee the day-to-day management of the Group under the supervision of Mr. Fang Bin and Wang Fujie, following Mr. Fang Bin's resignation, the Company's chief executive officers.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman of the Company is Mr. Ma Chengliang and the chief executive officer of the Company is Mr. Fang Bin and following his resignation, Mr. Wang Fujie. The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual. The Chairman was responsible for overseeing the management of the Board whereas the chief executive officer was responsible for overseeing the day-to-day management of the Group's business and the implementation of the policies decided by the Board.

REMUNERATION OF DIRECTORS

The Remuneration Committee was responsible for, among others, review on the remuneration of Directors and was responsible for approving any change to existing remuneration package made available to the Directors. The remuneration committee consists of Mr. Tang Jian, Mr. Lai Chik Fan, Mr. Lo Mun Lam, Raymond and Dr. Tse Hiu Tung, Sheldon with Mr. Lo Mun Lam, Raymond being the chairman. The remuneration committee held two meetings during the year to discuss and approve the revised remuneration package of any of the Directors.

NOMINATION OF DIRECTORS

Candidates for proposed appointment of Directors were first nominated by one of the executive Directors and were assessed according to their work experience and academic achievements in the past. For the year ended 31 December 2010, two meetings were held by the Board in relation to nomination of Directors.

AUDITOR'S REMUNERATION

As regards audit services provided to the Company, the remuneration made to the auditors was assessed according to the complexity, time required and prevailing market conditions. During the year ended 31 December 2010, the Group had engaged its auditor to provide non-audit service to the Company in respect of the interim review of the Company's results for the 6 months ended 30 June 2010. The fee paid for such service was HK$420,000. The auditor also provided non-audit service in relation to the review on cash flow forecast prepared by the Company and the preparation of accountant's report in connection with the setting up of a joint venture company which was a major and connected transaction (details were set out in the Company's announcement dated 27 April 2010). The fees for these services were HK$192,000.

AUDIT COMMITTEE

The audit committee comprised of Mr. Lai Chik Fan, Mr. Lo Mun Lam, Raymond and Dr. Tse Hiu Tung, Sheldon with Mr. Lo Mun Lam, Raymond being the chairman. Its duties were, among others, to review adequacy of the Company's policies and procedures regarding internal controls, to review the relationship between the Company and its auditors and to review the Group's financial statements. During the year ended 31 December 2010, the audit committee held 2 meetings, at which all of Mr. Lai Chik Fan and Mr. Lo Mun Lam, Raymond attended and Dr. Tse Hiu Tung, Sheldon attended 1 meeting. During the aforesaid meetings, members of the audit committee reviewed the financial results and reports, financial and internal controls of the Company and had thorough discussions with the auditor regarding the work performed. The Company's annual results for the year ended 31 December 2010 has been reviewed by the audit committee.

GENERAL

The Directors acknowledge their responsibility for preparing the accounts contained herein. The reporting responsibilities of BDO Limited, the auditor of the Group are stated in the auditor's report on pages 47 to 48 of this report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. The Board has conducted a review of the effectiveness of the system of internal control of the Group. There is no disagreement between the Board and the audit committee regarding the selection, appointment, resignation or dismissal of the external auditor.

TO THE SHAREHOLDERS
OF SHANGHAI ZENDAI PROPERTY LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Shanghai Zendai Property Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 49 to 155, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the 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 the affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Wong Chi Wai
Practising Certificate Number P04945
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Hong Kong,
10 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	7	**3,959,091**	2,162,092
Cost of sales		**(2,490,121)**	(1,305,299)
Gross profit		**1,468,970**	856,793
Other income and gains	8	**35,164**	78,923
Distribution costs		**(81,133)**	(58,811)
Administrative expenses		**(286,561)**	(203,663)
Reversal of impairment loss on property, plant and equipment	17	**11,002**	16,590
Reversal of impairment loss on payment for leasehold land held for own use under operating leases	20	**47,982**	10,293
Reversal of write-down of property under development	26	**22,369**	50,237
Change in fair value of investment properties	18	**21,753**	275,851
Change in fair value of financial assets at fair value through profit or loss		**–**	8,904
Impairment loss on goodwill	21	**(45,862)**	(580)
Impairment loss on other receivable	28(c)	**(19,230)**	–
Waiver of an other receivable	28(d)	**(63,431)**	–
Share of results of associates	23	**297,980**	(25,950)
Share of result of a jointly controlled entity	24	**(2,776)**	–
Finance costs	12	**(256,556)**	(171,133)
Profit before tax expenses	9	**1,149,671**	837,454
Tax expenses	13	**(582,044)**	(387,133)
Profit for the year		**567,627**	450,321
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**181,872**	24,848
Release of other revaluation reserve on disposal of properties for sales held by associates		**(30,809)**	(40,664)
Tax expenses related to release of other revaluation reserve		**4,621**	6,100
Other comprehensive income for the year, net of tax		**155,684**	(9,716)
Total comprehensive income for the year		**723,311**	440,605

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 HK$'000	2009 HK$'000
Profit/(loss) for the year attributable to:			
– Owners of the Company		**569,838**	421,262
– Non-controlling interests		**(2,211)**	29,059
		567,627	450,321
Total comprehensive income attributable to:			
– Owners of the Company		**719,393**	410,012
– Non-controlling interests		**3,918**	30,593
		723,311	440,605
Earnings per share	16		
– Basic		**HK4.6 Cents**	HK4.1 Cents
– Diluted		**HK4.6 Cents**	HK4.1 Cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	*17*	**400,498**	379,356
Investment properties	*18*	**1,769,068**	1,686,900
Payment for leasehold land held for own use under operating leases	*20*	**591,808**	539,639
Goodwill	*21*	**101,457**	145,605
Interests in associates	*23*	**1,328,800**	544,525
Interest in a jointly controlled entity	*24*	**56,000**	–
Available-for-sale investments	*25*	**27,797**	14,765
Other receivable	*28*	**–**	62,776
Total non-current assets		**4,275,428**	3,373,566
Current assets			
Properties under development and for sales	*26*	**15,427,690**	4,714,268
Inventories	*27*	**1,654**	1,119
Trade and other receivables	*28*	**351,131**	167,811
Deposits for property development	*29*	**67,672**	685,716
Financial assets at fair value through profit or loss	*30*	**–**	46,992
Amounts due from associates	*23*	**257,620**	68,131
Amount due from a jointly controlled entity	*24*	**525,962**	–
Available-for-sale investments	*25*	**589**	567
Amounts due from related companies	*31*	**13,193**	12,731
Pledged bank deposits	*32*	**393,945**	–
Tax prepayments	*40*	**16,810**	27,459
Cash and cash equivalents		**1,287,852**	599,949
		18,344,118	6,324,743
Assets classified as held for sale	*33*	**–**	19,704
Total current assets		**18,344,118**	6,344,447
Total assets		**22,619,546**	9,718,013
Current liabilities			
Trade and other payables	*34*	**661,929**	732,577
Receipts in advance from customers		**2,347,472**	828,487
Amount due to an associate	*35*	**7,471,706**	–
Amounts due to related companies	*36*	**50**	5,018
Amount due to a minority owner of a subsidiary	*37*	**19,203**	53,016
Bank loans	*38*	**896,698**	282,014
Tax payable	*40*	**1,475,602**	1,070,653
Total current liabilities		**12,872,660**	2,971,765
Net current assets		**5,471,458**	3,372,682
Total assets less current liabilities		**9,746,886**	6,746,248

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Bank loans	*38*	**1,644,557**	1,108,580
Senior loan notes	*39*	**1,073,607**	1,065,908
Other borrowing	*41*	**1,127,589**	–
Deferred tax liabilities	*42*	**638,521**	665,140
Other payables	*34*	**135,878**	122,397
Total non-current liabilities		**4,620,152**	2,962,025
Total liabilities		**17,492,812**	5,933,790
TOTAL NET ASSETS		**5,126,734**	3,784,223
Capital and reserves attributable to owners of the Company			
Share capital	*45(a)*	**249,838**	208,188
Reserves		**4,680,591**	3,383,648
Equity attributable to owners of the Company		**4,930,429**	3,591,836
Non-controlling interests		**196,305**	192,387
TOTAL EQUITY		**5,126,734**	3,784,223

On behalf of the Board

Tang Jian *Director*	**Ma Chengliang** *Director*

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	*17*	**35**	42
Investments in subsidiaries	*49*	**1,002,716**	1,002,716
Total non-current assets		**1,002,751**	1,002,758
Current assets			
Other receivables	*28*	**959**	917
Amounts due from subsidiaries	*49*	**2,781,606**	2,301,064
Cash and cash equivalents		**36,180**	68,089
Total current assets		**2,818,745**	2,370,070
Total assets		**3,821,496**	3,372,828
Current liabilities			
Other payables	*34*	**9,768**	32,606
Amounts due to subsidiaries	*49*	**346,246**	318,995
Total current liabilities		**356,014**	351,601
Net current assets		**2,462,731**	2,018,469
Total assets less current liabilities		**3,465,482**	3,021,227
Non-current liabilities			
Senior loan notes	*39*	**1,159,095**	1,151,396
Total liabilities		**1,515,109**	1,502,997
TOTAL NET ASSETS		**2,306,387**	1,869,831
Capital and reserves attributable to owners of the Company			
Share capital	*45(a)*	**249,838**	208,188
Reserves	*46*	**2,056,549**	1,661,643
TOTAL EQUITY		**2,306,387**	1,869,831

On behalf of the Board

Tang Jian
Director

Ma Chengliang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2010

	Share capital *(Note 45(a))* HK$'000	Share premium *(Note 46(a))* HK$'000	Capital redemption reserve HK$'000	Contributed surplus *(Note 46(b))* HK$'000	Special capital reserve *(Note 46(c))* HK$'000	Statutory surplus reserve HK$'000	Share option reserve *(Note 46(d))* HK$'000	Retained profits HK$'000	Foreign exchange reserve HK$'000	Other revaluation reserve *(note)* HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2009	205,825	1,258,444	1,074	157,315	68,541	141,493	–	924,373	294,422	80,724	3,132,211	167,831	3,300,042
Profit for the year	–	–	–	–	–	–	–	421,262	–	–	421,262	29,059	450,321
Other comprehensive income for the year, net of tax	–	–	–	–	–	–	–	–	23,314	(34,564)	(11,250)	1,534	(9,716)
Total comprehensive income	–	–	–	–	–	–	–	421,262	23,314	(34,564)	410,012	30,593	440,605
Cancellation upon repurchase of own shares	(304)	(3,894)	–	–	–	–	–	–	–	–	(4,198)	–	(4,198)
Transaction costs attributable to repurchase of shares	–	(28)	–	–	–	–	–	–	–	–	(28)	–	(28)
Equity settled share-based transactions *(Note 45(d))*	–	–	–	–	–	–	21,908	–	–	–	21,908	–	21,908
Exercise of share options *(Note 45(b))*	2,667	29,333	–	–	–	–	–	–	–	–	32,000	–	32,000
Further acquisition of subsidiaries *(Note 50(b)) (i) and (ii))*	–	–	–	–	–	–	–	(69)	–	–	(69)	(6,037)	(6,106)
Transfer to statutory surplus reserve	–	–	–	–	–	104,628	–	(104,628)	–	–	–	–	–
At 31 December 2009	208,188	1,283,855	1,074	157,315	68,541	246,121	21,908	1,240,938	317,736	46,160	3,591,836	192,387	3,784,223

	Share capital *(Note 45(a))* HK$'000	Share premium *(Note 46(a))* HK$'000	Capital redemption reserve HK$'000	Contributed surplus *(Note 46(b))* HK$'000	Special capital reserve *(Note 46(c))* HK$'000	Statutory surplus reserve HK$'000	Share option reserve *(Note 46(d))* HK$'000	Retained profits HK$'000	Foreign exchange reserve HK$'000	Other revaluation reserve *(note)* HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010	208,188	1,283,855	1,074	157,315	68,541	246,121	21,908	1,240,938	317,736	46,160	3,591,836	192,387	3,784,223
Profit/(loss) for the year	–	–	–	–	–	–	–	569,838	–	–	569,838	(2,211)	567,627
Other comprehensive income for the year, net of tax	–	–	–	–	–	–	–	–	175,743	(26,188)	149,555	6,129	155,684
Total comprehensive income	–	–	–	–	–	–	–	569,838	175,743	(26,188)	719,393	3,918	723,311
Issuance of ordinary shares *(Note 45(a)(i))*	39,000	565,500	–	–	–	–	–	–	–	–	604,500	–	604,500
Exercise of share options *(Note 45(b))*	2,650	29,150	–	–	–	–	–	–	–	–	31,800	–	31,800
Equity settled share-based transactions *(Note 45(d))*	–	–	–	–	–	–	25,372	–	–	–	25,372	–	25,372
Release upon lapse of share options *(Note 45(d))*	–	–	–	–	–	–	(638)	638	–	–	–	–	–
Dividends approved in respect of the previous year *(Note 15)*	–	–	–	–	–	–	–	(42,472)	–	–	(42,472)	–	(42,472)
Transfer to statutory surplus reserve	–	–	–	–	–	103,625	–	(103,625)	–	–	–	–	–
At 31 December 2010	249,838	1,878,505	1,074	157,315	68,541	349,746	46,642	1,665,317	493,479	19,972	4,930,429	196,305	5,126,734

Note: Other revaluation reserve arises from the revaluation of properties for sales upon acquisition of additional interest in associates. The reserve will be released to profit or loss on the disposal of relevant properties.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Profit before tax expenses		**1,149,671**	837,454
Adjustments for:			
Interest income		**(15,855)**	(3,372)
Dividend income		**(40)**	–
Finance costs	*12*	**256,556**	171,133
Depreciation of property, plant and equipment		**21,382**	19,397
Amortisation of payment for leasehold land held for own use under operating leases		**17,040**	16,525
Reversal of impairment loss on property, plant and equipment	*17*	**(11,002)**	(16,590)
Reversal of impairment loss on payment for leasehold land held for own use under operating leases	*20*	**(47,982)**	(10,293)
Reversal of write-down of property under development	*26*	**(22,369)**	(50,237)
Change in fair value of investment properties	*18*	**(21,753)**	(275,851)
Change in fair value of financial assets at fair value through profit or loss		**–**	(8,904)
Impairment loss on goodwill	*21*	**45,862**	580
Impairment loss on other receivable	*28 (c)*	**19,230**	–
Waiver of an other receivable	*28 (d)*	**63,431**	–
Share of results of associates		**(297,980)**	25,950
Share of result of a jointly controlled entity		**2,776**	–
Equity settled share-based payment expenses	*45 (d)*	**25,372**	21,908
Write off of property, plant and equipment	*17*	**1,880**	423
Release of other revaluation reserve on disposal of properties		**(26,188)**	(34,564)
Waiver of partial consideration on acquisition of subsidiaries		**–**	(20,437)
Loss/(gain) on disposal of financial assets at fair value through profit or loss		**1,986**	(5,623)
Gain on disposal of available-for-sale investment		**(38)**	(795)
Gain on repurchase of senior loan notes	*39*	**–**	(17,846)
Gain on disposal of a subsidiary	*51*	**(2,632)**	–

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 **HK$'000**	2009 HK$'000
Operating profit before working capital changes	**1,159,347**	648,858
(Increase)/decrease in trade and other receivables	**(98,561)**	21,782
(Increase)/decrease in properties under development and for sales	**(10,532,994)**	54,568
Decrease/(increase) in deposits for property development	**643,952**	(685,279)
(Increase)/decrease in inventories	**(493)**	39
Increase in amount due from an associate	**–**	(16,203)
Decrease in amounts due from related companies	**7,833**	14,929
(Decrease)/increase in trade and other payables	**(76,534)**	119,737
Increase in receipts in advance from customers	**1,487,683**	3,188
(Decrease)/increase in amounts due to related companies	**(5,158)**	4,956
Increase in amount due to an associate	**7,471,706**	–
(Decrease)/increase in amount due to a minority owner of a subsidiary	**(35,816)**	39,033
Cash generated from operations	**20,965**	205,608
Interest received	**15,855**	3,372
Interest paid	**(265,401)**	(191,445)
Income taxes paid	**(252,416)**	(114,475)
Net cash used in operating activities	**(480,997)**	(96,940)
Investing activities		
Capital injection in associates	**(635,594)**	–
Capital injection in a jointly controlled entity	**(58,851)**	–
Increase in amount due from a jointly controlled entity	**(525,962)**	–
Increase in amounts due from associates	**(186,915)**	–
Loan to majority shareholder of an associate	**(97,693)**	–
Addition of investment property	**(10,866)**	–
Purchase of available-for-sale investments	**(13,030)**	(125)
Purchase of property, plant and equipment	**(19,375)**	(9,070)
Purchase of financial assets at fair value through profit or loss	**–**	(33,496)
Proceeds from disposal of financial assets at fair value through profit or loss	**48,235**	22,613

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 HK$'000	2009 HK$'000
Proceeds from disposal of assets classified as held for sale		**20,448**	8,667
Net cash inflow on disposal of a subsidiary	*51*	**13,170**	–
Net cash inflow on disposal of a partial interest in associate		**176,554**	–
Dividends received		**40**	–
Proceeds from disposal of available-for-sale investment		**–**	6,024
Acquisition of a subsidiary, net of cash acquired	*50(a)*	**–**	(5,945)
Acquisition of additional interests in subsidiaries	*50(b)*	**–**	(6,106)
Net cash used in investing activities		**(1,289,839)**	(17,438)
Financing activities			
Dividends paid		**(42,472)**	–
Increase in bank loans		**2,430,614**	975,388
Repayment of bank loans		**(1,330,028)**	(648,243)
Increase in other borrowing		**1,127,589**	–
Proceeds from exercise of share options		**31,800**	32,000
Proceeds from placement of ordinary shares		**604,500**	–
Increase in pledged bank deposits		**(393,945)**	–
Consideration paid for repurchase of shares		**–**	(4,198)
Expenses paid for repurchase of shares		**–**	(28)
Consideration paid for repurchase of senior loan notes		**–**	(36,442)
Net cash from financing activities		**2,428,058**	318,477
Net increase in cash and cash equivalents		**657,222**	204,099
Cash and cash equivalents at beginning of year	*54*	**599,949**	384,405
Effect of foreign exchange rate changes		**30,681**	11,445
Cash and cash equivalents at end of year	*54*	**1,287,852**	599,949

1. GENERAL

Shanghai Zendai Property Limited ("The Company") is a public limited company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and principal place of business is at Unit 6108, 61/F, The Centre, 99 Queen's Road Central, Hong Kong.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 49. The Group comprises the Company and all its subsidiaries.

Its parent and the ultimate holding company is Giant Glory Assets Limited, a private limited company incorporated in the British Virgin Islands.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

The adoption of the above new/revised HKFRSs had no material effect on the reported results or financial position of the Group for the current or prior reporting periods, except for the following:

- HKAS 27 (revised), "Consolidated and Separate Financial Statements"

  The revised standard applies prospectively for annual periods beginning on or after 1 July 2009, requires the effects of all transactions with non-controlling interest (previously minority interest) to be recognised within equity if there is no loss in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. As the Group had already adopted such approach in the past, the revised standard has no impact on the Group's financial statements for the current year.

  Furthermore, losses of non-wholly-owned subsidiary are attributed to the owners of the Company and non-controlling interest even if that results in a deficit balances. Losses prior to 1 January 2010 were not re-allocated between owners of the Company and non-controlling interests. Adoption of this revised standard has had no impact on the Group's financial statements for the current year.

- HKFRS 3 (revised), "Business Combinations"

  The revised standard introduces significant changes in the accounting for business combinations occurring after 1 July 2009. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combination achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that at an acquisition occurs and future reported results. The Group applied HKFRS 3 (revised) prospectively to the business combinations from 1 January 2010 and the adoption of the revised standard has no impact on the Group's financial position and performance as there has been no business combination transaction for the current year.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

- HKAS 17 (Amendment), "Leases"

  The amendment to HKAS 17 made under "Improvements to HKFRSs 2009", mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgment to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group has reassessed the classification of land elements of unexpired leases at the date it adopts the amendments on the basis of information existing at the inception of the lease and concluded that the classification of such land leases as operating leases continues to be appropriate.

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

  The interpretation is a clarification of an existing standard, HKAS 1 "Presentation of Financial Statements". It sets out the conclusion reached by the Hong Kong Institute of Certified Public Accountants that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause. Adoption of this interpretation has no impact on classification of the Group's term loans.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

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

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

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

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

The disclosure exemptions introduced in HKAS 24 (Revised) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The Group is in the process of making an assessment of the potential impact of other new and revised HKFRSs and the directors so far concluded that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values as explained in the accounting policies set out in note 4 below.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Each entity in the Group maintains its books and records in its own functional currency. The functional currency of the Company is HK$. The board of directors considered that it is more appropriate to present the financial statements in HK$ as the shares of the Company are listed on the Stock Exchange.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

Business combination from 1 January 2010

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Business combination from 1 January 2010 (Continued)

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

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

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

Business combination prior to 1 January 2010

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Business combination prior to 1 January 2010 (Continued)

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

The Group applies a policy of treating transactions with minority interests as transactions with owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of subsidiary acquired is recognised in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recognised in equity.

(b) Subsidiaries

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying values are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

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

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

Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to profit or loss as share of results of associates.

(d) Joint ventures

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

Jointly controlled entities are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the jointly controlled entities' net assets except that losses in excess of the Group's interest in the jointly controlled entities are not recognised unless there is an obligation to make good those losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Joint ventures *(Continued)*

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are immediately recognised in profit or loss.

(e) Goodwill

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

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment

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

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

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

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

Hotel buildings	Lower of underlying land lease term or 50 years
Motor vehicles	5 years
Leasehold improvements	5 years
Furniture and equipment	5 years

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value unless they are still in the course of construction or development at the reporting period end and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal is recognised in profit or loss.

(h) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost less impairment and are amortised over the period of the lease on a straight-line basis as an expense.

(i) Properties under development and for sale

Completed properties and properties under development held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Net realisable value is determined by prevailing market conditions.

(j) Leasing

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Leasing *(Continued)*

The Group as lessor

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

The Group as lessee

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

(k) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss: These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(i) Financial assets (Continued)

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets: These assets are non-derivative financial assets that are designated as available for sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For 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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- a significant or prolonged decline in the fair value of an investment in equity instrument below its cost; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets (Continued)

For loans and receivables

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

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

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(iii) Financial liabilities

The Group's financial liabilities including trade and other payables, amount due to an associate, amounts due to related companies, amount due to a minority owner of a subsidiary, bank borrowings, other borrowing and senior loan notes, are initially measured at fair value, net of directly attributable costs incurred for the acquisition or issue of the financial liabilities and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised within "finance costs" in profit or loss.

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

(iv) Effective interest method

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

(v) Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(vi) Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit or loss.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers as insurance contracts.

(vii) Derecognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(m) Non-current assets held for sale

Non-current assets are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets are not depreciated.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Revenue recognition

Income from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreements. Deposits and instalments received from forward sales of properties are carried in the statement of financial position under current liabilities.

Hotel revenue from rooms rental, food and beverage sales and other ancillary services is recognised when services are rendered.

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

Income from building management services is recognised when the services are rendered.

Income from travel and related services is recognised when the services are rendered.

Dividend income is recognised when the right to receive the dividend is established.

Interest income is recognised as it accrues using the effective interest method.

(o) Income taxes

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income taxes *(Continued)*

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

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

(p) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value 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 the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Foreign currency *(Continued)*

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

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

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

(q) Employee benefits

(i) Defined contribution retirement plans

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

(ii) Termination benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Share based payments

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

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

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

The attributable equity amount recognised in the share option reserve is transferred to share premium account and retained profits when the options are exercised and expire respectively.

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

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- payment for leasehold land held for own use under operating leases; and
- investments in subsidiaries, associates and jointly controlled entity

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

If the recoverable amount (i.e. the greater of fair value less costs to sell and value in use) 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 an expense immediately.

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

(t) Capitalisation of borrowing costs

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

(u) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Provisions and contingent liabilities

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgments in applying accounting policies

(i) Classification of investment properties

The Group has temporarily rent out certain office units which are not classified as investment properties because it is not the Group's intention to hold them in the long-term for capital appreciation or rental income. Accordingly, they are continuously accounted for as properties for sales.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(a) Critical judgments in applying accounting policies *(Continued)*

(ii) Impairment loss on loans and receivable

The policy for impairment of loans and receivables of the Group is based on the evaluation of collectability and aging analysis of the loans and receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these loans and receivables, including the current creditworthiness of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

(b) Key sources of estimation uncertainty

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

The Group conducts impairment reviews of assets when events of changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with relevant accounting standards. An impairment loss is recognised when the carrying amount of an asset is lower than the greater of its fair value less cost to sell or the value in use. In determining the value in use, management assess the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates are applied in determining these future cash flows and the discount rate.

(ii) Estimated impairment loss on goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associates or jointly controlled entity at the date of acquisition. Goodwill is recorded as a separate asset or, as applicable, included within investments in associates and jointly controlled entity.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(ii) Estimated impairment loss on goodwill (Continued)

The Group tests annually whether goodwill has suffered any impairment in accordance with accounting policies stated in note 4(e) to the financial statements. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amount of goodwill is HK$101,457,000 (2009: HK$145,605,000), net of accumulated impairment losses of HK$78,934,000 (2009: HK$33,072,000). Details of the impairment test is disclosed in note 22 to the financial statements.

(iii) Provision for properties under development and for sales

The Group assesses the recoverable amounts of properties under development and for sales according to their forecast net realisable value, taking into account costs to completion based on budget and past experience and net sales value based on prevailing and expected market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of estimation.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(iv) Land appreciation taxes ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on appreciation of land value, being the proceeds of sales of properties less deductible expenditure including sales charges, borrowing costs and all property development expenditure.

The Group is subject to LAT in the People's Republic of China, other than Hong Kong and Macau (the "PRC") which has been included in tax expenses of the Group. However, the implementation of these tax varies amongst various PRC provinces and the Group has not finalised its LAT returns with various local tax bureaus. Accordingly, significant estimation is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made.

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports regularly reviewed by the chief operating decision maker that are used to assess performance and allocate resources. The chief operating decision maker considers the business primarily on the basis of the types of goods and services supplied by the Group. The Group is currently organised into four operating divisions which comprise (i) sales of properties; (ii) hotel operations; (iii) properties rental, management and agency services; and (iv) provision of travel and related services.

Certain revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision maker for assessment of segment performance.

6. SEGMENT REPORTING *(Continued)*

Segment information is presented below:

(a) Information about reportable segment revenue, profit or loss and other information

	Sales of properties		Hotel operations		Properties rental, management and agency services		Travel and related services		Group	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment revenue from external sales	**3,612,066**	1,881,965	**153,023**	108,151	**181,964**	163,102	**12,038**	8,874	**3,959,091**	2,162,092
Reportable segment profit/(loss) before tax expenses	**1,314,909**	675,359	**83,099**	28,204	**57,103**	317,047	**15**	(207)	**1,455,126**	1,020,403
Other information										
Interest income	**7,434**	2,734	**70**	84	**543**	506	**–**	–	**8,047**	3,324
Interest income from other receivables	**6,532**	–	**–**	–	**–**	–	**–**	–	**6,532**	–
Depreciation of property, plant and equipment	**4,270**	3,022	**16,964**	15,301	**105**	1,031	**43**	43	**21,382**	19,397
Amortisation of payment for leasehold land held for own use under operating leases	**–**	–	**17,040**	16,525	**–**	–	**–**	–	**17,040**	16,525
Reversal of impairment loss on property, plant and equipment	**–**	–	**11,002**	16,590	**–**	–	**–**	–	**11,002**	16,590
Reversal of impairment loss on payment for leasehold land held for own use under operating leases	**–**	–	**47,982**	10,293	**–**	–	**–**	–	**47,982**	10,293
Change in fair value of investment properties	**–**	–	**–**	–	**21,753**	275,851	**–**	–	**21,753**	275,851
Reversal of write-down of property under development	**22,369**	50,237	**–**	–	**–**	–	**–**	–	**22,369**	50,237
Share of results of associates	**297,980**	(25,950)	**–**	–	**–**	–	**–**	–	**297,980**	(25,950)
Share of result of a jointly controlled entity	**(2,776)**	–	**–**	–	**–**	–	**–**	–	**(2,776)**	–
Waiver of partial consideration on acquisition of subsidiaries	**–**	20,437	**–**	–	**–**	–	**–**	–	**–**	20,437
Write off of property, plant and equipment	**1,087**	183	**–**	–	**793**	240	**–**	–	**1,880**	423
Gain on disposal of available-for-sale investment	**38**	–	**–**	–	**–**	–	**–**	–	**38**	–
Impairment loss on goodwill	**(45,862)**	(580)	**–**	–	**–**	–	**–**	–	**(45,862)**	(580)
Impairment loss on other receivable	**(19,230)**	–	**–**	–	**–**	–	**–**	–	**(19,230)**	–
Waiver of an other receivable	**(63,431)**	–	**–**	–	**–**	–	**–**	–	**(63,431)**	–
Reportable segment assets	**19,246,772**	6,883,799	**929,554**	909,204	**1,928,060**	1,822,799	**2,282**	2,487	**22,106,668**	9,618,289
Expenditures for reportable segment non-current assets	**709,703**	6,901	**2,389**	177	**12,594**	1,992	**–**	–	**724,686**	9,070
Reportable segment liabilities	**12,803,174**	3,031,256	**292,244**	183,916	**182,708**	448,942	**1,919**	2,137	**13,280,045**	3,666,251

6. SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

Profit before tax expenses	Group 2010 HK$'000	Group 2009 HK$'000
Reportable segment profit before tax expenses	**1,455,126**	1,020,403
Interest income	**1,276**	48
Other revenue	**–**	19
(Loss)/gain on disposal of financial assets at fair value through profit or loss	**(1,986)**	5,623
Gain on repurchase of senior loan notes	**–**	17,846
Change in fair value of financial assets at fair value through profit or loss	**–**	8,904
Finance costs	**(256,556)**	(171,133)
Unallocated head office and corporate expenses	**(48,189)**	(44,256)
Profit before tax expenses	**1,149,671**	837,454

Assets	Group 2010 HK$'000	Group 2009 HK$'000
Reportable segment assets	**22,106,668**	9,618,289
Available-for-sale investments	**14,709**	14,709
Financial assets at fair value through profit or loss	**–**	14,101
Pledged bank deposits	**393,945**	–
Unallocated head office and corporate assets	**104,224**	70,914
Total assets	**22,619,546**	9,718,013

6. SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment profit or loss, assets and liabilities *(Continued)*

Liabilities	Group 2010 HK$'000	Group 2009 HK$'000
Reportable segment liabilities	**13,280,045**	3,666,251
Borrowings *(note)*	**4,188,072**	2,252,838
Unallocated head office and corporate liabilities	**24,695**	14,701
Total liabilities	**17,492,812**	5,933,790

Note:

The balance comprises certain bank loans, senior loan notes and other borrowing.

(c) Geographical information

The Group's operations are principally located in the PRC and Hong Kong. Group administration is carried out in the PRC and Hong Kong.

The following table provides an analysis of the Group's turnover by geographical market and analysis of capital expenditure on non-current assets by the geographical area in which the assets are located.

	Revenue from external customers		Expenditure on non-current assets	
Group	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
PRC	**3,947,053**	2,153,218	**724,678**	9,056
Hong Kong	**12,038**	8,874	**8**	14
	3,959,091	2,162,092	**724,686**	9,070

As the Group's assets are substantially located in the PRC, no further geographical information is presented.

6. SEGMENT REPORTING *(Continued)*

(d) Information about major customers

Revenue from customers of the sales of properties segment in the PRC contributing over 10% of total turnover of the Group is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Customer A	**802,200**	–
Customer B	**457,483**	–
Customer C	**–**	521,274

7. TURNOVER

Turnover representing the aggregate of proceeds from sales of properties, amounts received and receivable from the hotel operations, properties rental, management and agency income, and the provision of travel and related services is summarised as follows:

	Group	
Turnover	**2010**	2009
	HK$'000	HK$'000
Sales of properties	**3,612,066**	1,881,965
Hotel operations:		
Room rentals	**113,155**	80,152
Food and beverage sales	**28,090**	23,772
Rendering of ancillary services	**11,778**	4,227
Properties rental, management and agency income	**181,964**	163,102
Travel and related services	**12,038**	8,874
	3,959,091	2,162,092

8. OTHER INCOME AND GAINS

	Group	
	2010	2009
	HK$'000	HK$'000
Bank interest income	**9,323**	3,372
Interest income from other receivables	**6,532**	–
Rental income *(note)*	**8,989**	22,526
Government grants	**2,790**	4,840
Gain on disposal of available-for-sale investment	**38**	795
Gain on disposal of a subsidiary	**2,632**	–
Exchange gains, net	**602**	–
Waiver of partial consideration on acquisition of subsidiaries	**–**	20,437
Gain on disposal of financial assets at fair value through profit or loss	**–**	5,623
Gain on repurchase of senior loan notes *(Note 39)*	**–**	17,846
Others	**4,258**	3,484
	35,164	78,923

Note:

Rental income was derived from certain office units included in properties for sales, which the Group intends to sell subject to the tenancy agreements.

9. PROFIT BEFORE TAX EXPENSES

Profit before tax expenses is arrived at after charging:

	Group	
	2010	2009
	HK$'000	HK$'000
Cost of sales	**2,490,121**	1,305,299
Staff costs *(Note 10)*	**139,547**	105,578
Depreciation of property, plant and equipment	**21,382**	19,397
Amortisation of payment for leasehold land held for own use under operating leases	**17,040**	16,525
Auditor's remuneration	**2,349**	1,655
Write off of property, plant and equipment	**1,880**	423
Exchange losses, net	**–**	806
Direct operating expenses from investment properties that generated rental income during the year	**32,306**	35,847
Loss on disposal of financial assets at fair value through profit or loss	**1,986**	–

10. STAFF COSTS

	Group	
	2010	2009
	HK$'000	HK$'000
Staff costs (including directors) comprise:		
Wages and salaries	**106,122**	70,169
Contributions to defined contribution retirement plans	**8,053**	13,501
Equity settled share-based payment expense *(Note 45(d))*	**25,372**	21,908
	139,547	105,578

11. DIRECTORS' EMOLUMENTS

(a) Directors' remuneration

Details of directors' remuneration are as follows:

2010	Fees HK$'000	Salaries and other benefits HK$'000	Share-based payment expense HK$'000	Contribution to retirement benefits schemes HK$'000	Total HK$'000
Executive directors:					
Mr. Dai Zhikang ("Mr. Dai")	–	2,039	1,286	12	3,337
Mr. Tang Jian	–	946	–	87	1,033
Mr. Fang Bin (i)	–	1,335	–	75	1,410
Mr. Ma Chengliang	–	5,000	–	87	5,087
Mr. Zuo Xingping (iii)	–	–	–	–	–
Mr. Zhu Nansong	–	–	–	–	–
Mr. Wang Fujie (ii)	–	1,332	1,286	10	2,628
Ms. Zhou Yan	–	1,088	–	75	1,163
Non-executive directors:					
Mr. Wu Yang (iv)	–	1,228	–	75	1,303
Mr. Wang Zhe (v)	–	–	–	–	–
Mr. Zhang Hua (ii)	–	–	–	–	–
Mr. Liu Zhiwei (ii)	–	–	16,567	–	16,567
Independent non-executive directors:					
Mr. Lai Chik Fan	120	–	643	–	763
Mr. Lo Mun Lam, Raymond	120	–	643	–	763
Dr. Tse Hiu Tung, Sheldon	120	–	643	–	763
Total	360	12,968	21,068	421	34,817

11. DIRECTORS' EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

2009	Fees HK$'000	Salaries and other benefits HK$'000	Share-based payment expense HK$'000	Contribution to retirement benefits schemes HK$'000	Total HK$'000
Executive directors:					
Mr. Dai	–	1,079	–	12	1,091
Mr. Tang Jian	–	767	670	71	1,508
Mr. Fang Bin	–	1,251	670	59	1,980
Mr. Ma Chengliang	–	2,250	7,264	53	9,567
Mr. Zhu Nansong	–	–	–	–	–
Mr. Wu Yang	–	1,095	4,358	59	5,512
Ms. Zhou Yan	–	598	1,340	54	1,992
Mr. Wang Zhe	–	–	–	–	–
Mr. Zhang Wei	–	436	–	10	446
Mr. Wang Xiangang	–	903	–	59	962
Mr. Ye Wenbin	–	693	–	59	752
Independent non-executive directors:					
Mr. Lai Chik Fan	120	–	–	–	120
Mr. Lo Mun Lam, Raymond	120	–	–	–	120
Dr. Tse Hiu Tung, Sheldon	120	–	–	–	120
Total	360	9,072	14,302	436	24,170

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

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

11. DIRECTORS' EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

(i) The director resigned with effect from 11 November 2010.

(ii) The directors were appointed on 5 February 2010

(iii) The director was appointed on 11 November 2010.

(iv) The director was re-designated as a non-executive director with effect from 11 November 2010.

(v) The director was re-designated as a non-executive director with effect from 5 February 2010.

(b) The five highest paid individuals

For the years ended 31 December 2010 and 2009, the five highest paid individuals were all directors of the Company, and their respective remuneration are disclosed in Note 11(a).

12. FINANCE COSTS

	Group	
	2010	2009
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**56,121**	65,967
Interest on bank loans repayable after five years	**69,530**	15,060
Interest on senior loan notes *(Note 39)*	**108,451**	110,418
Interest on other borrowing *(Note 41)*	**31,299**	–
Unwinding of discount on other payable *(Note 34(b))*	**8,933**	8,551
Amortisation of issue costs of senior loan notes *(Note 39)*	**7,699**	7,699
Less: amount capitalised in properties under development	**(25,477)**	(36,562)
	256,556	171,133

Borrowing costs capitalised during the year, are calculated by applying a capitalisation rate of 9.5% (2009: 7.5%) to expenditure on qualifying assets.

13. TAX EXPENSES

The amount of tax expenses/(credit) in the consolidated statement of comprehensive income represents:

	Group	
	2010	2009
	HK$'000	HK$'000
Current tax – PRC Enterprise Income Tax		
– tax for the year	**328,004**	172,909
– under/(over) provision in respect of prior years	**3,802**	(14,151)
	331,806	158,758
Current tax – LAT		
– tax for the year	**290,898**	187,942
– under/(over) provision of tax attributable to sales of properties in prior years	**6,201**	(12,643)
	297,099	175,299
Deferred tax *(Note 42)*		
– current year	**(46,861)**	53,076
	582,044	387,133

13. TAX EXPENSES *(Continued)*

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the years ended 31 December 2010 and 2009.

PRC Enterprise Income Tax

For subsidiaries which are located and operated in Shanghai and approved to be established before 16 March 2007 by the State Administration of Industrial and Commerce, the Enterprise Income Tax Law of the PRC provides a five-year transition period during which the transitional rates are 18%, 20%, 22%, 24% and 25% for the years ended 31 December 2008, 2009, 2010, 2011 and 2012 respectively. These PRC subsidiaries are subject to PRC Enterprise Income Tax at rate ranging from 22% to 25% (2009: 20% to 25%) during the year ended 31 December 2010.

Profits of other subsidiaries established in the PRC are subject to an income tax rate of 25%, which is unified to both domestic enterprises and foreign-invested enterprises.

Pursuant to the PRC tax law passed on 16 March 2007, a 10% withholding tax will be levied on dividends declared to foreign investors effective from 1 January 2008. However, a 5% withholding tax will be levied on dividends declared to Hong Kong investor under the tax treaty arrangement between PRC and Hong Kong. Further to the issuance of Guofa (2007) No. 39, the Ministry of Finance and the State Administration of Taxation released notice Caishui (2008) No. 1 on 22 February 2008, stating that the distributions of the pre-2008 earnings of a foreign invested enterprise to a foreign investor in 2008 or later will be exempted from any withholding taxes.

13. TAX EXPENSES *(Continued)*

LAT

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

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

	Group	
	2010	2009
	HK$'000	HK$'000
Profit before tax expenses	**1,149,671**	837,454
Tax calculated at the PRC profits tax rate of 25%(2009: 25%)	**287,418**	209,364
Tax effect of share of results of associates	**(74,495)**	6,488
Tax effect of share of result of a jointly controlled entity	**694**	–
Lower tax rates for specific entities in the PRC	**(23,968)**	(31,687)
Effect of different tax rates of subsidiaries operating in jurisdictions other than the PRC	**13,889**	8,670
Tax effect of expenses not deductible for tax purposes	**31,936**	25,852
Tax effect of revenue and gains not taxable for tax purposes	**(51,518)**	(41,695)
Tax effect of tax losses not recognised	**19,808**	4,393
Utilisation of tax losses previously not recognised	**(2,775)**	(2,450)
Provision of withholding tax on dividend	**80,154**	47,050
Under/(over) provision in respect of prior years	**3,802**	(14,151)
	284,945	211,834
LAT	**382,617**	219,193
Tax effect of LAT deductible for calculation of income tax purpose	**(85,518)**	(43,894)
	297,099	175,299
Tax expenses	**582,044**	387,133

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

Loss attributable to owners of the Company includes an amount of HK$182,644,000 (2009: profit of HK$393,992,000) which has been dealt with in the financial statements of the Company.

15. DIVIDENDS

	Group	
	2010	2009
	HK$'000	HK$'000
Final, proposed – HK Nil cent (2009: HK0.34 cents) per share	**–**	42,472

No dividend was proposed for the year ended 31 December 2010.

At a meeting held on 25 March 2010, the directors recommended a final dividend of HK0.34 cents per ordinary share. The proposed final dividend in respect of the year ended 31 December 2009 was calculated based on 12,491,906,515 shares in issue as at the date of the financial statements for the year ended 31 December 2009. Such dividend had been approved by the shareholders at the Company's Annual General Meeting. It was not reflected as a dividend payable in the financial statements for the year ended 31 December 2009, but was reflected as an appropriation of retained profits for the year ended 31 December 2010.

16. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2010	2009
	HK$'000	HK$'000
Profit attributable to owners of the Company	**569,838**	421,262
	Number of shares (thousands)	Number of shares (thousands)
Weighted average number of ordinary shares in issue	**12,332,311**	10,291,374
	HK Cents	HK Cents
Basic earnings per share	**4.6**	4.1

16. EARNINGS PER SHARE *(Continued)*

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to owners of the Company and the weighted average number of shares in issue during the year after adjusting for the number of dilutive potential ordinary shares on share options granted.

	2010	2009
	HK$'000	HK$'000
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	**569,838**	421,262

	Number of shares (thousands)	Number of shares (thousands)
Weighted average number of ordinary shares in issue	**12,332,311**	10,291,374
Effect of dilutive potential ordinary shares on share options	**4,668**	11,809
Weighted average number of ordinary shares for diluted earnings per share	**12,336,979**	10,303,183

	HK Cents	HK Cents
Diluted earnings per share	**4.6**	4.1

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel buildings HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2010					
Cost					
At 1 January 2010	406,605	15,157	235	37,186	459,183
Exchange differences	15,363	718	1	1,373	17,455
Additions	–	13,455	–	5,920	19,375
Written off	–	(1,796)	(37)	(3,967)	(5,800)
At 31 December 2010	421,968	27,534	199	40,512	490,213
Accumulated depreciation and impairment					
At 1 January 2010	58,188	9,113	162	12,364	79,827
Exchange differences	2,199	565	–	664	3,428
Provided for the year	11,002	2,797	52	7,531	21,382
Reversal of impairment loss *(note)*	(11,002)	–	–	–	(11,002)
Eliminated on written off	–	(922)	(37)	(2,961)	(3,920)
At 31 December 2010	60,387	11,553	177	17,598	89,715

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

Group

	Hotel buildings HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2009					
Cost					
At 1 January 2009	405,316	14,288	535	29,554	449,693
Exchange differences	1,289	154	1	173	1,617
Additions	–	1,022	18	8,030	9,070
Acquired through business combinations *(Note 50(a))*	–	89	–	120	209
Written off	–	(396)	(319)	(691)	(1,406)
At 31 December 2009	406,605	15,157	235	37,186	459,183
Accumulated depreciation and impairment					
At 1 January 2009	64,221	7,030	250	6,065	77,566
Exchange differences	198	128	–	111	437
Provided for the year	10,359	2,240	36	6,762	19,397
Reversal of impairment loss *(note)*	(16,590)	–	–	–	(16,590)
Eliminated on written off	–	(285)	(124)	(574)	(983)
At 31 December 2009	58,188	9,113	162	12,364	79,827
Net book values					
At 31 December 2010	**361,581**	**15,981**	**22**	**22,914**	**400,498**
At 31 December 2009	348,417	6,044	73	24,822	379,356

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

Hotel buildings are pledged to a bank to secure a bank loan granted to the Group (Note 38).

Note:

During the year ended 31 December 2010, reversal of impairment loss of approximately HK$11,002,000 (2009: HK$16,590,000) in respect of hotel building was recognised in profit or loss, which was determined with reference to a valuation as determined by qualified valuers, DTZ Debenham Tie Leung Limited, an independent firm of surveyors. The valuation was arrived at by considering the capitalised net earnings to be derived from the hotel operation.

Company

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2010			
Cost			
At 1 January 2010	**37**	**317**	**354**
Additions	**–**	**8**	**8**
Written off	**(37)**	**(100)**	**(137)**
At 31 December 2010	**–**	**225**	**225**
Accumulated depreciation			
At 1 January 2010	**37**	**275**	**312**
Provided for the year	**–**	**15**	**15**
Eliminated on written off	**(37)**	**(100)**	**(137)**
At 31 December 2010	**–**	**190**	**190**
2009			
Cost			
At 1 January 2009	37	303	340
Additions	–	14	14
At 31 December 2009	37	317	354
Accumulated depreciation			
At 1 January 2009	37	258	295
Provided for the year	–	17	17
At 31 December 2009	37	275	312
Net book values			
At 31 December 2010	**–**	**35**	**35**
At 31 December 2009	–	42	42

18. INVESTMENT PROPERTIES

	Group	
	2010	2009
	HK$'000	HK$'000
Fair value		
At beginning of year	**1,686,900**	1,211,852
Exchange difference	**49,549**	4,155
Additions	**10,866**	–
Transfer from properties under development and for sales *(note)*	**–**	195,042
Change in fair value	**21,753**	275,851
At end of the year	**1,769,068**	1,686,900

Note:

During the year ended 31 December 2009, the Group changed its intention from holding the retail shops of its commercial project in Yangzhou as properties under development and for sales to investment properties. Therefore, the carrying amount of the retail shops was transferred to investment properties and measured at fair value at the date of re-classification.

19. ANALYSIS OF INVESTMENT PROPERTIES

(a) The analysis of the carrying amount of investment properties is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Lands and buildings held in the PRC:		
– Long lease	**12,947**	12,476
– Medium-term lease	**1,414,783**	1,332,653
– Short lease	**341,338**	341,771
	1,769,068	1,686,900

19. ANALYSIS OF INVESTMENT PROPERTIES *(Continued)*

(b) Investment properties with carrying amount of HK$1,342,985,000 (2009: HK$1,287,601,000) and HK$426,083,000 (2009: HK$399,299,000) were revalued at 31 December 2010 at a valuation by qualified valuers, Jones Lang LaSalle Sallmanns Limited and DTZ Debenham Tie Leung Limited, independent firms of surveyors respectively. The valuations were arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

(c) Investment properties with carrying amount of HK$1,769,068,000 (2009: HK$1,332,653,000) are pledged to banks to secure bank loans granted to the Group (Note 38).

(d) Gross rental income from investment properties amounted to HK$67,161,000 (2009: HK$65,137,000).

20. PAYMENT FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group's payment for leasehold land held for own use under operating leases is pledged to a bank to secure a bank loan granted to the Group (Note 38).

	Group	
	2010	2009
	HK$'000	HK$'000
Land use right in the PRC		
– Medium-term lease	**591,808**	539,639

During the year ended 31 December 2010, reversal of impairment loss of approximately HK$47,982,000 (2009: HK$10,293,000) in respect of the leasehold land held for own use under operating leases had been recognised in profit or loss, which was determined with reference to a valuation by the qualified valuers, DTZ Debenham Tie Leung Limited, an independent firm of surveyors. The valuation was arrived at by considering the capitalised net earnings to be derived from the hotel operation.

21. GOODWILL

	Group HK$'000
At 1 January 2009	144,949
Exchange differences	246
Impairment loss	(580)
Arising from business combinations *(Note 50(a))*	990
At 31 December 2009	145,605
Exchange differences	1,714
Impairment loss	(45,862)
At 31 December 2010	**101,457**

22. IMPAIRMENT TESTING ON GOODWILL

Goodwill acquired through certain business combinations has been allocated to three (2009: four) major cash generating units for impairment testing.

The cash-generating units are property development projects of subsidiaries and located in the cities of Chengdu, Jiaxing, Qingdao and Shanghai, respectively, and are either currently available for sale or will be available for sale in the forthcoming five years.

The recoverable amounts for the cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on forecasts covering a five-year period. The discount rate applied to the cash flow projections is 10% (2009: 11%) per annum.

22. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

The carrying amount of goodwill as at 31 December 2010 allocated to each of the three (2009: four) cash-generating units is as follows:

	2010 HK$'000	2009 HK$'000
Sales of properties:		
上海証大三角洲置業有限公司	**35,012**	33,810
Lanrich International Limited	**65,417**	65,417
成都山水置業有限公司	**1,028**	990
上海恒錦房地產開發有限公司	**–**	45,388
	101,457	145,605

The management has adopted the following key assumptions in preparation of the cash flow projections to undertake impairment testing of goodwill:

– Selling prices – The market prices of the comparable properties nearby
– Construction costs – The estimated costs including infrastructure costs to complete the property development projects
– Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units
– Price inflation – The basis used to determine the value assigned to selling price inflation is the forecast price indices of 3% – 4% per annum which is consistent with industry trend

The values assigned to key assumptions are based on historical experiences, current market condition, approved budgets and forecasts and consistent with external information sources.

The carrying values of goodwill were tested for impairment as at 31 December 2010 and 2009. The results of the tests indicated that impairment charge of HK$45,862,000 (2009: HK$580,000) was necessary and was recognised in profit or loss in the current year.

23. INTERESTS IN ASSOCIATES

	Group 2010 HK$'000	Group 2009 HK$'000
Share of net assets	**1,328,800**	544,525
Loans to associates *(note a)*	**257,620**	68,131
	1,586,420	612,656

The investments are unlisted equity interests and details of the Group's associates at 31 December 2010 are as follows:

Name	Form of Business structure	Place of establishment and operations	Paid-up registered capital	Percentage of ownership interest	Principal activities
上海海之門房地產投資管理有限公司（"海之門"） *(note b)*	Corporation	The PRC	RMB1,000,000,000	35%	Property development in the PRC
上海証大喜瑪拉雅置業有限公司（"証大喜瑪拉雅"）	Corporation	The PRC	RMB633,630,000	45%	Property development in the PRC
中科廊坊科技谷有限公司	Corporation	The PRC	RMB200,000,000	30%	Property development in the PRC
廊坊市証合泰房地產開發有限公司（"証合泰"） *(note c)*	Corporation	The PRC	RMB100,000,000	40%	Property development in the PRC
青島上實地產有限公司	Corporation	The PRC	US$3,620,000	45%	Property development in the PRC

23. INTERESTS IN ASSOCIATES *(Continued)*

Notes

(a) The loans are unsecured, interest-free and repayable on demand.

(b) On 25 April 2010, 上海証大五道口房地產開發有限公司 ("証大五道口"), wholly-owned subsidiary of the Group, entered into agreements with Shanghai Forte Land Co., Ltd. ("Shanghai Forte Land"), Hangzhou Greentown Land Investment Co., Ltd. ("Greentown") and Shanghai Panshi Investment Management Co., Ltd. ("Panshi") to establish a project company, 海之門, with registered paid up capital of RMB1,000 million. 証大五道口, Shanghai Forte Land, Greentown and Panshi held 50%, 30%, 10% and 10% of the total registered capital of 海之門 respectively.

In addition, 証大五道口, Shanghai Forte Land, Greentown and Panshi would provide shareholders' loans to 海之門 in the amount of RMB1,000 million, RMB2,572 million, RMB858 million and RMB187 million respectively. In this connection, the Group pledged its entire interest in an associate, 証大喜瑪拉雅, to Shanghai Forte Land. As at 31 December 2010, the carrying amount of interest in this associate amounted to HK$458,730,000. Details of the transaction were disclosed in the Company's announcement dated 27 April 2010. On 1 August 2010, 証大五道口 entered into an agreement with Panshi to dispose of 15% equity interest in 海之門 at a consideration of RMB150 million and recognised a loss on disposal of HK$146,000 in profit or loss.

In connection with obtaining other borrowing of the Group, 10% equity interest in 海之門 was pledged to the other borrowing as mentioned in note 41.

(c) During the year ended 31 December 2010, 上海証大置業有限公司 ("証大置業"), wholly-owned subsidiary of the Group, entered into an agreement with an independent third party to establish a property development company, 証合泰. 証大置業 holds 40% of the registered capital of 証合泰 on establishment.

23. INTERESTS IN ASSOCIATES *(Continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2010 HK$'000	2009 HK$'000
Total assets	**14,510,369**	4,727,224
Total liabilities	**(10,831,387)**	(3,088,388)
Net assets	**3,678,982**	1,638,836
Group's share of net assets of associates	**1,328,800**	544,525
Total revenue	**2,007,974**	–
Total profit/(loss) for the year	**665,850**	(49,862)
Group's share of results of the associates for the year	**297,980**	(25,950)

24. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2010 **HK$'000**	2009 HK$'000
Share of net assets	**56,000**	–
Loan to a jointly controlled entity *(note)*	**525,962**	–
	581,962	–

Note: The loan, except for the amount of HK$176,554,000 which bears interest at fixed rate of 18% per annum, is interest-free, unsecured, repayable on demand and included in the current assets.

24. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

During the year ended 31 December 2010, 証大置業 entered into an agreement with an independent third party to form a 50% owned equity jointly controlled entity, 文廣証大南通文化投資發展有限公司. The jointly controlled entity has registered capital of RMB100,000,000 and is principally engaged in property development and accounted for using the equity method.

The summarised financial information in respect of the Group's jointly controlled entity is set out below:

	Group	
	2010	2009
	HK$'000	HK$'000
Non-current assets	**601**	–
Current assets	**764,558**	–
Current liabilities	**(653,159)**	–
Net assets	**112,000**	–
Group's share of net assets of the jointly controlled entity	**56,000**	–
Income	**133**	–
Expenses	**(5,685)**	–
Loss for the year	**(5,552)**	–
Group's share of loss of the jointly controlled entity	**(2,776)**	–

The Group's share of capital commitments amounted to HK$27,316,000 as at 31 December 2010.

25. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Unlisted equity interests, at cost *(note a)*	**27,797**	14,765
Investment funds, at fair value *(note b)*	**589**	567
	28,386	15,332

	Group	
	2010	2009
	HK$'000	HK$'000
Analysed for reporting purpose as:		
Non-current assets	**27,797**	14,765
Current assets	**589**	567
	28,386	15,332

Notes:

(a) The balance represents investments cost of HK$27,797,000 (2009: HK$14,765,000) in three (2009: two) private entities established in the PRC and are classified under non-current assets. They are measured at cost less any impairment at the end of each reporting period because the directors of the Company are of the opinion that their fair value cannot be measured reliably.

(b) These funds are operated by the Agricultural Bank of China. According to the funds prospectus, these funds invest in listed and unlisted securities in the PRC and other commodities contracts. The expected return on these funds ranging from 4% to 9% as estimated by the issuers. The costs of the investment funds approximate their fair values at the end of the reporting periods.

26. PROPERTIES UNDER DEVELOPMENT AND FOR SALES

	Group	
	2010	2009
	HK$'000	HK$'000
Properties		
– Under development	**14,165,054**	2,984,574
– For sales	**1,262,636**	1,729,694
	15,427,690	4,714,268

An impairment loss of HK$22,369,000 (2009: HK$50,237,000) recognised in prior years against the carrying value of properties under development is reversed during the year ended 31 December 2010, after adjustment for foreign exchange rate change. The reversal of impairment loss is due to an increase in the estimated net realisable value of certain properties as a result of recovery of the PRC property market.

Properties under development and for sales with carrying amount of HK$2,805,034,000 (2009: HK$1,322,803,000) are pledged to banks to secure bank loans (Note 38) granted to the Group.

Properties under development and for sales with carrying amount of HK$568,231,000 (2009: Nil) are pledged to the trustee, 新華信託股份有限公司, to secure other borrowing granted to the Group as mentioned in note 41.

Accumulated finance costs of approximately HK$49,276,000 (2009: HK$112,174,000) were capitalised in the properties under development and for sales.

Properties under development and for sales which are expected to be recovered in more than twelve months after the end of reporting period are classified under current assets as they are expected to be realised in the Group's normal operating cycle. The amounts of properties under development and for sales that are expected by management to be realised after more than twelve months from the end of reporting period are HK$13,343,804,000 (2009: HK$1,808,830,000).

27. INVENTORIES

	Group	
	2010	2009
	HK$'000	HK$'000
Food, beverage and low value consumables	**1,654**	1,119

28. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables *(note a)*	**36,702**	40,279	**–**	–
Deposits	**44,304**	40,630	**464**	454
Prepayments	**141,115**	35,303	**495**	463
Loan to the majority shareholder of an associate *(note b)*	**97,693**	–	**–**	–
Other receivables *(notes c and d)*	**50,547**	114,375	**–**	–
	370,361	230,587	**959**	917
Less: impairment loss on other receivable *(note c)*	**(19,230)**	–	**–**	–
	351,131	230,587	**959**	917
Analysed for reporting purpose as:				
Non-current assets *(note d)*	**–**	62,776	**–**	–
Current assets	**351,131**	167,811	**959**	917
	351,131	230,587	**959**	917

The Group generally grants no credit period to its customers on sales of properties, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis. A credit period ranging from 30 to 60 days is granted to customers in travel and related services.

28. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) The ageing analysis of trade receivables at the end of reporting period is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Current *(i)*	**4,406**	22,428
Less than 1 month past due	**4,675**	11,182
1 to 3 months past due	**12,073**	2,139
More than 3 months but less than 12 months past due	**13,707**	346
More than 12 months past due	**1,841**	4,184
Amount past due but not impaired *(ii)*	**32,296**	17,851
	36,702	40,279

(i) The current balance neither past due nor impaired related to a number of customers for whom there was no recent history of default.

(ii) The balance of HK$32,296,000 (2009: HK$17,851,000) was past due but not impaired. The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 4(k)(ii). The directors consider the balance would be recoverable.

(b) As at 31 December 2010, a loan of HK$97,693,000 was advanced to the majority shareholder of 証合泰, an associate of the Group. The loan carries interest at fixed rate of 9% per annum and is unsecured and repayable in May 2011.

28. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Except for the balance mentioned below, all other receivables are neither past due nor impaired.

In 2008, the Group advanced a deposit of HK$23,282,000 (2009: HK$22,434,000) to an independent third party for proposed acquisition of a subsidiary. The proposed acquisition was terminated subsequently. Despite certain assets with estimated far value amounting to HK$28,209,000 were seized through court proceedings, management assessed that it would take a lengthy period of time to obtain a legal right of disposal of the assets to recover the outstanding balance. Therefore, an impairment loss of HK$19,230,000 was recognised in profit or loss during the year ended 31 December 2010.

Movement in the impairment loss on other receivable:

	Group	
	2010	2009
	HK$'000	HK$'000
Balance at beginning of the year	**–**	–
Impairment loss recognised on other receivable	**19,230**	–
Balance at end of the year	**19,230**	–

(d) In order to promote the development of the educational infrastructure nearby the property development project in Haimen, the PRC, undertaken by a wholly-owned subsidiary, 海門証大濱江置業有限公司("証大濱江"). 証大濱江 entered into a co-operation agreement with a local third party in 2007 whereby 証大濱江 was solely responsible to construct a secondary school and the third party will manage the operation of the school for 20 years from the date of completion of the construction of the school. The costs of construction would be compensated by the third party by paying annual lease payments (due in December each year) to 証大濱江 for 20 years which amounted to RMB90,000,000. The first annual lease payment was due in December 2009. The carrying amount of the receivable of HK$62,776,000 as at 31 December 2009 represents the expected cash flows from the leases receivable discounted at the effective interest rate at the time of recognition of the receivable less payments received, if any, up to the end of that reporting period.

During the year ended 31 December 2010, 証大濱江 and the local third party agreed to terminate the co-operation agreement and therefore the school was transferred to the local government of Haimen as donation in order to enhance the corporate image of the Group in Haimen. The directors believe that this will benefit to the sales of the developing properties in Haimen in the future. As such, the entire receivable of HK$63,431,000 as at 31 December 2010 was written off in profit or loss during the year ended 31 December 2010.

29. DEPOSITS FOR PROPERTY DEVELOPMENT

	Group 2010 HK$'000	Group 2009 HK$'000
Deposits for acquisition of land use rights in the PRC	**52,966**	676,360
Prepayments to property construction contractors	**14,706**	9,356
	67,672	685,716

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2010 HK$'000	Group 2009 HK$'000
Held for trading		
– Equity securities listed in Hong Kong at market value	**–**	14,101
– Equity securities listed in the PRC at market value	**–**	32,891
	–	46,992

31. AMOUNTS DUE FROM RELATED COMPANIES

Name of related companies	Directors having beneficial interests	Group 2010 HK$'000	Group 2009 HK$'000	Maximum amount outstanding during the year HK$'000
Zendai Investment Development Limited	Mr. Dai	**13,172**	12,718	13,172
上海証大投資發展有限公司	Mr. Dai	**19**	3	19
上海証大現代藝術館	Mr. Dai	**2**	10	10
		13,193	12,731	

The amounts are unsecured, interest-free and repayable on demand.

32. PLEDGED BANK DEPOSITS

Pledged bank deposits represented deposits pledged to banks to secure bank loans (Note 38) granted to the Group. The pledged bank deposits of HK$377,467,000, HK$11,770,000 and HK$4,708,000 carry interest at fixed rate of 0.25%, 1.92% and 1.21% per annum respectively.

33. ASSETS CLASSIFIED AS HELD FOR SALE

The assets represented certain investment properties with aggregate carrying amount of HK$19,704,000 which were contracted for sale before 31 December 2009. The sale transactions were completed during the year.

34. TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(note a)*	**443,545**	466,593	**–**	–
Other payables and accruals	**354,262**	388,381	**9,768**	32,606
	797,807	854,974	**9,768**	32,606
Less: other payable included in non-current liabilities *(note b)*	**(135,878)**	(122,397)	**–**	–
	661,929	732,577	**9,768**	32,606

34. TRADE AND OTHER PAYABLES *(Continued)*

Notes:

(a) The ageing analysis of trade payables at the end of reporting period is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Current or less than 1 month	**18,375**	3,050
1 – 3 months	**131,213**	287,780
More than 3 months but less than 12 months	**11,684**	20,271
More than 12 months	**261,419**	109,897
	422,691	420,998
Retention money	**20,854**	45,595
	443,545	466,593

The trade payables mainly represent accrued construction costs payable to contractors. The amounts will be paid upon the completion of cost verification process between the contractors and the Group.

(b) The other payable represents consideration for acquisition of land use rights amounting to RMB360,000,000 payable to an independent third party. The balance is repayable in 38 years by annual instalments, starting from February 2009. The carrying amount of the payable of HK$152,944,000 (2009: HK$139,313,000) of which HK$17,066,000 (2009: HK$16,916,000) is included in current liabilities as at 31 December 2010 represents the expected cash flows from settlement of the payable discounted at the effective interest rate of 6% per annum prevailing at the time of recognition of the payable plus unwinding discount less settlement made up to the end of the reporting period.

35. AMOUNT DUE TO AN ASSOCIATE

The amount was unsecured, interest-free and repayable on demand.

36. AMOUNTS DUE TO RELATED COMPANIES

The amounts were unsecured, interest-free and repayable on demand. The Company's director, Mr. Dai, has beneficial interests in these related companies.

37. AMOUNT DUE TO A MINORITY OWNER OF A SUBSIDIARY

The amount was unsecured, interest-free and repayable on demand.

38. BANK LOANS

	Group	
	2010	2009
	HK$'000	HK$'000
Secured *(note)*	**2,541,255**	1,390,594

At the end of reporting period, the bank loans were repayable as follows:

Bank loans repayable:		
Within one year	**896,698**	282,014
More than one year, but not exceeding two years	**506,374**	201,975
More than two years, but not exceeding five years	**991,055**	450,544
After five years	**147,128**	456,061
	2,541,255	1,390,594
Less: Amount due within one year included in current liabilities	**(896,698)**	(282,014)
Amount due after one year	**1,644,557**	1,108,580

Note:

The bank loans are secured by the Group's assets as detailed in note 56(a) to the financial statements. Corporate guarantees were also given to banks for certain bank loans by a related company, which is beneficially owned by Mr. Dai, a director and shareholder of the Company.

39. SENIOR LOAN NOTES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at beginning of the year	**1,065,908**	1,112,497	**1,151,396**	1,143,697
Amortisation of issue costs *(Note 12)*	**7,699**	7,699	**7,699**	7,699
Senior loan notes repurchased by a subsidiary	**–**	(54,288)	**–**	–
Carrying amount at end of the year	**1,073,607**	1,065,908	**1,159,095**	1,151,396

On 6 June 2007, the Company issued senior loan notes (the "Notes") of US$150 million with maturity date on 6 June 2012. The Notes carry interest at 10% per annum and is payable semi-annually in arrears on 6 June and 6 December of each year, beginning on 6 December 2007. The Notes are secured by corporate guarantees of certain subsidiaries of the Company and listed on the Singapore Exchange Securities Trading Limited.

During the year ended 31 December 2009, the Group through a subsidiary partially repurchased the Notes in the principal amount of US$6,960,000 at a total consideration of US$4,672,000. A gain of HK$17,846,000 (Note 8) on repurchase was recognised in profit or loss.

During the year ended 31 December 2010, the Group did not repurchase any of the Notes.

40. TAX PREPAYMENTS/PAYABLE

	Group	
	2010	2009
	HK$'000	HK$'000
Tax prepayments		
PRC Enterprise Income Tax prepayments	**9,671**	18,241
LAT prepayments *(note)*	**7,139**	9,218
	16,810	27,459

	Group	
	2010	2009
	HK$'000	HK$'000
Tax payable		
PRC Enterprise Income Tax payable	**181,038**	71,985
LAT provision *(note)*	**1,294,564**	998,668
	1,475,602	1,070,653

40. TAX PREPAYMENTS/PAYABLE *(Continued)*

Note:

The Group is subject to LAT in the PRC and is required to prepay 1% to 5% (2009: 1% to 2%) of the proceeds from sale and pre-sale of the properties. However, the implementation of LAT varies amongst various PRC cities and the Group has not finalised its LAT returns with various local tax bureaus.

On 28 December 2006, the PRC State Administration of Taxation issued a circular, which took effect on 1 February 2007 to request real estate developers to settle the final LAT payments in respect of their development projects that meet certain criteria, such as when 85% of a development project has been pre-sold or sold. Since then, local tax bureaus, including the Shanghai tax bureau, have issued local implementation rules and procedures from time to time. In order to minimise the uncertainties in the accounts due to exposure to the additional LAT liabilities, the Group has provided for LAT fully in accordance with the requirements of State Administration of Taxation and the issued implementation rules and procedures.

41. OTHER BORROWING

On 8 October 2010, 証大五道口 entered into an agreement with 新華信託股份有限公司 (the "Trustee") whereby the Trustee has set up a trust fund to raise capital of RMB958 million (the "Principal") for 証大五道口 to finance its investment in an associate, 海之門. The fund will mature in 18 months from October 2010. 証大五道口 is required to pay an annual return ranging from 8% to 13.5% of the Principal to the fund investors and a service fee at 2.3% of the Principal to the Trustee. These expenses have been recognised as finance costs in note 12 to the financial statements.

The Principal is secured by the 10% equity interest in the associate, 海之門, the Group's 100% equity interest in a subsidiary, 上海証大西鎮房地產開發有限公司 (which has properties under development and for sales with carrying amount of HK$568,231,000) and a corporate guarantee given by a related company which is beneficially owned by the Company's major shareholder, Mr. Dai. At 31 December 2010, the carrying amounts of the interest in the associate and the subsidiary amounted to HK$117,818,000 and HK$479,077,000 respectively.

42. DEFERRED TAX LIABILITIES

Details of the deferred tax liabilities recognised and movements during the current and prior years were as follows:

	Group				
	Revaluation of property, plant and equipment and payment for leasehold land HK$'000	Revaluation of investment properties HK$'000	Revaluation of properties for sale HK$'000	Withholding tax on dividend HK$'000	Total HK$'000
At 1 January 2009	157,379	84,050	335,674	26,918	604,021
Exchange differences	631	361	1,020	111	2,123
Charge/(credit) to statement of comprehensive income for the year *(Note 13)*	9,012	68,344	(71,330)	47,050	53,076
Arising from acquisitions of subsidiaries *(Note 50(a))*	–	–	5,920	–	5,920
At 31 December 2009	**167,022**	**152,755**	**271,284**	**74,079**	**665,140**
Exchange differences	**6,644**	**5,205**	**5,500**	**3,199**	**20,548**
Charge/(credit) to statement of comprehensive income for the year *(Note 13)*	**10,821**	**2,633**	**(140,469)**	**80,154**	**(46,861)**
Disposal of subsidiary *(Note 51)*	**–**	**–**	**(306)**	**–**	**(306)**
At 31 December 2010	**184,487**	**160,593**	**136,009**	**157,432**	**638,521**

No deferred tax asset has been recognised in respect of the estimated unused tax losses due to the unpredictability of future profit streams. The tax losses of HK$8,401,000 (2009: HK$35,812,000) can be carried forward indefinitely and the tax losses of HK$132,485,000 (2009: HK$44,432,000) will expire in five years' time.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed through its operations to the following risks from its use of financial instruments:

- Market risks (Interest rate risk, Foreign exchange risk and Equity price risk)
- Liquidity risk
- Credit risk

Policy for managing these risks is set by the Board of Directors. Certain risks are managed centrally, while others are managed locally following guidelines stipulated by the central management. The policy for each of the above risks is described in more detail below.

Market risks

(a) Interest rate risk

The Group has exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank borrowings which carry at prevailing market interest rates.

The Group's interest rate risk relates primarily to its fixed and floating interest rate bank borrowings subject to negotiation on annual basis. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's senior loan notes and other borrowing were issued at fixed rate and do not expose the Group to fair value interest rate risk.

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

Market risks *(Continued)*

(a) Interest rate risk (Continued)

Interest rate profile

The following table details interest rates analysis that the management of the Group evaluates their interest rate risk.

	Group				Company			
	2010 Effective interest rate (%)	**HK$'000**	2009 Effective interest rate (%)	HK$'000	**2010 Effective interest rate (%)**	**HK$'000**	2009 Effective interest rate (%)	HK$'000
Financial liabilities								
Fixed rate borrowings								
– Bank loans	**6.86%**	**1,447,740**	7.32%	497,902	**–**	**–**	–	–
– Senior loan notes	**10%**	**1,073,607**	10%	1,065,908	**10%**	**1,159,094**	10%	1,151,396
– Other borrowing	**11.98%**	**1,127,589**	–	–	**–**	**–**	–	–
Floating rate borrowings								
– Bank loans	**5.77%**	**1,093,515**	6.16%	892,692	**–**	**–**	–	–
Financial assets								
Fixed rate financial assets								
– Pledged bank deposits	**0.31%**	**393,945**	–	–	**–**	**–**	–	–
– Loan to a jointly controlled entity	**18%**	**176,554**	–	–	**–**	**–**	–	–
– Loan to the major shareholder of an associate	**9%**	**97,693**	–	–	**–**	**–**	–	–
Floating rate financial assets								
– Cash and cash equivalents	**0.50%**	**1,287,852**	0.56%	599,949	**0.17%**	**36,180**	0.07%	68,089

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

Market risks *(Continued)*

(a) *Interest rate risk* *(Continued)*

Sensitivity analysis

At the respective end of reporting periods, if lending interest rates set by the People's Bank of China had increased/decreased by 100 basis points and all other variables were held constant, the Group's profit would increase/decrease by approximately HK$4,677,000 (2009: decrease/increase by approximately HK$1,142,000) for the year ended 31 December 2010.

(b) *Foreign exchange risk*

Foreign exchange risk arises when individual company enters into transactions denominated in a currency other than their functional currency.

The Group and the Company undertake certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group and the Company's certain cash and cash equivalents and the senior loan notes also expose to such foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the respective end of reporting periods are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets				
HK$	**114,610**	24,647	**–**	–
United States dollars ("USD")	**5,037**	28,679	**4,624**	27,623
Liabilities				
HK$	**10,123**	175,592	**–**	–
USD	**1,082,056**	1,074,358	**1,167,544**	1,159,846

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

Market risks *(Continued)*

(b) Foreign exchange risk (Continued)

Sensitivity analysis

The Group through its subsidiaries operating in the PRC mainly exposes to the currency risk of HK$ against RMB while the Company mainly exposes to the currency risk of USD against HK$.

The directors estimated that the effect on the profit after tax in the next accounting period in response to reasonably possible changes in the respective exchange rates would be insignificant.

(c) Equity price risk

The Group is exposed to equity price risk on the financial assets at fair value through profit or loss. When the Group has generated a significant amount of surplus cash, it will invest in listed investments to improve profitability. As at 31 December 2009, the Group's investments in the above are limited to equity instruments listed in Hong Kong and the PRC. The Group diversifies its investment portfolio to optimise the risk and return. The directors believe that the exposure to equity price risk from these activities is acceptable in the Group's circumstances. During the year ended 31 December 2010, the Group disposed of all financial assets at fair value through profit and loss and had no exposure to equity price risk at the end of reporting period.

Sensitivity analysis

The directors estimated that the effect on the profit after tax in the next accounting period in response to reasonably possible changes in the prices of the respective equity instruments would be insignificant for the year ended 31 December 2009.

Liquidity risk

Internally generated cash flows, bank loans, senior loan notes and other borrowing are the general sources of funds to finance the operations of the Group. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations.

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

Liquidity risk *(Continued)*

The contractual maturities of financial liabilities are shown as below:

The Group

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2010						
Non-derivatives:						
Trade and other payables	**661,929**	**661,929**	**661,929**	**–**	**–**	**–**
Other payable (non-current)	**135,878**	**404,896**	**9,416**	**9,416**	**37,665**	**348,399**
Bank loans	**2,541,255**	**2,701,608**	**953,280**	**538,326**	**1,053,590**	**156,412**
Amounts due to related companies	**50**	**50**	**50**	**–**	**–**	**–**
Amount due to a minority owner of a subsidiary	**19,203**	**19,203**	**19,203**	**–**	**–**	**–**
Amount due to an associate	**7,471,706**	**7,471,706**	**7,471,706**	**–**	**–**	**–**
Senior loan notes	**1,073,607**	**1,404,000**	**117,000**	**1,287,000**	**–**	**–**
Other borrowing	**1,127,589**	**1,330,270**	**–**	**1,330,270**	**–**	**–**
	13,031,217	**13,993,662**	**9,232,584**	**3,165,012**	**1,091,255**	**504,811**
2009						
Non-derivatives:						
Trade and other payables	732,577	732,577	732,577	–	–	–
Other payable (non-current)	122,397	399,270	9,074	9,074	27,222	353,900
Bank loans	1,390,594	1,484,318	301,021	215,588	480,910	486,799
Amounts due to related companies	5,018	5,018	5,018	–	–	–
Amount due to a minority owner of a subsidiary	53,016	53,016	53,016	–	–	–
Senior loan notes	1,065,908	1,521,000	117,000	117,000	1,287,000	–
	3,369,510	4,195,199	1,217,706	341,662	1,795,132	840,699

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

Liquidity risk *(Continued)*

The Company

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2010						
Non-derivatives:						
Other payables	**9,768**	**9,768**	**9,768**	**–**	**–**	**–**
Amounts due to subsidiaries	**346,246**	**346,246**	**346,246**	**–**	**–**	**–**
Senior loan notes	**1,159,095**	**1,404,000**	**117,000**	**1,287,000**	**–**	**–**
	1,515,109	**1,760,014**	**473,014**	**1,287,000**	**–**	**–**
2009						
Non-derivatives:						
Other payables	32,606	32,606	32,606	–	–	–
Amounts due to subsidiaries	318,995	318,995	318,995	–	–	–
Senior loan notes	1,151,396	1,521,000	117,000	117,000	1,287,000	–
	1,502,997	1,872,601	468,601	117,000	1,287,000	–

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2010 and 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and guarantees provided by the Group as disclosed in note 53. The Group has policies in place to determine credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spreading over a large number of counterparties and customers.

The credit risk on bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

44. FINANCIAL INSTRUMENTS – CARRYING AMOUNT AND FAIR VALUE

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

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

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

45. SHARE CAPITAL

(a) Authorised and issued share capital

	Company			
Authorised	**2010 Number**	**2010 HK$'000**	2009 Number	2009 HK$'000
Ordinary shares of HK$0.02 each	**20,000,000,000**	**400,000**	20,000,000,000	400,000

Issued and fully paid	**2010 Number**	**2010 HK$'000**	2009 Number	2009 HK$'000
Ordinary shares of HK$0.02 each				
At beginning of the year	**10,409,406,515**	**208,188**	10,291,273,182	205,825
Placement of shares *(note (a)(i))*	**1,950,000,000**	**39,000**	–	–
Cancellation upon repurchase of shares *(note (a)(ii))*	**–**	**–**	(15,200,000)	(304)
Exercise of share options *(note (b))*	**132,500,000**	**2,650**	133,333,333	2,667
At end of the year	**12,491,906,515**	**249,838**	10,409,406,515	208,188

45. SHARE CAPITAL *(Continued)*

(a) Authorised and issued share capital *(Continued)*

Notes:

During the years ended 31 December 2010 and 2009, the following changes in the Company's authorised and issued share capital took place:

(i) On 7 January 2010, the Company entered into subscription agreements with China Alliance Properties Limited ("China Alliance") and Grand Link Finance Limited ("Grand Link"), whereby China Alliance and Grand Link subscribed for 1,550,000,000 and 400,000,000 new ordinary shares of the Company respectively at HK$0.31 per share raising approximately HK$604,500,000 working capital. The details of the transaction were disclosed in the Company's announcement dated 8 January 2010.

(ii) The Company was authorised to repurchase its own shares not exceeding 10% of the aggregate nominal amount of its issued share capital. The Company repurchases its shares on the Stock Exchange when the directors are of the view that the shares are significantly trading at a discount in order to enhance shareholders' value. During the year ended 31 December 2010, the Company did not repurchase any of its shares on the stock Exchange.

The details of repurchase of the Company's own ordinary shares on the Stock Exchange during the year ended 31 December 2009 are as follows:

Month/year of repurchase	Number of ordinary shares of nominal value of HK$0.02 each repurchased	Consideration per share		Aggregate consideration paid
		Highest HK$	Lowest HK$	HK$'000
July 2009	15,200,000	0.2950	0.2650	4,198

The repurchased shares were cancelled during the year ended 31 December 2009 and the issued share capital of the Company was reduced by the nominal value thereof. The premium paid and the related costs on repurchases of the shares of HK$3,922,000 were charged to share premium.

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the years ended 31 December 2009 and 2010.

45. SHARE CAPITAL *(Continued)*

(b) Issued share options

The Company had granted 265,833,333 share options to the subscriber of the convertible notes with exercise price of HK$0.24 per share, and each share option was convertible into one ordinary share of the Company for the period from 23 February 2008 to 22 February 2010. Details of the convertible notes were disclosed in the announcement of the Company dated 2 February 2005.

On 18 February 2010, a total of 132,500,000 share options were exercised to subscribe for 132,500,000 ordinary shares of the Company at a total consideration of HK$31,800,000 of which HK$2,650,000 was credited to share capital, and the balance of HK$29,150,000 was credited to the share premium account.

On 11 December 2009, a total of 133,333,333 share options were exercised to subscribe for 133,333,333 ordinary shares of the Company at a total consideration of HK$32,000,000 of which HK$2,667,000 was credited to share capital, and the balance of HK$29,333,000 was credited to the share premium account.

At the end of the reporting period, no such (2009: 132,500,000) options remained outstanding.

During the years ended 31 December 2010 and 2009, the Company also granted share options under its share options scheme to its employees as detailed in note 45(d).

45. SHARE CAPITAL *(Continued)*

(c) Capital management policy

The Group's primary objective when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debts as total debt (which comprise trade and other payables, bank loans, other borrowing and senior loan notes plus unaccrued proposed dividends, less cash and cash equivalents and pledged bank deposits). Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During the year, the Group's strategy, which was unchanged from 2008, was to maintain the net debt-to-adjusted capital ratio at the lower end of the range 70% to 80%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

45. SHARE CAPITAL *(Continued)*

(c) Capital management policy *(Continued)*

The net debt-to-adjusted capital ratio at 31 December 2010 and 2009 was calculated as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Current liabilities		
Trade and other payables	**661,929**	732,577
Bank loans	**896,698**	282,014
	1,558,627	1,014,591
Non-current liabilities		
Bank loans	**1,644,557**	1,108,580
Senior loan notes	**1,073,607**	1,065,908
Other borrowing	**1,127,589**	–
Other payables	**135,878**	122,397
	3,981,631	2,296,885
Total debt	**5,540,258**	3,311,476
Add: Proposed dividends	**–**	42,472
Less: Cash and cash equivalents	**(1,287,852)**	(599,949)
Pledged bank deposits	**(393,945)**	–
Net debt	**3,858,461**	2,753,999
Total equity	**5,126,734**	3,784,223
Less: Proposed dividends	**–**	(42,472)
Adjusted capital	**5,126,734**	3,741,751
Net debt-to-adjusted capital ratio	**75%**	74%

45. SHARE CAPITAL *(Continued)*

(d) Share option scheme

The Company adopted a share option scheme on 18 July 2002 (the "Share Option Scheme"), for primary purpose of providing incentives to eligible participants. Details of the Share Option Scheme are as follows:

On 18 July 2002, the Company adopted the Share Option Scheme which will expire on 17 July 2012. Pursuant to the terms of the Share Option Scheme, the Company may grant options at a consideration of HK$1 to eligible participants (including directors, shareholders, eligible employees, suppliers and customers of the Company or its subsidiaries) to subscribe for shares in the Company. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's share as quoted on the Stock Exchange on the date of grant, (ii) the average closing price of the Company's shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares. Options granted are exercisable at any time during a period to be notified by the board of directors of the Company but limited to a maximum period of ten years after the date on which the options are granted. Options granted should be accepted within 28 days from the date of offer.

The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the Company's shares in issue as at the date on which the relevant share option scheme has been adopted.

The Share Option Scheme may be refreshed at any time by the approval of the shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of such shareholders' approval. For the avoidance of doubt, options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit.

The Company may, by the approval of the shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before shareholders' approval is sought.

45. SHARE CAPITAL *(Continued)*

(d) Share option scheme *(Continued)*

Unless approved by the shareholders as set out herein, the total number of the Company's shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Company's shares in issue. Where any further grant of options to a participant would result in the Company's shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant in aggregate exceeding 1% of the Company's shares in issue, such further grant must be separately approved by the shareholders in general meeting with such participant and his associates abstaining from voting.

However, the overall limit on the number of the Company's shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

During the year ended 31 December 2010, 9 options were granted to the Company's employees and directors on 30 March 2010 under the Share Option Scheme to subscribe for up to 187,000,000 ordinary shares of the Company. The estimated fair value of the options granted on that date is approximately HK$25,372,000 (Note 10).

The fair value was calculated using Binomial Option Pricing Model. The inputs into the model were as follows:

Grant date	30 March 2010
Vesting date	30 March 2010
Grant date share price	HK$0.3750
Exercise price	HK$0.3840
Expected life	4 years
Expected volatility	66.89%
Expected dividend yield	0%
Risk-free interest rate	1.61%

During the year ended 31 December 2009, 14 options to subscribe for up to 158,000,000 ordinary shares of the Company were granted to the Company's employees and directors on 12 November 2009. The estimated fair value of the options granted on that date was approximately HK$21,908,000 (Note 10).

45. SHARE CAPITAL *(Continued)*

(d) Share option scheme *(Continued)*

The fair value was calculated using Binominal Option Pricing Model. The inputs into the model were as follows:

Grant date	12 November 2009
Vesting date	12 November 2009
Grant date share price	HK$0.3850
Exercise price	HK$0.3850
Expected life	4 years
Expected volatility	69.03%
Expected dividend yield	0%
Risk-free interest rate	1.36%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of HK$25,372,000 (2009: HK$21,908,000) which was included in staff costs for the year as set out in note 10, of which HK$4,304,000 (2009: HK$7,606,000) and HK$21,068,000 (2009: HK$14,302,000) related to options granted to the Group's employees and directors of the Company respectively. The expense relating to directors was included in emoluments as set out in note 11.

On 30 March 2010, the number of shares in respect of which options was granted under the Share Option Scheme was 187,000,000 (2009: 158,000,000), representing 1.5% (2009: 1.5%) of the shares of the Company in issue at that date. Total consideration of HK$9 (2009: HK$14) was received by the Company during the year ended 31 December 2010 on acceptance of the grants. The share options were fully vested upon issue.

Options for 5,000,000 (2009: Nil) shares had lapsed during the year ended 31 December 2010. The value of lapsed options in respect of the options granted on 12 November 2009 was HK$638,000 (2009: Nil) and was released directly to retained profits.

45. SHARE CAPITAL *(Continued)*

(d) Share option scheme *(Continued)*

The following table discloses the movements in such share options during the year:

Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1 January 2010	Granted during the year	Cancelled/ lapsed during the year	Outstanding at 31 December 2010
			Number of shares in respect of the options granted			
Options granted to directors						
12 November 2009	12 November 2010 - 11 November 2013	0.3850	47,000,000	–	(5,000,000)	42,000,000
12 November 2009	12 November 2011 - 11 November 2013	0.3850	29,000,000	–	–	29,000,000
12 November 2009	12 November 2012 - 11 November 2013	0.3850	24,000,000	–	–	24,000,000
30 March 2010	30 March 2011 - 29 March 2014	0.3840	–	73,000,000	–	73,000,000
30 March 2010	30 March 2012 - 29 March 2014	0.3840	–	46,000,000	–	46,000,000
30 March 2010	30 March 2013 - 29 March 2014	0.3840	–	36,000,000	–	36,000,000
			100,000,000	155,000,000	(5,000,000)	250,000,000
Options granted to employees						
12 November 2009	12 May 2010 - 11 November 2013	0.3850	8,000,000	–	–	8,000,000
12 November 2009	12 November 2010 - 11 November 2013	0.3850	35,000,000	–	–	35,000,000
12 November 2009	12 November 2011 - 11 November 2013	0.3850	15,000,000	–	–	15,000,000
30 March 2010	30 March 2011 - 29 March 2014	0.3840	–	15,000,000	–	15,000,000
30 March 2010	30 March 2012 - 29 March 2014	0.3840	–	11,000,000	–	11,000,000
30 March 2010	30 March 2013 - 29 March 2014	0.3840	–	6,000,000	–	6,000,000
			58,000,000	32,000,000	–	90,000,000
			158,000,000	187,000,000	(5,000,000)	340,000,000

The details of share options granted to other party and the number of options outstanding at the end of the reporting period were disclosed in note 45(b) to the financial statements.

46. RESERVES

Company	Share premium (note (a)) HK$'000	Capital redemption reserve HK$'000	Contributed surplus (note (b)) HK$'000	Special capital reserve (note (c)) HK$'000	Share option reserve (note (d)) HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
At 1 January 2009	1,258,444	1,074	157,315	68,541	–	(265,042)	1,220,332
Issuance of ordinary shares	–	–	–	–	–	–	–
Cancellation upon repurchase of own shares	(3,894)	–	–	–	–	–	(3,894)
Transaction costs attributable to repurchase of shares	(28)	–	–	–	–	–	(28)
Equity settled share-based transactions	–	–	–	–	21,908	–	21,908
Exercise of share options	29,333	–	–	–	–	–	29,333
Profit for the year	–	–	–	–	–	393,992	393,992
At 31 December 2009	**1,283,855**	**1,074**	**157,315**	**68,541**	**21,908**	**128,950**	**1,661,643**
Issuance of ordinary shares	**565,500**	**–**	**–**	**–**	**–**	**–**	**565,500**
Dividend approved in respect of the previous year	**–**	**–**	**–**	**–**	**–**	**(42,472)**	**(42,472)**
Equity settled share-based transactions	**–**	**–**	**–**	**–**	**25,372**	**–**	**25,372**
Exercise of share options	**29,150**	**–**	**–**	**–**	**–**	**–**	**29,150**
Release upon lapse of share options	**–**	**–**	**–**	**–**	**(638)**	**638**	**–**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(182,644)**	**(182,644)**
At 31 December 2010	**1,878,505**	**1,074**	**157,315**	**68,541**	**46,642**	**(95,528)**	**2,056,549**

Notes:

(a) Amount subscribed for share capital in excess of nominal value.

(b) The Company's contributed surplus account represents the credit arising from the effect of share premium offset against accumulated losses in previous years.

(c) The special capital reserve of the Company represents the credit arising from the effect of reduction in share capital in previous years.

(d) Cumulative expenses recognised on the granting of share options to the employees over the vesting period.

47. LEASES

Operating leases – lessee

The lease payments recognised as expenses are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Minimum lease payments	**41,233**	39,302	**1,576**	1,732

The total future minimum lease payments are due as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**36,473**	34,091	**1,618**	798
Later than one year and not later than five years	**117,790**	110,540	**1,715**	–
Later than five years	**5,673**	26,517	**–**	–
	159,936	171,148	**3,333**	798

Operating lease payments in respect of rented premises payable by the Group relate to certain commercial properties for sub-letting and certain of its office premises. Leases are usually negotiated for an average term of two to five years. Certain operating lease agreements in respect of the commercial properties for subletting last for 10 years and they are subject to contingent rent payments charged at 50% of the excess of monthly sublet income over the base rents as determined in the respective agreements, for the latter five years.

47. LEASES *(Continued)*

Operating leases – lessor

The Group's investment properties and certain properties for sales are leased to a number of tenants for leasing period from 10 to 20 years and from 1 to 3 years respectively.

The minimum rent receivable under non-cancellable operating leases are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Not later than one year	**76,516**	96,943
Later than one year and not later than five years	**268,283**	254,298
Later than five years	**402,580**	252,525
	747,379	603,766

48. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund (the "MPF") scheme for all eligible employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of trustees. The retirement benefit cost charged to profit or loss represents contributions payable to the MPF scheme by the Group at rates specified in rules of the MPF scheme.

The Group contributes to a local Municipal Government retirement scheme for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to retirement scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years. The retirement benefit scheme contributions arising from the PRC Municipal Government retirement scheme charged to profit or loss represent contributions paid or payable by the Group at rates specified in the rules of the scheme.

49. INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Amounts due from subsidiaries	**2,781,606**	2,301,064
Amounts due to subsidiaries	**(346,246)**	(318,995)
Unlisted shares, at cost	**1,002,716**	1,002,716

As at 31 December 2010 and 2009, the amounts due from/to subsidiaries are unsecured, interest free, repayable on demand and included in the Company's current assets and current liabilities respectively.

49. INTERESTS IN SUBSIDIARIES *(Continued)*

All of the Company's principal subsidiaries are limited liability companies and their particulars, as at 31 December 2010 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/paid-up registered capital	Percentage of ownership interests directly	Percentage of ownership interests indirectly	Principal activities and place of operations
上海証大外灘國際金融服務中心置業有限公司	The PRC	RMB7,000,000,000	–	100%	Property development in the PRC
証大置業	The PRC	RMB820,000,000	–	100%	Property development in the PRC
上海証大三角洲置業有限公司	The PRC	RMB400,000,000	–	100%	Property development in the PRC
証大五道口	The PRC	RMB240,000,000	–	100%	Property development in the PRC
上海天海有限責任公司	The PRC	RMB80,000,000	–	100%	Property development in the PRC
上海証大商業旅遊投資發展有限公司	The PRC	RMB200,000,000	–	100%	Property rental in the PRC
上海恒錦房地產發展有限公司	The PRC	RMB210,000,000	–	100%	Property development in the PRC
湖州湖東建設管理有限公司	The PRC	USD25,000,000	–	100%	Property development in the PRC
長春証大置業有限公司	The PRC	RMB60,000,000	–	95%	Property development in the PRC
揚州証大商旅發展有限公司	The PRC	RMB30,000,000	–	80%	Property development in the PRC

49. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/paid-up registered capital	Percentage of ownership interests directly	indirectly	Principal activities and place of operations
吉林市証大華城房地產開發有限公司	The PRC	RMB20,000,000	–	100%	Property development in the PRC
海南新世界發展有限公司	The PRC	RMB120,000,000	–	100%	Property development in the PRC
成都山水置業有限公司	The PRC	RMB8,000,000	–	100%	Property development in the PRC
Wah Kong Travel Limited	Hong Kong	HK$1,250,000	–	60%	Sales of air tickets and provision of travel related services in HK
海門証大濱江置業有限公司*(note)*	The PRC	USD49,600,000	–	100%	Property development in the PRC
上海証大西鎮房地產開發有限公司	The PRC	RMB30,000,000	–	100%	Property development in the PRC
上海証大商業經營有限公司	The PRC	RMB20,000,000	–	100%	Properties rental management and agency services
上海証大物業管理有限公司	The PRC	RMB5,000,000	–	100%	Property management in the PRC

49. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/paid-up registered capital	Percentage of ownership interests directly	Percentage of ownership interests indirectly	Principal activities and place of operations
海南華意置業有限公司*(note)*	The PRC	RMB88,000,000	–	60%	Property development in the PRC
鄂爾多斯市証大房地產開發有限責任公司	The PRC	RMB10,000,000	–	100%	Property development in the PRC
青島凱倫大拇指商業廣場發展有限公司	The PRC	USD12,000,000	–	100%	Property development in the PRC
Victory Gateway Limited	British Virgin Islands	USD1	100%	–	Investment holding
Most Perfect International Ltd.	British Virgin Islands	USD100	100%	–	Investment holding
Auto Win Investment Ltd.	British Virgin Islands	USD1	100%	–	Properties rental in the PRC

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company, which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note: The subsidiary is registered as foreign equity joint venture under the PRC law.

50. ACQUISITION OF SUBSIDIARIES IN PRIOR YEAR

(a) Details of the fair value of identifiable assets and liabilities acquired by the Group during the year ended 31 December 2009 were as follows:

	成都山水置業有限公司		
	Carrying amount before combination HK$'000	**Fair value adjustment HK$'000**	**Fair value HK$'000**
Fair value of net assets acquired			
Property, plant and equipment	209	–	209
Properties under development and for sales	114,146	23,678	137,824
Other receivables	12,649	–	12,649
Amount due from a shareholder	3,153	–	3,153
Bank balances and cash	1,249	–	1,249
Trade and other payables	(26,381)	–	(26,381)
Bank loan	(45,367)	–	(45,367)
Receipts in advance from customer	(34,046)	–	(34,046)
Amount due to a former shareholder	(29,381)	–	(29,381)
Deferred tax liabilities *(Note 42)*	–	(5,920)	(5,920)
Net (liabilities)/assets	(3,769)	17,758	13,989
Goodwill			990
Less: available-for-sale investments held by the Group			(3,629)
Total consideration paid			11,350
Total consideration satisfied by:			
Cash			8,197
Repayment of amount due from a former shareholder by cash			3,153
			11,350
Net cash outflow arising on acquisition:			
Cash consideration paid			11,350
Cash consideration payable included in other payables			(4,156)
Cash and cash equivalents acquired			(1,249)
			5,945

50. ACQUISITION OF SUBSIDIARIES IN PRIOR YEAR *(Continued)*

(a) *(Continued)*

成都山水置業有限公司 ("成都山水") is a PRC limited liability company established on 13 July 2006. It was 40%, 33.3% and 26.7% owned by 証大置業, 成都泰科迪可投資有限公司("成都泰科") and 成都桓業投資有限公司 ("成都桓業") respectively as at 31 December 2008.

On 21 May 2009, 証大置業 entered into an agreement with 成都泰科 and 成都桓業, independent third parties, to further acquire 60% interests in 成都山水 at a consideration of RMB10,008,000 (HK$11,350,000). As a result, 成都山水 became a wholly-owned subsidiary of the Group. Therefore, the financial statements of 成都山水 were consolidated by the Group from 3 July 2009.

成都山水 had contributed no turnover and a loss of HK$3,121,000 to the Group for the period between the date of acquisition and the end of the reporting period of 31 December 2009. If the acquisition had been completed on 1 January 2009, the Group's turnover for that year would remain at HK$2,162,092,000 and profit for that year would have been HK$446,537,000. The pro forma information is for illustrative purpose only and is not necessary and indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

(b) Acquisition of additional interests in subsidiaries

(i) On 21 September 2009, 証大五道口 entered into an agreement with an independent third party to further acquire the remaining 5% equity in a subsidiary, 海南新世界發展有限公司 at a cash consideration of RMB4,900,000 (approximately HK$5,557,000). The acquisition was completed on 10 December 2009. The difference of HK$102,000 representing the excess of the consideration over the relevant share of the carrying value of net assets of the subsidiary acquired, had been debited to the retained profits.

(ii) On 21 September 2009, 証大五道口 entered into an agreement with an independent third party, 上海復地投資管理有限公司, to further acquire the remaining 5% equity in 海南華僑會館有限公司 at a cash consideration of RMB400,000 (approximately HK$549,000). The acquisition was completed on 9 December 2009. The difference of HK$33,000 representing excess of the relevant share of the carrying value of net assets of the subsidiary acquired over the purchase consideration, had been credited to the retained profits.

51. DISPOSAL OF A SUBSIDIARY

On 20 May 2010, the Group disposed of its entire interest in a subsidiary, 海南華僑會館有限公司, to two independent third parties at a total consideration of RMB11,562,000 (approximately HK$13,204,000).

	Carrying amount before disposal HK$'000
Net assets disposed of:	
Property under development	32,592
Other receivables	44
Trade and other payables	(21,792)
Deferred tax liabilities	(306)
Cash and cash equivalents	34
Net assets disposed of	10,572
Gain on disposal	2,632
	13,204
Total consideration satisfied by:	
Cash	13,204
Net cash inflow/(outflow) arising on disposal:	
Cash consideration obtained from disposal	13,204
Cash and bank balances disposed of	(34)
	13,170

52. RELATED PARTY TRANSACTIONS/BALANCES

The Group had entered into the following transactions and had balances with related parties:

(a) Compensation of key management personnel

The remuneration of directors who are also members of key management during the year was as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Short-term benefits	**13,328**	9,432
Equity settled share-based payment expenses	**21,068**	14,302
Post-employment benefits	**421**	436
	34,817	24,170

The remuneration of directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

(b) Balances with related parties

		Amounts owed to the Group by related parties		Amounts owed by the Group to related parties		Related interest (expenses)/income	
		As at 31 December		As at 31 December		Year ended 31 December	
		2010	2009	**2010**	2009	**2010**	2009
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amount due to an associate	*35*	**–**	–	**7,471,706**	–	**–**	–
Loans to associates	*23*	**257,620**	68,131	**–**	–	**–**	–
Loan to a jointly controlled entity	*24*	**525,962**	–	**–**	–	**3,094**	–
Amounts due from related companies	*31*	**13,193**	12,731	**–**	–	**–**	–
Amount due to related companies	*36*	**–**	–	**50**	5,018	**–**	–
Amount due to a minority owner of a subsidiary		**–**	–	**19,203**	53,016	**–**	–

The Group had not made any provision for bad or doubtful debts in respect of related party debtors.

52. RELATED PARTY TRANSACTIONS/BALANCES *(Continued)*

(c) On 11 May 2010, the Group entered into a sale and purchase agreement with a director, Mr. Dai, for the sale of a villa developed by the Group to Mr. Dai at a consideration of RMB37,500,000. The details of the transaction were disclosed in the Company's announcement dated 11 May 2010.

(d) As at 31 December 2010 and 2009, 上海証大投資發展有限公司, a company wholly-owned by Mr. Dai, provided corporate guarantees for certain bank loans (Note 38) and other borrowing (Note 41) of the Group, and the development project of the Group's associate, 海之門.

(e) During the year ended 31 December 2010, the Company together with two independent third parties formed an associate with Shanghai Forte Land, one of the substantial shareholders of the Company, as mentioned in note 23(b) to the financial statements.

(f) During the year ended 31 December 2010, the Group paid consultancy fee of HK$3,702,000 to 上海証大文化創意發展有限公司, a company beneficially owned by Mr. Dai.

53. CONTINGENT LIABILITIES

The Group provides guarantees to the extent of HK$335,233,000 at 31 December 2010 (2009: HK$273,771,000) for customers in favour of banks in respect of mortgage loans provided by the banks to customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loans granted.

54. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

Cash and cash equivalents comprise:

	Group	
	2010	2009
	HK$'000	HK$'000
Cash and bank deposits available on demand	**1,287,852**	599,949
Significant non-cash transactions are as follows:		
Investing activities		
Properties for sales re-classified to investment properties *(Note 18)*	**–**	195,042

55. CAPITAL COMMITMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Commitments for the property development – contracted for but not provided	**841,017**	786,404

56. PLEDGE OF ASSETS

(a) At the end of reporting period, the carrying amounts of the following assets of the Group were pledged to secure bank loans (note 38) granted to the Group.

	2010	2009
	HK$'000	HK$'000
Property, plant and equipment	**361,581**	348,417
Payment for leasehold land held for own use under operating leases	**591,808**	539,639
Investment properties	**1,769,068**	1,332,653
Properties under development and for sales	**2,805,034**	1,322,803
Pledged bank deposits	**393,945**	–
	5,921,436	3,543,512

(b) During the year ended and as at 31 December 2010, the Group also pledged its entire interest in 証大喜瑪拉雅 and 10% interest in 海之門, being associates of the Group with carrying amounts of HK$458,730,000 and HK$117,818,000 respectively, and a subsidiary, 上海証大西鎮房地產開發有限公司 with carrying amount of HK$479,077,000 (including properties under development and for sales with carrying amount of HK$568,231,000) for other financing arrangements of the Group. Details of which are disclosed in note 23(b) and note 41 to the financial statements.

57. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts and fair values of the Group's financial assets and liabilities as defined in note 4(k):

	2010		2009	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial assets				
Fair value through profit or loss held for trading	**–**	**–**	46,992	46,992
Loans and receivables	**2,829,703**	**2,829,703**	911,398	911,398
Available-for-sale financial assets (excluding those assets carried at cost)	**589**	**589**	567	567
Financial liabilities				
Financial liabilities measured at amortised cost	**13,031,217**	**13,009,745**	3,369,510	3,262,919

Determination of fair values of financial assets and financial liabilities is set out in note 44.

57. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

	Group	
	2010	2009
	Level 1	Level 1
	HK$'000	HK$'000
Financial assets at fair value through profit or loss:		
– Listed	**–**	46,992
Available-for-sale financial assets		
– Listed	**589**	567
	589	47,559

58. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 10 March 2011.

FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2010

The following table summaries the results, assets and liabilities of the Group for the last five years.

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**3,959,091**	2,162,092	1,968,603	1,556,209	1,401,553
Profit before tax expenses	**1,149,671**	837,454	704,001	700,330	424,730
Tax expenses	**(582,044)**	(387,133)	(399,413)	(343,065)	(155,867)
Profit for the year	**567,627**	450,321	304,588	357,265	268,863

ASSETS AND LIABILITIES

	At 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**22,619,546**	9,718,013	8,243,159	6,908,396	3,884,249
Total liabilities	**(17,492,812)**	(5,933,790)	(4,943,117)	(4,378,871)	(2,286,307)
Non-controlling interests	**(196,305)**	(192,387)	(167,831)	(402,826)	(232,315)
Balance of shareholders' funds	**4,930,429**	3,591,836	3,132,211	2,126,699	1,365,627