

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong.



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11 March 2011

The Directors
Top Spring International Holdings Limited

Macquarie Capital Securities Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Top Spring International Holdings Limited (formerly known as Top Spring Holdings Limited) (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), including the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group, for each of the years ended 31 December 2007, 2008 and 2009 and the nine months ended 30 September 2010 (the “Relevant Period”), and the combined balance sheets of the Group as at 31 December 2007, 2008 and 2009 and 30 September 2010 together with the notes thereto (the “Financial Information”), for inclusion in the prospectus of the Company dated 11 March 2011 (the “Prospectus”).

The Company was incorporated in the Cayman Islands on 25 August 2009 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization completed on 3 December 2010 (the “Reorganization”) as detailed in the section headed “History, Reorganization and Corporate Structure” in this prospectus, the Company became the holding company of the subsidiaries now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganization.

As at the date of this report, no audited financial statements have been prepared for the Company, Top Spring International (BVI) Limited, Joinbest Enterprises Limited, Fortune Mega International Limited, Top Orient Development Limited, Fullshine Group Limited, Glory Wise Limited (港榮有限公司), Fullest Max Limited, Main Century Limited, Changzhou Top Spring Property Services Co., Ltd. (常州市萊蒙物業服務有限公司) (formerly known as Changzhou Top Spring Property Management Co., Ltd. (常州市萊蒙物業管理有限公司)), Changzhou Top Spring Advertising Co., Ltd. (常州萊蒙廣告有限公司), Changzhou Top Spring Business Management Co., Ltd. (常州萊蒙商業管理有限公司), Changzhou Top Spring Taihu Bay Property Development Co., Ltd. (常州萊蒙鵬源太湖灣房地產開發有限公司), Top Spring Landmark (Fuyang) Co., Ltd. (萊蒙置業(富陽)有限公司), Shenzhen Top Spring Jun Da

Information Consulting Co., Ltd. (深圳萊蒙俊達信息諮詢有限公司), Shenzhen Top Spring Jun Li Information Consulting (Shenzhen) Co., Ltd. (深圳萊蒙俊利信息諮詢有限公司), Shenzhen Top Spring Tai Sheng Information Consulting Co., Ltd. (深圳萊蒙泰盛信息諮詢有限公司), Top Spring Xiang Ying Information Consulting (Shenzhen) Co., Ltd. (萊蒙祥盈信息諮詢(深圳)有限公司), Shenzhen Qin Lin Yuan Landscape Design Co., Ltd. (深圳市青霖沅園林景觀有限公司), Shenzhen Jing Yi Ya Decoration Engineering Co., Ltd. (深圳市精溢雅裝飾工程有限公司), Shenzhen Lai Shui Tian Investing Management Co., Ltd. (深圳市萊水天投資管理有限公司) and Water Flowers Real Estate (Hongkong) Limited (水樹花都房地產(香港)有限公司) as they either have not carried on any business since the date of incorporation/establishment or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation/establishment.

All companies now comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Period and the names of the respective auditors are set out in note 33 of Section C. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) or the relevant accounting rules and regulations in the People’s Republic of China (the “PRC”).

The directors of the Company have prepared the combined financial statements of the Group for the Relevant Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below (the “Underlying Financial Statements”). The Underlying Financial Statements for each of the years ended 31 December 2007, 2008 and 2009 and the nine months ended 30 September 2010 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 September 2010.

OPINION

In our opinion, for the purpose of this report, the Financial Information, on the basis of presentation set out in Section A below and in accordance with the accounting policies set out in Section C below, give a true and fair view of the Group's combined results and cash flows for the Relevant Period, and the state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 30 September 2010.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the nine months ended 30 September 2009, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A BASIS OF PRESENTATION

Mr. Wong Chun Hong (“Mr. Wong”) beneficially owned and controlled various companies in the Cayman Islands, the British Virgin Islands (the “BVI”), Hong Kong and the PRC which are principally engaged in investment holding, property development, property investment, hotel operations and provision of property management and related services. In preparation of the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited, the Company underwent the Reorganisation, as detailed in the section headed “History, Reorganization and Corporate Structure” in this prospectus.

All the companies that took part in the Reorganisation were controlled by Mr. Wong prior to and after the Reorganization. The control is not transitional and, consequently, there was a continuation of the risks and benefits to Mr. Wong. Therefore, the Reorganization is considered as a business combination under common control and Accounting Guideline 5 “Merger Accounting for Common Control Combinations” has been applied. The Financial Information has been prepared as if the Group had always been in existence. The net assets of the companies that took part in the Reorganisation are combined using the existing book values from the controlling party’s perspective.

The combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group for the Relevant Period as set out in Section B of this report include the results of operations of the companies now comprising the Group (or where the companies were acquired/incorporated/established at a date later than 1 January 2007, for the period from the date of acquisition/incorporation/establishment to 30 September 2010) as if the current group structure had been in existence throughout the Relevant Period. The combined balance sheets of the Group as at 31 December 2007, 2008 and 2009 and 30 September 2010 as set out in Section B of this report have been prepared to present the state of affairs of the companies now comprising the Group as at those dates as if the current group structure had been in existence as at the respective dates.

The acquisition of the entire interest in Fullshine Group Limited, Glory Wise Limited and Fortune Mega International Limited on 4 January 2008, 4 January 2008 and 18 June 2008, respectively have been accounted for under purchase accounting in accordance with HKFRS 3 “Business combinations”.

Intra-group balances and transactions are eliminated in full in preparing the Financial Information.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies and established in the PRC unless otherwise stated, particulars of which are set out below:

| Name of subsidiary (Note) | Issued and fully paid capital/ registered capital | Proportion of ownership interest | | | Principal activities |
|--|--|----------------------------------|---------------------|--------------------|---|
| | | Group's effective interest | held by the Company | held by subsidiary | |
| Top Spring International (BVI) Limited (incorporated in the BVI) | HK\$11,765 | 100% | 100% | — | Investment holding |
| Top Orient Development Limited (incorporated in the BVI) | US\$1 | 100% | — | 100% | Investment holding |
| Top Spring International (Long Hua) Limited (萊蒙國際(龍華)有限公司) (incorporated in Hong Kong) | HK\$10,000,000 | 100% | — | 100% | Investment holding |
| Top Spring Real Estate (Shenzhen) Co., Ltd. (萊蒙房地產(深圳)有限公司) | HK\$80,000,000 | 100% | — | 100% | Property development and investment |
| Top Spring (HK) Company Limited (萊蒙(香港)有限公司) (formerly known as Top Spring Real Estate (HK) Company Limited (萊蒙房地產(香港)有限公司)) (incorporated in Hong Kong) | US\$200,000 | 100% | — | 100% | Provision of property management and related services |
| Shenzhen Top Spring Jun Li Information Consulting (Shenzhen) Co., Ltd. (深圳萊蒙俊利信息諮詢有限公司) | RMB1,000,000 | 100% | — | 100% | Dormant |
| Shenzhen Top Spring Business Management Co., Ltd. (深圳市萊蒙商業管理有限公司) | RMB500,000 | 100% | — | 100% | Provision of property management and related services |
| Changzhou Top Spring Property Services Co., Ltd. (常州市萊蒙物業服務有限公司) (formerly known as Changzhou Top Spring Property Management Co., Ltd. (常州市萊蒙物業管理有限公司)) | RMB3,000,000 | 100% | — | 100% | Provision of property management and related services |

| Name of subsidiary (Note) | Issued and fully paid capital/ registered capital | Proportion of ownership interest | | | Principal activities |
|---|--|----------------------------------|---------------------|--------------------|---|
| | | Group's effective interest | held by the Company | held by subsidiary | |
| Changzhou Top Spring Business Management Co., Ltd. (常州萊蒙商業管理有限公司) | RMB500,000 | 100% | — | 100% | Provision of property management and related services |
| Hangzhou Top Spring Business Management Co., Ltd. (杭州萊蒙商業管理有限公司) | RMB500,000 | 100% | — | 100% | Provision of property management and related services |
| Changzhou Top Spring Advertising Co., Ltd. (常州萊蒙廣告有限公司) | RMB500,000 | 100% | — | 100% | Provision of advertising services |
| Main Century Limited (incorporated in the BVI) | US\$1 | 100% | — | 100% | Investment holding |
| Prosperous Property Development (Holdings) Limited (盛興地產發展(集團)有限公司) (incorporated in Hong Kong) | HK\$1 | 100% | — | 100% | Investment holding |
| Fullshine Group Limited (incorporated in the BVI) | US\$13,448 | 100% | — | 100% | Investment holding |
| Glory Wise Limited (港榮有限公司) (incorporated in the BVI) | US\$1 | 100% | — | 100% | Investment holding |
| Fullest Max Limited (incorporated in the BVI) | US\$1,000 | 100% | — | 100% | Investment holding |
| Prosperous Properties Holdings Limited (盛興地產控股有限公司) (incorporated in Hong Kong) | HK\$10,000 | 100% | — | 100% | Investment holding |
| Tai Xiang Information Consulting (Shenzhen) Co., Ltd. (泰祥信息諮詢(深圳)有限公司) | HK\$1,000,000 | 100% | — | 100% | Investment holding |
| Shenzhen Sheng Xing Information Consulting Co., Ltd. (深圳市盛興信息諮詢有限公司) | RMB10,500,000 | 100% | — | 100% | Investment holding |

| Name of subsidiary (Note) | Issued and fully paid capital/ registered capital | Proportion of ownership interest | | | Principal activities |
|--|--|----------------------------------|---------------------|--------------------|---|
| | | Group's effective interest | held by the Company | held by subsidiary | |
| Shenzhen SZITIC Property Development Co., Ltd. (深圳深國投房地產開發有限公司) | RMB340,100,000 | 100% | — | 100% | Investment holding, property development and investment |
| Changzhou Top Spring Water Flower Property Development Co., Ltd. (常州萊蒙水榭花都房地產開發有限公司) | US\$31,500,000 | 100% | — | 100% | Property development and investment |
| Shenzhen City Hua Long Property Development Co., Ltd. (深圳市華龍房地產開發有限公司) | RMB50,000,000 | 100% | — | 100% | Property development and investment |
| Dongguan SZITIC Property Development Co., Ltd. (東莞市深國投房地產開發有限公司) | RMB20,000,000 | 100% | — | 100% | Property development and investment |
| Shenzhen Xiang Sheng Information Consulting Co., Ltd. (深圳市祥盛信息諮詢有限公司) | RMB5,000,000 | 100% | — | 100% | Provision of consultation services to group companies |
| Shenzhen Water Flower Property Co., Ltd. (深圳市水榭花都房地產有限公司) | RMB331,384,021 | 100% | — | 100% | Property development and investment |
| Shenzhen Top Spring Jun Da Information Consulting Co., Ltd. (深圳萊蒙俊達信息諮詢有限公司) | RMB1,000,000 | 100% | — | 100% | Provision of consultation services to group companies |
| Water Flowers Real Estate (Hongkong) Limited (水榭花都房地產(香港)有限公司) | US\$9,990,000 | 100% | — | 100% | Dormant |
| Top Spring International (Shenzhen) Limited (萊蒙國際(深圳)有限公司) (incorporated in Hong Kong) | HK\$1 | 100% | — | 100% | Investment holding |
| Xiang Kang Information Consulting (Shenzhen) Co., Ltd. (祥康信息諮詢(深圳)有限公司) | HK\$1,000,000 | 100% | — | 100% | Provision of consultation services to group companies |
| Joinbest Enterprises Limited (incorporated in the BVI) | US\$100 | 100% | — | 100% | Investment holding |

| Name of subsidiary (Note) | Issued and fully paid capital/ registered capital | Proportion of ownership interest | | | Principal activities |
|--|---|----------------------------------|---------------------|--------------------|---|
| | | Group's effective interest | held by the Company | held by subsidiary | |
| Jointak Investment Limited (光德投資有限公司) (incorporated in Hong Kong) | HK\$26,000,000 | 100% | — | 100% | Investment holding |
| Changzhou Top Spring Landmark Real Estate Co., Ltd. (常州萊蒙都會 置業有限公司) | US\$20,000,000 | 100% | — | 100% | Property development and investment |
| Fortune Mega International Limited (incorporated in the BVI) | US\$1 | 100% | — | 100% | Investment holding |
| Scarborough China Holdings Limited (incorporated in Hong Kong) | HK\$1 ordinary share/ US\$19,386,353 preference shares | 100% | — | 100% | Investment holding |
| Top Spring Realty (Chengdu) Co., Ltd. (萊蒙置業(成都)有限 公司) (formerly known as Sheffield United Realty (Chengdu) Co., Ltd. (謝菲聯置業(成都)有限 公司)) | US\$37,500,000 | 100% | — | 100% | Property development and investment |
| Le Lemman International (Yuhang) Limited (萊蒙 國際(余杭)有限公司) (incorporated in Hong Kong) | HK\$1 | 100% | — | 100% | Investment holding |
| Top Spring International (Yuhang) Landmark Co., Ltd. (萊蒙國際(余杭)置業 有限公司) | US\$20,000,000 | 100% | — | 100% | Property development and investment |
| Top Spring International (Zhejiang) Limited (萊蒙 國際(浙江)有限公司) (incorporated in Hong Kong) | HK\$1 | 100% | — | 100% | Investment holding |
| Top Spring Xiang Jun Information Consulting (Shenzhen) Co., Ltd. (萊蒙祥俊信息諮詢(深圳) 有限公司) (formerly known as Xiang Jun Information Consulting (Shenzhen) Co., Ltd. (祥俊信息諮詢(深圳)有限 公司) | HK\$1,000,000 | 100% | — | 100% | Provision of consultation services to group companies |

| Name of subsidiary (Note) | Issued and fully paid capital/ registered capital | Proportion of ownership interest | | | Principal activities |
|--|--|----------------------------------|---------------------|--------------------|--|
| | | Group's effective interest | held by the Company | held by subsidiary | |
| Shenzhen Top Spring Tai Sheng Information Consulting Co., Ltd. (深圳萊蒙泰盛信息諮詢有限公司) | RMB1,000,000 | 100% | — | 100% | Dormant |
| Top Spring International (Taihu Bay) Development Limited (萊蒙國際(太湖灣)開發有限公司) (formerly known as Mark Creation Limited) (incorporated in Hong Kong) | HK\$1 | 100% | — | 100% | Investment holding |
| Top Spring International (Xiqi) Limited (萊蒙國際(西溪)有限公司) (incorporated in Hong Kong) | HK\$1 | 100% | — | 100% | Investment holding |
| Shenzhen Top Spring Property Services Co., Ltd. (深圳市萊蒙物業服務有限公司) | RMB3,000,000 | 100% | — | 100% | Provision of property management service |
| Changzhou Top Spring Taihu Bay Property Development Co., Ltd. (常州萊蒙鵬源太湖灣房地產開發有限公司) | US\$49,800,000 | 100% | — | 100% | Property development and investment |
| Top Spring Landmark (Fuyang) Co., Ltd. (萊蒙置業(富陽)有限公司) | US\$59,990,000 | 100% | — | 100% | Property development and investment |
| Top Spring Xiang Ying Information Consulting (Shenzhen) Co., Ltd. (萊蒙祥盈信息諮詢(深圳)有限公司) | RMB1,000,000 | 100% | — | 100% | Dormant |
| Shenzhen Qin Lin Yuan Landscape Design Co., Ltd. (深圳市青霖沅園林景觀有限公司) | RMB2,100,000 | 100% | — | 100% | Dormant |
| Shenzhen Jing Yi Ya Decoration Engineering Co., Ltd. (深圳市精溢雅裝飾工程有限公司) | RMB6,000,000 | 100% | — | 100% | Dormant |
| Shenzhen Lai Shui Tian Investing Management Co., Ltd. (深圳市萊水天投資管理有限公司) | RMB1,000,000 | 100% | — | 100% | Dormant |

Note: The English translation of the names is for reference only. The official names of these entities are in Chinese.

B FINANCIAL INFORMATION

1 Combined income statements

| Section C | Year ended 31 December | | | Nine months ended 30 September | | |
|--|------------------------|--------------------|-------------------|-----------------------------------|--------------------|----------------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| | | | | <i>(Unaudited)</i> | | |
| Turnover | 4 | 679,583 | 662,218 | 3,228,072 | 2,521,757 | 286,948 |
| Direct costs | | (315,134) | (335,388) | (2,110,780) | (1,398,426) | (217,086) |
| Gross profit | | 364,449 | 326,830 | 1,117,292 | 1,123,331 | 69,862 |
| Other revenue | 5 | 21,570 | 12,420 | 14,550 | 9,054 | 9,144 |
| Other net income/(loss) | 6 | 120,243 | 9,867 | (2,582) | 990 | 64,750 |
| Selling and marketing expenses | | (33,869) | (72,544) | (70,721) | (46,739) | (68,275) |
| Administrative expenses | | (96,957) | (163,465) | (207,288) | (127,316) | (160,081) |
| Profit/(loss) from operations before changes in fair value of investment properties | | 375,436 | 113,108 | 851,251 | 959,320 | (84,600) |
| Increase in fair value of investment properties | 15 | 50,146 | 152,867 | 179,978 | 174,264 | 22,601 |
| Profit/(loss) from operations after changes in fair value of investment properties | | 425,582 | 265,975 | 1,031,229 | 1,133,584 | (61,999) |
| Finance costs | 7(a) | (33,857) | (3,767) | (6,375) | (4,565) | (37,000) |
| Share of losses of associates | | (2,832) | — | — | — | — |
| Profit/(loss) before taxation | 7 | 388,893 | 262,208 | 1,024,854 | 1,129,019 | (98,999) |
| Income tax | 8(a) | (209,054) | (159,037) | (501,362) | (506,281) | 616 |
| Profit/(loss) for the year/period | | <u>179,839</u> | <u>103,171</u> | <u>523,492</u> | <u>622,738</u> | <u>(98,383)</u> |
| Attributable to: | | | | | | |
| — Equity shareholders of the Company | | 121,262 | 9,465 | 376,586 | 504,252 | (89,436) |
| — Non-controlling interests | | 58,577 | 93,706 | 146,906 | 118,486 | (8,947) |
| Profit/(loss) for the year/period | | <u>179,839</u> | <u>103,171</u> | <u>523,492</u> | <u>622,738</u> | <u>(98,383)</u> |
| Basic earnings/(loss) per share (HK\$) | 13 | <u>16.17 cents</u> | <u>1.26 cents</u> | <u>50.21 cents</u> | <u>67.23 cents</u> | <u>(11.92) cents</u> |

The accompanying notes form part of the Financial Information.

2 Combined statements of comprehensive income

| Section C | Year ended 31 December | | | Nine months ended 30 September | |
|---|------------------------|----------|----------|-----------------------------------|----------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Note | | | | <i>(Unaudited)</i> | |
| Profit/(loss) for the year/period | 179,839 | 103,171 | 523,492 | 622,738 | (98,383) |
| Other comprehensive income | | | | | |
| for the year/period | 9 | | | | |
| Exchange differences on translation of financial statements of PRC subsidiaries, net of nil tax | 50,656 | 45,744 | 2,191 | 60,811 | 51,248 |
| Total comprehensive income | | | | | |
| for the year/period | 230,495 | 148,915 | 525,683 | 683,549 | (47,135) |
| Attributable to: | | | | | |
| — Equity shareholders of the Company . . . | 154,102 | 44,369 | 376,957 | 554,955 | (44,108) |
| — Non-controlling interests | 76,393 | 104,546 | 148,726 | 128,594 | (3,027) |
| Total comprehensive income | | | | | |
| for the year/period | 230,495 | 148,915 | 525,683 | 683,549 | (47,135) |

The accompanying notes form part of the Financial Information.

3 Combined balance sheets

| | Section C Note | At 31 December | | | At 30 September |
|--|-------------------|------------------|--------------------|------------------|--------------------|
| | | 2007 | 2008 | 2009 | 2010 |
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Non-current assets | | | | | |
| Fixed assets | 15 | | | | |
| — Investment properties | | 1,021,073 | 1,799,490 | 1,981,606 | 2,081,137 |
| — Other property, plant and equipment | | 299,800 | 585,281 | 517,735 | 519,747 |
| — Interests in leasehold land held for own use under operating leases | | 3,836 | 3,885 | 5,142 | 19,056 |
| | | <u>1,324,709</u> | <u>2,388,656</u> | <u>2,504,483</u> | <u>2,619,940</u> |
| Interests in associates | 16 | 61,429 | 64,956 | 65,058 | 94,693 |
| Other financial assets | 17 | 2,668 | 2,821 | — | — |
| Deferred tax assets | 8(c) | 60,334 | 87,940 | 111,538 | 182,928 |
| | | <u>1,449,140</u> | <u>2,544,373</u> | <u>2,681,079</u> | <u>2,897,561</u> |
| Current assets | | | | | |
| Inventories | 18 | 2,345,686 | 3,452,406 | 3,057,999 | 3,981,608 |
| Trade and other receivables | 19 | 616,842 | 767,428 | 1,500,229 | 1,584,735 |
| Restricted and pledged deposits | 20 | 269,922 | 105,283 | 1,314,860 | 1,817,749 |
| Cash and cash equivalents | 21 | 596,982 | 546,907 | 1,282,905 | 2,943,696 |
| | | <u>3,829,432</u> | <u>4,872,024</u> | <u>7,155,993</u> | <u>10,327,788</u> |
| Current liabilities | | | | | |
| Trade and other payables | 22 | 2,593,191 | 4,253,341 | 3,560,819 | 6,198,639 |
| Bank loans | 23 | 980,766 | 1,428,085 | 571,580 | 1,723,599 |
| Tax payable | 8(c) | 513,742 | 586,226 | 944,981 | 802,076 |
| | | <u>4,087,699</u> | <u>6,267,652</u> | <u>5,077,380</u> | <u>8,724,314</u> |
| Net current (liabilities)/assets | | <u>(258,267)</u> | <u>(1,395,628)</u> | <u>2,078,613</u> | <u>1,603,474</u> |
| Total assets less current liabilities | | <u>1,190,873</u> | <u>1,148,745</u> | <u>4,759,692</u> | <u>4,501,035</u> |
| Non-current liabilities | | | | | |
| Bank loans | 23 | 631,432 | 187,455 | 3,247,411 | 4,076,976 |
| Loans from non-controlling shareholders | 24 | 214,546 | — | — | — |
| Deferred tax liabilities | 8(c) | — | 73,630 | 113,612 | 149,230 |
| | | <u>845,978</u> | <u>261,085</u> | <u>3,361,023</u> | <u>4,226,206</u> |
| NET ASSETS | | <u>344,895</u> | <u>887,660</u> | <u>1,398,669</u> | <u>274,829</u> |
| CAPITAL AND RESERVES | | | | | |
| Share capital | 25(a) | — | 112 | 124 | 124 |
| Reserves | 25(b) | 128,273 | 525,026 | 897,787 | 248,762 |
| Total equity attributable to equity shareholders of the Company | | <u>128,273</u> | <u>525,138</u> | <u>897,911</u> | <u>248,886</u> |
| Non-controlling interests | | <u>216,622</u> | <u>362,522</u> | <u>500,758</u> | <u>25,943</u> |
| TOTAL EQUITY | | <u>344,895</u> | <u>887,660</u> | <u>1,398,669</u> | <u>274,829</u> |

The accompanying notes form part of the Financial Information.

4 Combined statements of changes in equity

| | Attributable to equity shareholders of the Company | | | | | | | Non-controlling interests | Total equity |
|--|--|------------------|------------------------|---------------|------------------|-----------|----------|---------------------------|--------------|
| | Share capital | Exchange reserve | PRC statutory reserves | Other reserve | Retained profits | Total | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | | |
| At 1 January 2007 | — | 10,838 | 8,512 | 48,468 | 63,169 | 130,987 | 230,993 | 361,980 | |
| Changes in equity for 2007: | | | | | | | | | |
| Profit for the year | — | — | — | — | 121,262 | 121,262 | 58,577 | 179,839 | |
| Other comprehensive income | — | 32,840 | — | — | — | 32,840 | 17,816 | 50,656 | |
| Total comprehensive income for the year | — | 32,840 | — | — | 121,262 | 154,102 | 76,393 | 230,495 | |
| Transfer to PRC statutory reserves | — | — | 6,307 | — | (6,307) | — | — | — | |
| Dividends declared and approved to non-controlling shareholders by subsidiaries | — | — | — | — | — | — | (90,764) | (90,764) | |
| Dividends declared and approved during the year | — | — | — | — | (16,562) | (16,562) | — | (16,562) | |
| Acquisition of additional interests in subsidiaries from a non-controlling shareholder | — | — | — | (140,254) | — | (140,254) | — | (140,254) | |
| At 31 December 2007 | — | 43,678 | 14,819 | (91,786) | 161,562 | 128,273 | 216,622 | 344,895 | |
| At 1 January 2008 | — | 43,678 | 14,819 | (91,786) | 161,562 | 128,273 | 216,622 | 344,895 | |
| Changes in equity for 2008: | | | | | | | | | |
| Profit for the year | — | — | — | — | 9,465 | 9,465 | 93,706 | 103,171 | |
| Other comprehensive income | — | 34,904 | — | — | — | 34,904 | 10,840 | 45,744 | |
| Total comprehensive income for the year | — | 34,904 | — | — | 9,465 | 44,369 | 104,546 | 148,915 | |
| Cancellation of dividends payable to non-controlling shareholders by subsidiaries | — | — | — | — | — | — | 40,453 | 40,453 | |
| Arising on Reorganisation | 112 | — | — | 170,934 | — | 171,046 | — | 171,046 | |
| Deemed contributions from ultimate shareholder | — | — | — | 505,944 | — | 505,944 | — | 505,944 | |
| Acquisition of additional interests in subsidiaries from non-controlling shareholders | — | — | — | (324,494) | — | (324,494) | (80,088) | (404,582) | |
| Contributions from non-controlling shareholders | — | — | — | — | — | — | 80,989 | 80,989 | |
| At 31 December 2008 | 112 | 78,582 | 14,819 | 260,598 | 171,027 | 525,138 | 362,522 | 887,660 | |
| At 1 January 2009 | 112 | 78,582 | 14,819 | 260,598 | 171,027 | 525,138 | 362,522 | 887,660 | |
| Changes in equity for 2009: | | | | | | | | | |
| Profit for the year | — | — | — | — | 376,586 | 376,586 | 146,906 | 523,492 | |
| Other comprehensive income | — | 371 | — | — | — | 371 | 1,820 | 2,191 | |
| Total comprehensive income for the year | — | 371 | — | — | 376,586 | 376,957 | 148,726 | 525,683 | |
| Issuance of new shares upon incorporation of the Company | 12 | — | — | — | — | 12 | — | 12 | |
| Dividends declared and approved to non-controlling shareholders by subsidiaries | — | — | — | — | — | — | (14,458) | (14,458) | |
| Acquisition of additional interests in subsidiaries from non-controlling shareholders | — | — | — | (4,196) | — | (4,196) | 3,968 | (228) | |
| At 31 December 2009 | 124 | 78,953 | 14,819 | 256,402 | 547,613 | 897,911 | 500,758 | 1,398,669 | |

| | Attributable to equity shareholders of the Company | | | | | | | Total equity |
|---|--|------------------|------------------------|------------------|------------------|------------------|---------------------------|------------------|
| | Share capital | Exchange reserve | PRC statutory reserves | Other reserve | Retained profits | Total | Non-controlling interests | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| At 1 January 2010 | 124 | 78,953 | 14,819 | 256,402 | 547,613 | 897,911 | 500,758 | 1,398,669 |
| Changes in equity for the period ended 30 September 2010: | | | | | | | | |
| Loss for the year | — | — | — | — | (89,436) | (89,436) | (8,947) | (98,383) |
| Other comprehensive income | — | 45,328 | — | — | — | 45,328 | 5,920 | 51,248 |
| Total comprehensive income for the period | — | 45,328 | — | — | (89,436) | (44,108) | (3,027) | (47,135) |
| Dividends declared and approved to non-controlling shareholders by subsidiaries | — | — | — | — | — | — | (3,213) | (3,213) |
| Disposal of a subsidiary | — | — | — | — | — | — | (82,043) | (82,043) |
| Acquisition of additional interests in subsidiaries from a non-controlling shareholder. | — | — | — | (604,917) | — | (604,917) | (386,996) | (991,913) |
| Contribution from non-controlling shareholders | — | — | — | — | — | — | 464 | 464 |
| At 30 September 2010 | <u>124</u> | <u>124,281</u> | <u>14,819</u> | <u>(348,515)</u> | <u>458,177</u> | <u>248,886</u> | <u>25,943</u> | <u>274,829</u> |
| (Unaudited) | | | | | | | | |
| At 1 January 2009 | 112 | 78,582 | 14,819 | 260,598 | 171,027 | 525,138 | 362,522 | 887,660 |
| Changes in equity for the period ended 30 September 2009: | | | | | | | | |
| Profit for the period | — | — | — | — | 504,252 | 504,252 | 118,486 | 622,738 |
| Other comprehensive income | — | 50,703 | — | — | — | 50,703 | 10,108 | 60,811 |
| Total comprehensive income for the period | — | 50,703 | — | — | 504,252 | 554,955 | 128,594 | 683,549 |
| Issuance of new shares upon incorporation of the Company | 12 | — | — | — | — | 12 | — | 12 |
| At 30 September 2009 | <u>124</u> | <u>129,285</u> | <u>14,819</u> | <u>260,598</u> | <u>675,279</u> | <u>1,080,105</u> | <u>491,116</u> | <u>1,571,221</u> |

The accompanying notes form part of the Financial Information.

5 Combined cash flow statements

| Section C | Year ended 31 December | | | Nine months ended 30 September | |
|--|------------------------|------------------|------------------|-----------------------------------|------------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | <i>(Unaudited)</i> | |
| Operating activities | | | | | |
| Profit/(Loss) before taxation | 388,893 | 262,208 | 1,024,854 | 1,129,019 | (98,999) |
| Adjustments for: | | | | | |
| — Interest income | (20,708) | (10,014) | (12,228) | (7,276) | (7,266) |
| — Finance costs | 33,857 | 3,767 | 6,375 | 4,565 | 37,000 |
| — Depreciation and amortisation | 2,651 | 8,871 | 31,408 | 21,933 | 26,516 |
| — Dividend income from unlisted investments | (294) | (927) | — | — | — |
| — Share of loss of an associate | 2,832 | — | — | — | — |
| — Increase in fair value of investment properties | (50,146) | (152,867) | (179,978) | (174,264) | (22,601) |
| — Gain on disposal of available-for- sale equity securities | (105,814) | — | — | — | — |
| — Net (gain)/loss on disposal of fixed assets | (32) | 71 | 660 | — | 26 |
| — Net gain on disposal of a subsidiary | — | — | — | — | (64,457) |
| — Impairment of other financial assets | — | — | 2,823 | — | — |
| — Write-down of inventories | — | — | 26,220 | — | — |
| — Net foreign exchange loss/(gain) | 57,361 | 25,094 | 5,741 | 1,482 | (1,623) |
| Operating profit/(loss) before changes in working capital | 308,600 | 136,203 | 905,875 | 975,459 | (131,404) |
| (Increase)/decrease in inventories | (490,677) | (661,874) | 981,052 | 162,128 | (839,409) |
| (Increase)/decrease in trade and other receivables | (39,594) | 33,593 | (753,385) | (722,145) | (91,962) |
| Increase/(decrease) in trade and other payables | 440,302 | 1,532,155 | (1,360,898) | (935,743) | 2,528,434 |
| Cash generated from/(used in) operations | 218,631 | 1,040,077 | (227,356) | (520,301) | 1,465,659 |
| Tax paid | | | | | |
| — PRC tax paid | (65,694) | (112,168) | (128,805) | (81,220) | (201,185) |
| Net cash generated from/(used in) operating activities | 152,937 | 927,909 | (356,161) | (601,521) | 1,264,474 |
| Investing activities | | | | | |
| Additions to fixed assets | (7,047) | (20,077) | (4,911) | (4,436) | (5,466) |
| Proceeds from disposal of fixed assets | 155 | — | 4 | — | 7 |
| Proceeds from disposal of available-for-sale equity securities | 32,182 | — | — | — | — |
| Acquisition of subsidiaries | 26(a) — | 12,132 | — | — | — |
| Proceeds from disposal of a subsidiary | 26(b) — | — | — | — | 90,462 |
| Advance to an associate | (1,893) | — | — | — | — |
| Interest received | 20,708 | 10,014 | 12,228 | 7,276 | 7,266 |
| Dividend received from unlisted investments | 294 | 927 | — | — | — |
| Expenditure on development projects | (474,583) | (473,751) | (266,386) | (139,631) | (50,314) |
| (Increase)/decrease in restricted deposits | — | — | (39,765) | — | 37,195 |
| (Loans to)/repayment from non-controlling shareholders | — | (78,634) | — | — | 80,009 |
| Capital contribution to an associate | — | — | — | — | (27,595) |
| Net cash (used in)/generated from investing activities | (430,184) | (549,389) | (298,830) | (136,791) | 131,564 |

| Section C Note | Year ended 31 December | | | Nine months ended 30 September | |
|---|------------------------|------------------|------------------|-----------------------------------|------------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | <i>(Unaudited)</i> | |
| Financing activities | | | | | |
| Proceeds from new bank loans | 1,045,011 | 838,014 | 4,873,143 | 3,506,184 | 3,129,805 |
| Repayment of bank loans | (692,458) | (926,343) | (2,653,291) | (989,072) | (1,256,585) |
| Proceeds from loan from a related company | — | — | 528,294 | 340,252 | — |
| Repayment of loan from a related company | — | — | — | — | (5,750) |
| Proceeds from loans from non-controlling shareholders | 214,546 | — | — | — | — |
| Repayment of loans from non-controlling shareholders | (313,960) | (453,720) | — | — | — |
| (Increase)/decrease in pledged deposits | (64,537) | 149,147 | (1,169,646) | (561,351) | (500,928) |
| Interest and other borrowing costs paid | (136,769) | (152,204) | (188,531) | (90,911) | (205,869) |
| Acquisition of additional interests in subsidiaries | — | — | — | — | (959,218) |
| Contributions from non-controlling shareholders | — | 80,989 | — | — | 464 |
| Dividends paid | (8,116) | — | — | — | (3,213) |
| Proceeds from issuance of shares | — | — | 12 | 12 | — |
| Net cash generated from/(used in) financing activities | 43,717 | (464,117) | 1,389,981 | 2,205,114 | 198,706 |
| Net (decrease)/increase in cash and cash equivalents | (233,530) | (85,597) | 734,990 | 1,466,802 | 1,594,744 |
| Effect of foreign exchange rate changes | 27,260 | 35,522 | 1,008 | 143 | 66,047 |
| Cash and cash equivalents at 1 January | 803,252 | 596,982 | 546,907 | 546,907 | 1,282,905 |
| Cash and cash equivalents at 31 | | | | | |
| December/30 September 21 | 596,982 | 546,907 | 1,282,905 | 2,013,852 | 2,943,696 |

The accompanying notes form part of the Financial Information.

C NOTES TO THE FINANCIAL INFORMATION**1 SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes Hong Kong Accounting Standards ("HKASs") and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised HKFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting periods beginning on or after 1 January 2010. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on or after 1 January 2010 are set out in note 31.

This Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the nine months ended 30 September 2010 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of combination, measurement and use of estimates and judgements

The Financial Information comprises the Company and its subsidiaries and the Group's interests in associates. The Financial Information has been prepared using the merger basis of accounting as if the Group had always been in existence, as further explained in Section A.

The Financial Information is presented in Hong Kong dollars, rounded to the nearest thousand. It is prepared on the historical cost basis except that investment properties are stated at their fair value.

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may 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.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 2.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group 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.

The income and expenses of a subsidiary are included in the Financial Information from the date that control commences until the date that control ceases. Merger accounting is adopted for common control combinations in which the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and control is not transitory.

An investment in a subsidiary is combined into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the combined balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the combined income statement and the combined statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in accordance with notes 1(l) or (m) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within combined equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(e)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)).

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the combined income statement, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the combined statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(e)).

(e) *Other investments in equity securities*

The Group's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(i)).

Investments in securities which do not fall into the above category are classified as available-for-sale securities. At each balance sheet date the fair value is re-measured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(r)(vi). When these investments are derecognised or impaired (see note 1(i)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments.

(f) *Fixed assets*

(i) **Investment properties**

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the balance sheet date 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 of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(r)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(h).

(ii) **Other property, plant and equipment**

The following items of property, plant and equipment are stated at cost less accumulated depreciation (see note 1(g)) and impairment losses (see note 1(i)):

- hotel property;
- other land and buildings; and
- other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the aggregate cost of development, materials and supplies, wages, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of borrowing costs (see note 1(t)) and other direct expenses.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(g) Depreciation of fixed assets

(i) Investment properties and investment properties under development

No depreciation is provided on investment properties and investment properties under development.

(ii) Properties under development for own use

No depreciation is provided until such time as the relevant assets are complete and put into use.

(iii) Hotel property

Depreciation is calculated to write-off the cost of hotel property over using the straight-line method over their estimated useful lives of 5.5 to 33 years.

(iv) Other land and buildings

Depreciation is provided on the cost of the leasehold land of properties over the unexpired terms of the leases. Costs of buildings thereon are depreciated on a straight-line basis over the unexpired terms of the respective leases or 25 years if shorter.

(v) Furniture, fixtures and other fixed assets

Depreciation is calculated to write-off the cost of furniture, fixtures and other fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives of 4 to 8 years.

Where parts of an item of furniture, fixtures and other fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if it were held under a finance lease (see note 1(f)(i)).

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(f)(i)) or is held for development for sale (see note 1(j)).

(i) Impairment of assets**(i) Impairment of investments in equity securities and other receivables**

Investments in equity securities (other than investments in subsidiaries: see note 1(i)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

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

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates recognised using the equity method (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(i)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that had been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequently recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets (other than properties carried at revalued amounts);
- pre-paid interests in leasehold land classified as being held under an operating lease; and
- investments in subsidiaries (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)).

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently.

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

(i) Leasehold land

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(ii) Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, borrowing costs capitalized (see note 1(t)), aggregate cost of development, materials and supplies, wages and other direct expenses. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

(iii) Completed properties for sale

Cost is determined by apportionment of the total land and development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price, based on prevailing market conditions, less costs to be incurred in selling the property.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 1(i)).

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the combined cash flow statements.

(o) *Employee benefits*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The employees of the Group participate in retirement plans (defined contribution retirement plans) managed by respective local governments of the municipalities in which the Group operates in the PRC. The contribution to the retirement plan is calculated based on fixed rates of the employees' salaries cost and charged to profit or loss as and when incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense. The Group has no other obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

(p) *Income tax*

- (i) Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in income statement except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.
- (ii) Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

- (iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:
- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
 - in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) *Financial guarantees issued, provisions and contingent liabilities*

- (i) Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

- (ii) *Other provisions and contingent liabilities***

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue from the sale of properties is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from the sale of properties excludes business tax and other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet as receipts in advance.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Hotel operations

Income from hotel operations is recognised when services are provided.

(iv) Property management and related services income

Property management and related services income is recognised when services are provided.

(v) Interest income

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

(vi) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(vii) Government grants

Government grants are recognised in the balance sheet initially 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 and loss on a systematic basis in the same periods in which the expenses are incurred.

(s) Translation of foreign currencies

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING ESTIMATES AND JUDGEMENTS

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(i) *Valuation of investment properties*

As described in note 15, investment properties are stated at fair value based on the valuation performed by an independent firm of professional surveyors after taking into consideration the comparable market transactions and the net rental income allowing for reversionary income potential.

In determining the fair value, the valuers have based on a method of valuation which involves, *inter-alia*, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised its judgement and is satisfied that the method of valuation is reflective of the current market condition.

(ii) *Impairment of non-current assets*

If circumstances indicate that the carrying amounts of fixed assets (other than investment properties) may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

(iii) *Write-down of inventories for property development*

Management performs a regular review on the carrying amounts of inventories for property development. Based on management's review, write-down of inventories for property development will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties for sale, management refers to prevailing market data such as recent sales transactions, market survey reports available from independent property valuers and internally available information, as bases for evaluation.

In respect of leasehold land held for development for sale and properties under development for sale, the estimate of net realisable value requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from these properties. These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

(iv) *Land Appreciation Tax*

As explained in note 8(a)(iv), Land Appreciation Tax is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use right, borrowing costs and all qualified property development expenditures. Given the uncertainties of the calculation basis of Land Appreciation Tax as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at each balance sheet date. Any increase or decrease in actual outcomes/estimates would affect income statement in the future years.

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's financial management policies and practices are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, and trade and other receivables. The Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

The Group has no concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined balance sheets. Except for the financial guarantees given by the Group as set out in note 29, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 29.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

(b) Liquidity risk

Individual subsidiaries within the Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands, subject to approval by the Company's board of directors. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

| At 30 September 2010 | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| | Total | | More than | More than | |
| Carrying | contractual | Within 1 | 1 year but | 2 years but | |
| amount | undiscounted | year or on | less than 2 | less than 5 | |
| HK\$'000 | cash flow | demand | years | years | HK\$'000 |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Bank loans | 5,800,575 | 6,270,792 | 2,001,393 | 2,916,823 | 1,352,576 |
| Creditors and accrued charges | 1,110,150 | 1,110,150 | 1,058,796 | 40,758 | 10,596 |
| Amounts due to related companies | 816 | 816 | 816 | — | — |
| | <u>6,911,541</u> | <u>7,381,758</u> | <u>3,061,005</u> | <u>2,957,581</u> | <u>1,363,172</u> |

At 31 December 2009

| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years |
|---|------------------|--|----------------------------|--|---|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Bank loans | 3,818,991 | 4,162,057 | 766,818 | 2,282,483 | 1,112,756 |
| Creditors and accrued charges . . . | 1,278,366 | 1,278,366 | 1,220,748 | 49,730 | 7,888 |
| Bills payable | 1,275 | 1,275 | 1,275 | — | — |
| Loan from a related company . . . | 528,294 | 546,965 | 546,965 | — | — |
| Amount due to a non-controlling shareholder | 2,155 | 2,155 | 2,155 | — | — |
| Amounts due to related companies | 731,205 | 731,205 | 731,205 | — | — |
| | <u>6,360,286</u> | <u>6,722,023</u> | <u>3,269,166</u> | <u>2,332,213</u> | <u>1,120,644</u> |

At 31 December 2008

| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years |
|---|------------------|--|----------------------------|--|---|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Bank loans | 1,615,540 | 1,673,195 | 1,480,480 | 173,943 | 18,772 |
| Creditors and accrued charges . . . | 947,147 | 947,147 | 921,784 | 25,363 | — |
| Bills payable | 79,355 | 79,355 | 79,355 | — | — |
| Amount due to a non-controlling shareholder | 2,590 | 2,590 | 2,590 | — | — |
| Amounts due to related companies | 754,110 | 754,110 | 754,110 | — | — |
| | <u>3,398,742</u> | <u>3,456,397</u> | <u>3,238,319</u> | <u>199,306</u> | <u>18,772</u> |

At 31 December 2007

| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years |
|---|------------------|--|----------------------------|--|---|-------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Bank loans | 1,612,198 | 1,716,313 | 1,051,273 | 653,382 | 2,390 | 9,268 |
| Creditors and accrued charges . . | 739,940 | 739,940 | 722,347 | 17,593 | — | — |
| Loans from non-controlling shareholders | 429,092 | 450,294 | 231,181 | 219,113 | — | — |
| Amounts due to ultimate shareholder | 28,081 | 28,081 | 28,081 | — | — | — |
| Amount due to a non-controlling shareholder | 107,342 | 107,342 | 107,342 | — | — | — |
| Amounts due to related companies | 207,033 | 207,033 | 207,033 | — | — | — |
| | <u>3,123,686</u> | <u>3,249,003</u> | <u>2,347,257</u> | <u>890,088</u> | <u>2,390</u> | <u>9,268</u> |

(c) Interest rate risk

The Group's interest rates risk arises primarily from cash and cash equivalents, restricted and pledged deposits and borrowings issued at variable rates.

The Group does not anticipate significant impact to cash and cash equivalents and the pledged deposits because the interest rates of bank deposits are not expected to change significantly.

The interest rates and terms of repayment of interest-bearing financial assets and liabilities, bank and other loans of the Group are disclosed in notes 19, 22 to 24 to the Financial Information. The Group does not carry out any hedging activities to manage its interest rate exposure.

Sensitivity analysis

At 30 September 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after tax (decrease/increase the Group's profit after tax) and total equity attributable to equity shareholders of the Company by approximately HK\$10,395,000 (31 December 2009: HK\$10,880,000; 31 December 2008: HK\$9,633,000; 31 December 2007: HK\$11,749,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the years 2007 to 2009.

(d) Currency risk

Almost all the Group's operating activities are carried out in the PRC with most of the transactions denominated in Renminbi. The Group is exposed to foreign currency risk arising from the exposure of Renminbi against Hong Kong dollars as a result of its investment in the PRC and certain of the general and administrative expenses settled in Hong Kong dollars. In addition, Renminbi is not freely convertible into foreign currencies and the conversion of Renminbi into foreign currencies is subject to rules and regulations of the foreign exchange control promulgated by the PRC government.

4 TURNOVER

Turnover represents income from sale of properties, rental income, income from hotel operations and income from provision of property management and related services earned during the Relevant Period, net of business tax and other sales related taxes and discounts allowed, and is analysed as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|--|------------------------|----------------|------------------|-----------------------------------|----------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | <i>(Unaudited)</i> | |
| Sale of properties | 664,475 | 603,291 | 3,105,943 | 2,441,995 | 151,538 |
| Rental income | 13,168 | 40,948 | 59,797 | 39,528 | 62,027 |
| Hotel operations | — | 11,020 | 45,940 | 29,139 | 46,213 |
| Property management and related services income | 1,940 | 6,959 | 16,392 | 11,095 | 27,170 |
| | <u>679,583</u> | <u>662,218</u> | <u>3,228,072</u> | <u>2,521,757</u> | <u>286,948</u> |

5 OTHER REVENUE

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|------------------------|---------------|---------------|-----------------------------------|--------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | <i>(Unaudited)</i> | |
| Bank interest income | 11,277 | 7,347 | 6,506 | 4,414 | 7,003 |
| Other interest income | 9,431 | 2,667 | 5,722 | 2,862 | 263 |
| Dividend income from unlisted investments | 294 | 927 | — | — | — |
| Rental income from operating leases, other than those relating to investment properties | — | 950 | 1,104 | 792 | 350 |
| Others | 568 | 529 | 1,218 | 986 | 1,528 |
| | <u>21,570</u> | <u>12,420</u> | <u>14,550</u> | <u>9,054</u> | <u>9,144</u> |

6 OTHER NET INCOME/(LOSS)

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|------------------------|--------------|----------------|-----------------------------------|---------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | <i>(Unaudited)</i> | |
| Net exchange gain/(loss) | 7,643 | 9,378 | 12 | 121 | 123 |
| Gain on disposal of available-for-sale equity securities <i>(note (i))</i> | 105,814 | — | — | — | — |
| Net gain/(loss) on disposal of fixed assets | 32 | (71) | (660) | — | (26) |
| Government grant <i>(note (ii))</i> | 6,924 | 562 | — | — | 57 |
| Impairment of other financial assets <i>(note 17)</i> | — | — | (2,823) | — | — |
| Net gain on disposal of a subsidiary . . . | — | — | — | — | 64,457 |
| Others | (170) | (2) | 889 | 869 | 139 |
| | <u>120,243</u> | <u>9,867</u> | <u>(2,582)</u> | <u>990</u> | <u>64,750</u> |

Notes:

- (i) In December 2007, the Group sold its entire 10% interest in a PRC unlisted company, for a consideration of approximately HK\$116,165,000, resulting in a gain on disposal of HK\$105,814,000.
- (ii) During the Relevant Period, the Group received government grants from different local government bodies as a recognition of the Group's investment in the relevant districts.

7 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

| | Year ended 31 December | | | Nine months ended 30 September | |
|--|------------------------|--------------|--------------|-----------------------------------|---------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | <i>(Unaudited)</i> | |
| (a) Finance costs: | | | | | |
| Interest on bank loans and other borrowings wholly repayable within five years | 119,102 | 142,100 | 172,708 | 86,300 | 193,701 |
| Other borrowing costs | 17,667 | 10,104 | 15,823 | 4,611 | 12,168 |
| | 136,769 | 152,204 | 188,531 | 90,911 | 205,869 |
| Less: Amount capitalized <i>(note)</i> | (102,912) | (148,437) | (182,156) | (86,346) | (168,869) |
| | <u>33,857</u> | <u>3,767</u> | <u>6,375</u> | <u>4,565</u> | <u>37,000</u> |

Note: The borrowing costs have been capitalized at rates ranging from 5.50% to 8.32%, 4.43% to 9.50% and 4.37% to 6.68% per annum for the years ended 31 December 2007, 2008 and 2009 respectively, and 4.37% to 6.68% and 4.86% to 9.18% per annum for the nine months ended 30 September 2009 and 2010

| | Year ended 31 December | | | Nine months ended 30 September | |
|--|------------------------|---------------|----------------|-----------------------------------|---------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | <i>(Unaudited)</i> | |
| (b) Staff costs: | | | | | |
| Salaries, wages and other benefits . . . | 50,944 | 77,004 | 121,702 | 81,012 | 86,201 |
| Contributions to defined contribution retirement plans | 1,730 | 2,640 | 5,860 | 4,560 | 4,877 |
| | <u>52,674</u> | <u>79,644</u> | <u>127,562</u> | <u>85,572</u> | <u>91,078</u> |
| (c) Other items: | | | | | |
| Depreciation and amortisation | 2,759 | 8,976 | 31,598 | 22,111 | 26,632 |
| Less: Amount capitalized | (108) | (105) | (190) | (178) | (116) |
| | 2,651 | 8,871 | 31,408 | 21,933 | 26,516 |
| Cost of properties sold | 307,773 | 300,932 | 1,983,563 | 1,329,204 | 133,749 |
| Rentals income from investment properties <i>(note)</i> | (13,168) | (40,948) | (59,797) | (39,528) | (62,027) |
| Less: Direct outgoings | 3,374 | 20,898 | 17,657 | 13,154 | 7,249 |
| | (9,794) | (20,050) | (42,140) | (26,374) | (54,778) |
| Impairment loss for bad debts | — | 4,132 | 11,091 | 561 | 21 |
| Write-down of inventories | — | — | 26,220 | — | — |
| Auditors' remuneration | 680 | 1,828 | 629 | 629 | 5,900 |
| Other rental income less direct outgoings | — | (950) | (1,104) | (792) | (350) |
| Operating lease charges: | | | | | |
| minimum lease payments for land and buildings | 2,239 | 22,314 | 19,944 | 11,748 | 5,959 |
| | <u>2,239</u> | <u>22,314</u> | <u>19,944</u> | <u>11,748</u> | <u>5,959</u> |

Note: Included contingent rental income of HK\$Nil, HK\$1,187,000 and HK\$2,882,000 for the years ended 31 December 2007, 2008 and 2009 respectively, and HK\$2,738,000 and HK\$5,959,000 for the nine months ended 30 September 2009 and 2010 respectively.

8 INCOME TAX

(a) Income tax in the combined income statements represents:

| | Year ended 31 December | | | Nine months ended 30 September | |
|--|------------------------|-----------------------|-----------------------|-----------------------------------|---------------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | <i>(Unaudited)</i> | |
| Current tax | | | | | |
| Provision for PRC Corporate | | | | | |
| Income Tax for the year/period | 148,047 | 67,213 | 176,772 | 163,876 | 37,534 |
| Provision for Land | | | | | |
| Appreciation Tax for the year/period | 88,554 | 85,217 | 309,896 | 296,917 | (2,472) |
| | <u>236,601</u> | <u>152,430</u> | <u>486,668</u> | <u>460,793</u> | <u>35,062</u> |
| Deferred tax | | | | | |
| Origination and reversal of temporary differences | (41,522) | 6,607 | 14,694 | 45,488 | (35,678) |
| Effect of changes in tax rates | 13,975 | — | — | — | — |
| | <u>(27,547)</u> | <u>6,607</u> | <u>14,694</u> | <u>45,488</u> | <u>(35,678)</u> |
| | <u><u>209,054</u></u> | <u><u>159,037</u></u> | <u><u>501,362</u></u> | <u><u>506,281</u></u> | <u><u>(616)</u></u> |

- (i) Pursuant to the rules and regulations of the British Virgin Islands and Cayman Islands, the Group is not subject to any income tax in the BVI and Cayman Islands.
- (ii) No provision was made for Hong Kong Profits Tax as the Group's Hong Kong subsidiaries either sustained losses for taxation purposes or had tax losses brought forward from previous years which exceeded the estimated assessable profits for the year/period during the Relevant Period.
- (iii) PRC Corporate Income Tax ("CIT")

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The applicable CIT rates of the PRC subsidiaries within the Group were 15% to 33% for 2007.

On 16 March 2007, the Fifth Plenary of the Tenth National People's Congress passed the New Corporate Income Tax Law ("the New Tax Law") of the PRC, which unified the statutory income tax rate to 25% for all enterprises. The New Tax Law was effective on 1 January 2008. The New Tax Law, its implementation rules and the State Council Notice, *GuoFa [2007] No. 39 Notice on the Implementation of the Transitional Preferential Corporate Income Tax Policies* ("Circular 39"), provide a five-year transitional period effective from 1 January 2008 for those enterprises which were established before 16 March 2007 and which were entitled to the preferential income tax rate of 15% under the then effective tax laws and regulations. The transitional tax rates are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively.

- (iv) Land Appreciation Tax is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use right, borrowing costs and all qualified property development expenditures.

(b) Reconciliation between income tax expense and accounting profit/(loss) before taxation at applicable tax rates:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|------------------------|----------|-----------|-----------------------------------|----------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Profit/(loss) before taxation | 388,893 | 262,208 | 1,024,854 | 1,129,019 | (98,999) |
| Notional tax on profit/(loss) before taxation, calculated at the rates applicable to the jurisdictions concerned | 101,108 | 63,895 | 232,874 | 264,380 | (16,826) |
| Effect of share of loss of an associate | 381 | — | — | — | — |
| Effect of non-taxable income | (85) | (2,841) | (210) | (179) | (856) |
| Effect of non-deductible expenses (note (i)) | 12,543 | 796 | 13,710 | 4,556 | 3,161 |
| Effect of deemed interest income (note (ii)) | 12,646 | 19,007 | 10,276 | 11,126 | 11,316 |
| Effect of prior years' unrecognised tax losses utilized | (695) | (1,846) | (664) | (302) | (1,572) |
| Effect of unrecognised temporary differences now utilized (note (iii)) | (2,691) | (7,171) | (10,132) | (9,779) | (2,126) |
| Effect of unused tax losses and temporary differences not recognised | 20,684 | 15,294 | 8,614 | 2,473 | 7,526 |
| Effect of changes in tax rates | 13,975 | — | — | — | — |
| Deferred tax effect on Land Appreciation Tax accrual | (37,366) | (13,314) | (63,002) | (62,911) | 1,233 |
| Land Appreciation Tax | 88,554 | 85,217 | 309,896 | 296,917 | (2,472) |
| Actual income tax expense | 209,054 | 159,037 | 501,362 | 506,281 | (616) |

Notes:

- (i) The amount comprises the tax effect of the PRC subsidiaries' expenses which are in excess of allowable deduction limits, such as entertainment expenses and penalties, or non-deductible in nature.
- (ii) The amount comprises the tax effect of the interest-free advances to group companies.
- (iii) The amount comprises the tax effect of the PRC subsidiaries' utilisation of deductible temporary differences which were not recognised in previous years, such as accrued construction costs, advertising expenses and provision for LAT.

(c) Income tax in the combined balance sheets represents:

(i) *Current taxation*

| | At 31 December | | | At 30 |
|---|----------------|----------------|----------------|----------------|
| | 2007 | 2008 | 2009 | September |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>PRC Corporate Income Tax</i> | | | | |
| Provision for the year/period | 148,047 | 67,213 | 176,772 | 37,534 |
| CIT tax paid in respect of provision for the year/period | (48,145) | (29,884) | (56,828) | (37,360) |
| Exchange adjustments | 3,429 | 213 | 153 | 65 |
| | <u>103,331</u> | <u>37,542</u> | <u>120,097</u> | <u>239</u> |
| Balance of tax provision relating to prior years | 73,824 | 140,301 | 130,670 | 175,975 |
| Tax payable | <u>177,155</u> | <u>177,843</u> | <u>250,767</u> | <u>176,214</u> |
| <i>PRC Land Appreciation Tax</i> | | | | |
| Provision for the year/period | 88,554 | 85,217 | 309,896 | (2,472) |
| LAT tax paid in respect of provision for the year/period | (26,191) | (34,389) | (23,139) | (1,018) |
| Exchange adjustments | 3,863 | 795 | 292 | 9 |
| | <u>66,226</u> | <u>51,623</u> | <u>287,049</u> | <u>(3,481)</u> |
| Balance of tax provision relating to prior years | 270,361 | 356,760 | 407,165 | 629,343 |
| Tax payable | <u>336,587</u> | <u>408,383</u> | <u>694,214</u> | <u>625,862</u> |
| | <u>513,742</u> | <u>586,226</u> | <u>944,981</u> | <u>802,076</u> |

(ii) *Deferred tax assets and liabilities recognised*

The components of deferred tax (assets)/liabilities recognised in the combined balance sheets and the movements during the year/period are as follows:

| | Depreciation allowances in excess of related depreciation | Unrealised gain on intra-group transactions | Revaluation of investment properties | Temporary differences on LAT provisions | Accruals | Unused tax losses | Temporary differences on inventory basis differences | Total |
|---|---|---|--------------------------------------|---|----------|-------------------|--|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>Deferred tax arising from:</i> | | | | | | | | |
| 1 January 2007 | — | (3,013) | 10,076 | — | (23,373) | (13,868) | — | (30,178) |
| (Credited)/charged to the combined income statement | — | (413) | 18,882 | (37,366) | 14,135 | (1,595) | (21,190) | (27,547) |
| Exchange adjustments | — | (246) | 1,732 | (1,950) | (989) | (1,123) | (33) | (2,609) |
| At 31 December 2007 and 1 January 2008 | — | (3,672) | 30,690 | (39,316) | (10,227) | (16,586) | (21,223) | (60,334) |
| Acquisition of subsidiaries | — | — | 43,605 | — | — | — | — | 43,605 |
| Charged/(credited) to the combined income statement | — | (11,141) | 36,366 | (13,314) | (1,489) | (1,464) | (2,351) | 6,607 |
| Exchange adjustments | — | (320) | 1,072 | (2,384) | (602) | (967) | (987) | (4,188) |
| At 31 December 2008 and 1 January 2009 | — | (15,133) | 111,733 | (55,014) | (12,318) | (19,017) | (24,561) | (14,310) |
| Charged/(credited) to the combined income statement | 7,321 | (5,402) | 44,938 | (63,002) | (36,693) | 16,863 | 50,669 | 14,694 |
| Exchange adjustments | 9 | (30) | 1,174 | 578 | (61) | (10) | 30 | 1,690 |
| At 31 December 2009 and 1 January 2010 | 7,330 | (20,565) | 157,845 | (117,438) | (49,072) | (2,164) | 26,138 | 2,074 |
| (Credited)/charged to the combined income statement | 5,744 | (23,453) | 5,646 | 1,233 | 24,915 | (51,197) | 1,434 | (35,678) |
| Exchange adjustments | 270 | (843) | 6,037 | (4,952) | (1,018) | (288) | 700 | (94) |
| At 30 September 2010 | 13,344 | (44,861) | 169,528 | (121,157) | (25,175) | (53,649) | 28,272 | (33,698) |

| | At 31 December | | | At 30 September |
|--|----------------|----------|-----------|-----------------|
| | 2007 | 2008 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Net deferred tax assets recognised on the combined balance sheets | (60,334) | (87,940) | (111,538) | (182,928) |
| Net deferred tax liabilities recognised on the combined balance sheets | — | 73,630 | 113,612 | 149,230 |
| | (60,334) | (14,310) | 2,074 | (33,698) |

(d) Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following items:

| | At 31 December | | | At 30 |
|--|----------------|----------------|----------------|----------------|
| | 2007 | 2008 | 2009 | September |
| | HK\$'000 | HK\$'000 | HK\$'000 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Deductible temporary differences | 287,250 | 305,950 | 261,591 | 268,687 |
| Unused tax losses | | | | |
| — Hong Kong (<i>note (i)</i>) | 1,846 | 2,736 | 2,888 | 2,924 |
| — PRC (<i>note (ii)</i>) | 36,306 | 58,216 | 93,251 | 108,672 |
| | <u>325,402</u> | <u>366,902</u> | <u>357,730</u> | <u>380,283</u> |

Notes:

- (i) The unused tax losses do not expire under the current tax legislation.
- (ii) The unused tax losses can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose. The unused tax losses expired between 2011 and 2015.

The Group has not recognised deferred tax assets in respect of deductible temporary differences and unused tax losses of certain subsidiaries as it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized.

In assessing the realizability of deferred tax assets in respect of the Group's subsidiaries which suffered losses in current or preceding period, management considers the projected future taxable income of these subsidiaries. Accordingly, the Group has recognized deferred tax assets of HK\$95,586,000 as the Group estimates that these subsidiaries have properties development projects which are probable to generate sufficient future taxable profits to support their utilization.

(e) Deferred tax liabilities not recognised

The New Tax Law and its implementation rules impose a withholding tax at 10%, unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside PRC for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. According to the China-HK tax arrangement and its relevant regulations, a qualified Hong Kong tax residents which is the "beneficial owner" and holds 25% or more of a PRC enterprise is entitled to a reduced withholding tax rate of 5%. The Group did not provided for deferred tax liabilities on earnings generated by its PRC entities for each of the years ended 31 December 2008 and 2009 and the nine months ended 30 September 2010 since the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these earnings will not be distributed in the foreseeable future. As at 30 September 2010, temporary differences relating to such undistributed profits amounted to HK\$93,627,000 (31 December 2009: HK\$261,933,000) and the related deferred tax liabilities are HK\$4,681,000 (31 December 2009: HK\$13,097,000).

9 OTHER COMPREHENSIVE INCOME

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|------------------------|---------------|--------------|-----------------------------------|---------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Exchange differences on translation of financial statements of PRC subsidiaries | 50,656 | 45,744 | 2,191 | 60,811 | 51,248 |
| | <u>50,656</u> | <u>45,744</u> | <u>2,191</u> | <u>60,811</u> | <u>51,248</u> |

(Unaudited)

There is no tax effect relating to the above component of other comprehensive income.

10 DIRECTORS' REMUNERATION

Details of directors' remuneration during the Relevant Period are as follows:

| | Year ended 31 December 2007 | | | | |
|---|-----------------------------|---|--------------|---------------------------------------|--------------|
| | Fees | Basic salaries, allowances and benefits in kind | Bonuses | Retirement scheme contributions | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>Executive Directors</i> | | | | | |
| Wong Chun-hong | — | 1,250 | 588 | 11 | 1,849 |
| Li Zhi-zheng | — | 745 | 660 | — | 1,405 |
| Li Yan-jie | — | 753 | 1,192 | 11 | 1,956 |
| Lee Sai-kai David | — | — | — | — | — |
| <i>Non-executive Directors</i> | | | | | |
| McCabe Kevin Charles | — | — | — | — | — |
| Tham Qian (alternative director to McCabe Kevin Charles) | — | — | — | — | — |
| Total | <u>—</u> | <u>2,748</u> | <u>2,440</u> | <u>22</u> | <u>5,210</u> |

Year ended 31 December 2008

| | Fees | Basic salaries, allowances and benefits in kind | Bonuses | Retirement scheme contributions | Total |
|--|----------|---|----------|---------------------------------|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>Executive Directors</i> | | | | | |
| Wong Chun-hong | — | 1,357 | — | 13 | 1,370 |
| Li Zhi-zheng | — | 809 | — | — | 809 |
| Li Yan-jie | — | 818 | — | 13 | 831 |
| Lee Sai-kai David | — | — | — | — | — |
| <i>Non-executive Directors</i> | | | | | |
| McCabe Kevin Charles | — | — | — | — | — |
| Tham Qian (alternative director to McCabe Kevin Charles) | — | — | — | — | — |
| Total | — | 2,984 | — | 26 | 3,010 |

Year ended 31 December 2009

| | Fees | Basic salaries, allowances and benefits in kind | Bonuses | Retirement scheme contributions | Total |
|--|----------|---|----------|---------------------------------|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>Executive Directors</i> | | | | | |
| Wong Chun-hong | — | 1,369 | — | 23 | 1,392 |
| Li Zhi-zheng | — | 817 | 3,064 | — | 3,881 |
| Li Yan-jie | — | 824 | 3,915 | 23 | 4,762 |
| Lee Sai-kai David | — | — | 2,610 | — | 2,610 |
| <i>Non-executive Directors</i> | | | | | |
| McCabe Kevin Charles | — | — | — | — | — |
| Tham Qian (alternative director to McCabe Kevin Charles) | — | — | — | — | — |
| Total | — | 3,010 | 9,589 | 46 | 12,645 |

Nine months ended 30 September 2009 (Unaudited)

| | Fees | Basic salaries, allowances and benefits in kind | Bonuses | Retirement scheme contributions | Total |
|--|----------|---|----------|---------------------------------|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>Executive Directors</i> | | | | | |
| Wong Chun-hong | — | 1,029 | — | 10 | 1,039 |
| Li Zhi-zheng | — | 204 | — | — | 204 |
| Li Yan-jie | — | 773 | — | 11 | 784 |
| Lee Sai-kai David | — | — | — | — | — |
| <i>Non-executive Directors</i> | | | | | |
| McCabe Kevin Charles | — | — | — | — | — |
| Tham Qian (alternative director to McCabe Kevin Charles) | — | — | — | — | — |
| Total | — | 2,006 | — | 21 | 2,027 |

Nine months ended 30 September 2010

| | Fees | Basic salaries, allowances and benefits in kind | Bonuses | Retirement scheme contributions | Total |
|--|----------|---|----------|---------------------------------|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>Executive Directors</i> | | | | | |
| Wong Chun-hong | — | 3,809 | — | 26 | 3,835 |
| Li Zhi-zheng | — | 1,364 | — | — | 1,364 |
| Li Yan-jie | — | 1,361 | — | 19 | 1,380 |
| Lee Sai-kai David | — | 1,381 | — | 9 | 1,390 |
| <i>Non-executive Directors</i> | | | | | |
| McCabe Kevin Charles | — | — | — | — | — |
| Tham Qian (alternative director to McCabe Kevin Charles) | — | 360 | — | 9 | 369 |
| Total | — | 8,275 | — | 63 | 8,338 |

Notes:

- (i) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Period. No director waived or agreed to waive any emoluments during the Relevant Period.
- (ii) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the Relevant Period.

11 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the Relevant Period include 3, 2 and 2 directors for the years ended 31 December 2007, 2008 and 2009 respectively and 2 and 4 for the nine months ended 30 September 2009 and 2010 respectively, whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the remaining individuals are as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|------------------------|--------------|---------------|-----------------------------------|--------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | <i>(Unaudited)</i> | |
| Salaries, allowances and benefits in kind | 1,512 | 2,509 | 831 | 646 | 1,009 |
| Discretionary bonuses | 2,766 | — | 10,677 | — | — |
| Retirement scheme contributions . . . | 31 | 52 | 46 | 23 | 12 |
| | <u>4,309</u> | <u>2,561</u> | <u>11,554</u> | <u>669</u> | <u>1,021</u> |

The above individuals' emoluments are within the following bands:

| | Year ended 31 December | | | Nine months ended 30 September | |
|--|--------------------------|--------------------------|--------------------------|-----------------------------------|--------------------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | Number of individuals | Number of individuals | Number of individuals | Number of individuals | Number of individuals |
| Nil to HK\$500,000 | — | — | — | — | — |
| HK\$500,001 to HK\$1,000,000 | — | 3 | — | 3 | — |
| HK\$1,000,001 to HK\$2,000,000 | 1 | — | — | — | 1 |
| HK\$2,000,001 to HK\$3,000,000 | 1 | — | — | — | — |
| HK\$3,000,001 to HK\$4,000,000 | — | — | 2 | — | — |
| HK\$4,000,001 to HK\$5,000,000 | — | — | 1 | — | — |
| | <u>—</u> | <u>—</u> | <u>1</u> | <u>—</u> | <u>—</u> |

12 DIVIDENDS

Dividend declared to equity shareholders of the Company during the Relevant Period are as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|--|------------------------|----------|----------|-----------------------------------|----------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | <i>(Unaudited)</i> | |
| Dividend declared during the year/period . . . | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |

13 BASIC EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the Relevant Period is based on the profit/(loss) attributable to equity shareholders of the Company for each of the years ended 31 December 2007, 2008 and 2009 and each of the nine months ended 30 September 2009 and 2010, and on the assumption that 750,000,000 shares of the Company are in issue and issuable, comprising 235,294 shares in issue at the date of the Prospectus and 749,764,706 shares to be issued pursuant to the Capitalization Issue, as described in the section headed “Statutory and General Information — Further Information About Our Group — 4. Resolutions of our Shareholders passed on 2 December 2010 and 28 February 2011” in Appendix VIII to this prospectus as if the shares were outstanding throughout the entire Relevant Period.

There were no dilutive potential ordinary shares during the Relevant Period and therefore, diluted earnings per share are not presented.

14 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines (product and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Property development: this segment develops and sells residential properties and shops within the shopping arcade.
- Property leasing: this segment leases shopping arcade and club house to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the Group's investment property portfolio is located entirely in the PRC.
- Hotel operations: this segment operates hotels to provide hotel services to general public.
- Property management and related services: this segment mainly provides property management and related services to purchasers and tenants of the Group's own developed residential properties and shopping arcades.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, non-current and current assets with the exception of interests in associates, investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the construction activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is “adjusted EBITDA” i.e. “adjusted earnings before interest, taxes, depreciation and amortisation”. To arrive at “adjusted EBITDA” the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates, directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for each of the years ended 31 December 2007, 2008 and 2009 and each of the nine months ended 30 September 2009 and 2010 is set out below.

For the year ended 31 December 2007

| | Property development | Leasing | Hotel operations | Property management and related services | Total |
|--|---------------------------------|------------------|-----------------------------|---|--------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue from external customers | 664,475 | 13,168 | — | 1,940 | 679,583 |
| Inter-segment revenue | — | — | — | 36,187 | 36,187 |
| Reportable segment revenue | 664,475 | 13,168 | — | 38,127 | 715,770 |
| Reportable segment profit/ (loss) (adjusted EBITDA) | 250,683 | (10,168) | — | (421) | 240,094 |
| Interest income from bank deposits | 10,316 | 961 | — | — | 11,277 |
| Interest expense | (21,055) | (9,236) | — | (3,566) | (33,857) |
| Depreciation and amortisation for the year | (1,824) | (253) | — | (574) | (2,651) |
| Increase in fair value of investment properties | — | 50,146 | — | — | 50,146 |
| Reportable segment assets | 3,402,037 | 1,397,799 | 261,098 | 82,975 | 5,143,909 |
| <i>Additions to non-current segment assets during the year</i> | <i>5,282</i> | <i>471,501</i> | <i>135,154</i> | <i>24,055</i> | <i>635,992</i> |
| Reportable segment liabilities | (4,003,746) | (187,955) | — | (27,484) | (4,219,185) |

For the year ended 31 December 2008

| | Property development | Leasing | Hotel operations | Property management and related services | Total |
|--|-------------------------|------------------|---------------------|---|--------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue from external customers | 603,291 | 40,948 | 11,020 | 6,959 | 662,218 |
| Inter-segment revenue | — | 4,983 | — | 11,092 | 16,075 |
| Reportable segment revenue | 603,291 | 45,931 | 11,020 | 18,051 | 678,293 |
| Reportable segment profit/ (loss) (adjusted EBITDA) | 134,594 | (14,314) | (2,126) | (4,967) | 113,187 |
| Interest income from bank deposits | 4,428 | 2,905 | — | 14 | 7,347 |
| Interest expense | — | (2,189) | — | (1,151) | (3,340) |
| Depreciation and amortisation for the year | (3,134) | (252) | (3,638) | (1,847) | (8,871) |
| Increase in fair value of investment properties | — | 152,867 | — | — | 152,867 |
| Reportable segment assets | 4,555,598 | 1,910,475 | 434,690 | 45,898 | 6,946,661 |
| <i>Additions to non-current segment assets during the year</i> | <i>(141,180)</i> | <i>567,846</i> | <i>413,074</i> | <i>5,034</i> | <i>844,774</i> |
| Reportable segment liabilities | (5,049,384) | (39,706) | (54,304) | (42,009) | (5,185,403) |

For the year ended 31 December 2009

| | Property development | Leasing | Hotel operations | Property management and related services | Total |
|--|-------------------------|------------------|---------------------|---|--------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue from external customers | 3,105,943 | 59,797 | 45,940 | 16,392 | 3,228,072 |
| Inter-segment revenue | — | 8,064 | — | 34,488 | 42,552 |
| Reportable segment revenue | 3,105,943 | 67,861 | 45,940 | 50,880 | 3,270,624 |
| Reportable segment profit/ (loss) (adjusted EBITDA) | 937,796 | 22,206 | (1,905) | (33,747) | 924,350 |
| Interest income from bank deposits | 5,558 | 111 | — | 837 | 6,506 |
| Interest expense | — | (4,507) | — | (1,072) | (5,579) |
| Depreciation and amortisation for the year | (6,890) | (477) | (21,849) | (2,192) | (31,408) |
| Increase in fair value of investment properties | — | 179,978 | — | — | 179,978 |
| Reportable segment assets | 6,577,830 | 2,221,303 | 390,740 | 52,604 | 9,242,477 |
| <i>Additions to non-current segment assets during the year</i> | <i>16,869</i> | <i>232,870</i> | <i>—</i> | <i>2,365</i> | <i>252,104</i> |
| Reportable segment liabilities | (6,447,356) | (66,224) | (54,391) | (115,929) | (6,683,900) |

For the nine months ended 30 September 2009 (Unaudited)

| | Property development | Leasing | Hotel operations | Property management and related services | Total |
|--|-------------------------|---------------|---------------------|---|------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue from external customers | 2,441,995 | 39,528 | 29,139 | 11,095 | 2,521,757 |
| Inter-segment revenue | — | 7,161 | — | 16,548 | 23,709 |
| Reportable segment revenue | 2,441,995 | 46,689 | 29,139 | 27,643 | 2,545,466 |
| Reportable segment profit/ (loss) (adjusted EBITDA) | 984,674 | 12,721 | (3,864) | (13,560) | 979,971 |
| Interest income from bank deposits | 4,341 | 59 | — | 14 | 4,414 |
| Interest expense | — | (3,354) | — | (909) | (4,263) |
| Depreciation and amortisation for the period | (4,727) | (390) | (15,591) | (1,225) | (21,933) |
| Increase in fair value of investment properties | — | 174,264 | — | — | 174,264 |

For the nine months ended 30 September 2010

| | Property development | Leasing | Hotel operations | Property management and related services | Total |
|--|-------------------------|------------------|---------------------|---|---------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue from external customers | 151,538 | 62,027 | 46,213 | 27,170 | 286,948 |
| Inter-segment revenue | — | 13,211 | — | 19,561 | 32,772 |
| Reportable segment revenue | 151,538 | 75,238 | 46,213 | 46,731 | 319,720 |
| Reportable segment profit/ (loss) (adjusted EBITDA) | (134,659) | 25,626 | 10,283 | (15,800) | (114,550) |
| Interest income from bank deposits | 3,582 | 567 | — | 1,285 | 5,434 |
| Interest expense | (13,278) | (7,083) | — | — | (20,361) |
| Depreciation and amortisation for the period | (3,723) | (459) | (19,940) | (2,394) | (26,516) |
| Increase in fair value of investment properties | — | 22,601 | — | — | 22,601 |
| Reportable segment assets | 8,333,627 | 3,439,457 | 446,959 | 183,753 | 12,403,796 |
| <i>Additions to non-current segment assets during the period</i> | 26,141 | 26,690 | — | 489 | 53,320 |
| Reportable segment liabilities | (11,888,836) | (44,992) | — | (11,050) | (11,944,878) |

15 FIXED ASSETS

| | Investment properties | Investment properties under development | Sub-total | Properties under development for own use | Other land and buildings | Furniture, fixtures and other fixed assets | Sub-total | Interests in leasehold land held for own use under operating leases | Total |
|---|--------------------------|--|-----------|---|--------------------------------|---|-----------|---|-----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>Cost or valuation:</i> | | | | | | | | | |
| At 1 January 2007 | 107,790 | 356,226 | 464,016 | 116,961 | 6,109 | 8,216 | 131,286 | 4,160 | 599,462 |
| Exchange adjustments | 8,562 | 27,360 | 35,922 | 8,983 | 469 | 631 | 10,083 | 320 | 46,325 |
| Additions | — | 470,989 | 470,989 | 135,154 | 22,802 | 7,047 | 165,003 | — | 635,992 |
| Transfer to investment properties | 439,273 | (439,273) | — | — | — | — | — | — | — |
| Disposals | — | — | — | — | — | (414) | (414) | — | (414) |
| Surplus on revaluation | 50,146 | — | 50,146 | — | — | — | — | — | 50,146 |
| At 31 December 2007 | 605,771 | 415,302 | 1,021,073 | 261,098 | 29,380 | 15,480 | 305,958 | 4,480 | 1,331,511 |
| <i>Representing:</i> | | | | | | | | | |
| Cost | — | 415,302 | 415,302 | 261,098 | 29,380 | 15,480 | 305,958 | 4,480 | 725,740 |
| Valuation | 605,771 | — | 605,771 | — | — | — | — | — | 605,771 |
| | 605,771 | 415,302 | 1,021,073 | 261,098 | 29,380 | 15,480 | 305,958 | 4,480 | 1,331,511 |
| <i>Accumulated amortisation and depreciation:</i> | | | | | | | | | |
| At 1 January 2007 | — | — | — | — | 659 | 2,825 | 3,484 | 449 | 3,933 |
| Exchange adjustments | — | — | — | — | 76 | 285 | 361 | 40 | 401 |
| Written back on disposals | — | — | — | — | — | (291) | (291) | — | (291) |
| Charge for the year | — | — | — | — | 712 | 1,892 | 2,604 | 155 | 2,759 |
| At 31 December 2007 | — | — | — | — | 1,447 | 4,711 | 6,158 | 644 | 6,802 |
| <i>Net book value:</i> | | | | | | | | | |
| At 31 December 2007 | 605,771 | 415,302 | 1,021,073 | 261,098 | 27,933 | 10,769 | 299,800 | 3,836 | 1,324,709 |

| | Investment properties | Investment properties under development | Sub-total | Hotel properties | Properties under development for own use | Other land and buildings | Furniture, fixtures and other fixed assets | Sub-total | Interests in leasehold land held for own use under operating leases | Total |
|---|-----------------------|---|-----------|------------------|--|--------------------------|--|-----------|---|-----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>Cost or valuation:</i> | | | | | | | | | | |
| At 1 January 2008 | 605,771 | 415,302 | 1,021,073 | — | 261,098 | 29,380 | 15,480 | 305,958 | 4,480 | 1,331,511 |
| Exchange adjustments | 34,581 | 23,836 | 58,417 | — | 14,985 | 1,686 | 890 | 17,561 | 257 | 76,235 |
| Other additions | — | 126,956 | 126,956 | — | 256,414 | 223 | 20,077 | 276,714 | — | 403,670 |
| Additions through acquisition of subsidiaries | 290,520 | — | 290,520 | — | — | — | 1,544 | 1,544 | — | 292,064 |
| Transfer from inventories | 149,657 | — | 149,657 | — | — | — | — | — | — | 149,657 |
| Transfer to hotel properties | — | — | — | 413,074 | (413,074) | — | — | — | — | — |
| Disposals | — | — | — | — | — | — | (85) | (85) | — | (85) |
| Surplus on revaluation | 152,867 | — | 152,867 | — | — | — | — | — | — | 152,867 |
| At 31 December 2008 | 1,233,396 | 566,094 | 1,799,490 | 413,074 | 119,423 | 31,289 | 37,906 | 601,692 | 4,737 | 2,405,919 |
| <i>Representing:</i> | | | | | | | | | | |
| Cost | — | 566,094 | 566,094 | 413,074 | 119,423 | 31,289 | 37,906 | 601,692 | 4,737 | 1,172,523 |
| Valuation | 1,233,396 | — | 1,233,396 | — | — | — | — | — | — | 1,233,396 |
| | 1,233,396 | 566,094 | 1,799,490 | 413,074 | 119,423 | 31,289 | 37,906 | 601,692 | 4,737 | 2,405,919 |
| <i>Accumulated amortisation and depreciation:</i> | | | | | | | | | | |
| At 1 January 2008 | — | — | — | — | — | 1,447 | 4,711 | 6,158 | 644 | 6,802 |
| Exchange adjustments | — | — | — | 36 | — | 507 | 302 | 845 | 39 | 884 |
| Additions through acquisition of subsidiaries | — | — | — | — | — | — | 615 | 615 | — | 615 |
| Written back on disposals | — | — | — | — | — | — | (14) | (14) | — | (14) |
| Charge for the year | — | — | — | 3,638 | — | 1,284 | 3,885 | 8,807 | 169 | 8,976 |
| At 31 December 2008 | — | — | — | 3,674 | — | 3,238 | 9,499 | 16,411 | 852 | 17,263 |
| <i>Net book value:</i> | | | | | | | | | | |
| At 31 December 2008 | 1,233,396 | 566,094 | 1,799,490 | 409,400 | 119,423 | 28,051 | 28,407 | 585,281 | 3,885 | 2,388,656 |

| | Investment properties | Investment properties under development | Sub-total | Hotel properties | Properties under development for own use | Other land and buildings | Furniture, fixtures and other fixed assets | Sub-total | Interests in leasehold land held for own use under operating leases | Total |
|---|--------------------------|--|-----------|---------------------|---|--------------------------------|---|-----------|---|-----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>Cost or valuation:</i> | | | | | | | | | | |
| At 1 January 2009 | 1,233,396 | 566,094 | 1,799,490 | 413,074 | 119,423 | 31,289 | 37,906 | 601,692 | 4,737 | 2,405,919 |
| Exchange adjustments | 2,829 | (386) | 2,443 | 658 | 63 | 50 | 66 | 837 | 8 | 3,288 |
| Additions | 15,204 | 217,194 | 232,398 | — | 14,593 | 202 | 4,911 | 19,706 | — | 252,104 |
| Transfer to investment properties | 508,898 | (508,898) | — | — | — | — | — | — | — | — |
| Transfer to other land and building | — | (9,769) | (9,769) | — | — | 9,769 | — | 9,769 | — | — |
| Transfer from/(to) inventories | 41,301 | (264,235) | (222,934) | 2,564 | (79,594) | 11,273 | — | (65,757) | 1,486 | (287,205) |
| Disposals | — | — | — | — | — | — | (1,135) | (1,135) | — | (1,135) |
| Surplus on revaluation | 179,978 | — | 179,978 | — | — | — | — | — | — | 179,978 |
| At 31 December 2009 | 1,981,606 | — | 1,981,606 | 416,296 | 54,485 | 52,583 | 41,748 | 565,112 | 6,231 | 2,552,949 |
| <i>Representing:</i> | | | | | | | | | | |
| Cost | — | — | — | 416,296 | 54,485 | 52,583 | 41,748 | 565,112 | 6,231 | 571,343 |
| Valuation | 1,981,606 | — | 1,981,606 | — | — | — | — | — | — | 1,981,606 |
| | 1,981,606 | — | 1,981,606 | 416,296 | 54,485 | 52,583 | 41,748 | 565,112 | 6,231 | 2,552,949 |
| <i>Accumulated amortisation and depreciation:</i> | | | | | | | | | | |
| At 1 January 2009 | — | — | — | 3,674 | — | 3,238 | 9,499 | 16,411 | 852 | 17,263 |
| Exchange adjustments | — | — | — | 33 | — | 8 | 34 | 75 | 1 | 76 |
| Written back on disposals | — | — | — | — | — | — | (471) | (471) | — | (471) |
| Charge for the year | — | — | — | 21,849 | — | 1,544 | 7,969 | 31,362 | 236 | 31,598 |
| At 31 December 2009 | — | — | — | 25,556 | — | 4,790 | 17,031 | 47,377 | 1,089 | 48,466 |
| <i>Net book value:</i> | | | | | | | | | | |
| At 31 December 2009 | 1,981,606 | — | 1,981,606 | 390,740 | 54,485 | 47,793 | 24,717 | 517,735 | 5,142 | 2,504,483 |

| | Investment properties | Investment properties under development | Sub-total | Hotel properties | Properties under development for own use | Other land and buildings | Furniture, fixtures and other fixed assets | Sub-total | Interests in leasehold land held for own use under operating leases | Total |
|--|-----------------------|---|-----------|------------------|--|--------------------------|--|-----------|---|-----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>Cost or valuation:</i> | | | | | | | | | | |
| At 1 January 2010 | 1,981,606 | — | 1,981,606 | 416,296 | 54,485 | 52,583 | 41,748 | 565,112 | 6,231 | 2,552,949 |
| Exchange adjustments | 51,513 | — | 51,513 | 10,094 | 1,538 | 1,348 | 1,120 | 14,100 | 431 | 66,044 |
| Additions | 25,417 | — | 25,417 | — | 10,953 | — | 5,466 | 16,419 | 13,944 | 55,780 |
| Reduction through disposal of a subsidiary | — | — | — | — | — | — | (913) | (913) | — | (913) |
| Other disposals | — | — | — | — | — | — | (97) | (97) | — | (97) |
| Surplus on revaluation | 22,601 | — | 22,601 | — | — | — | — | — | — | 22,601 |
| At 30 September 2010 | 2,081,137 | — | 2,081,137 | 426,390 | 66,976 | 53,931 | 47,324 | 594,621 | 20,606 | 2,696,364 |
| <i>Representing:</i> | | | | | | | | | | |
| Cost | — | — | — | 426,390 | 66,976 | 53,931 | 47,324 | 594,621 | 20,606 | 615,227 |
| Valuation | 2,081,137 | — | 2,081,137 | — | — | — | — | — | — | 2,081,137 |
| | 2,081,137 | — | 2,081,137 | 426,390 | 66,976 | 53,931 | 47,324 | 594,621 | 20,606 | 2,696,364 |
| <i>Accumulated amortisation and depreciation:</i> | | | | | | | | | | |
| At 1 January 2010 | — | — | — | 25,556 | — | 4,790 | 17,031 | 47,377 | 1,089 | 48,466 |
| Exchange adjustments | — | — | — | 911 | — | 147 | 518 | 1,576 | 33 | 1,609 |
| Written back on disposal of a subsidiary | — | — | — | — | — | — | (219) | (219) | — | (219) |
| Written back on disposals | — | — | — | — | — | — | (64) | (64) | — | (64) |
| Charge for the period | — | — | — | 19,940 | — | 1,869 | 4,395 | 26,204 | 428 | 26,632 |
| At 30 September 2010 | — | — | — | 46,407 | — | 6,806 | 21,661 | 74,874 | 1,550 | 76,424 |
| <i>Net book value:</i> | | | | | | | | | | |
| At 30 September 2010 | 2,081,137 | — | 2,081,137 | 379,983 | 66,976 | 47,125 | 25,663 | 519,747 | 19,056 | 2,619,940 |

Notes:

- (i) All of the Group's investment properties are situated in the PRC and held under medium to long-term leases.
- (ii) The Group's investment properties were revalued as at 31 December 2007, 2008, 2009 and 30 September 2009 and 2010 by an independent firm of surveyors, DTZ Debenham Tie Leung Limited ("DTZ"), who have among their staff Fellows of The Hong Kong Institute of Surveyors, with recent experience in the location and category of property being valued. As at 31 December 2009 and 30 September 2010, the Group did not have any investment properties under development and no valuation was performed. No valuation was performed for the Group's investment properties under development as at 31 December 2007 and 2008 and therefore they are stated at cost as their fair values cannot be measured reliably as at those dates. The valuations were carried out by DTZ on a market value basis in their existing states by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net rental income allowing for reversionary income potential.
- (iii) All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.
- (iv) The Group's certain investment properties, investment properties under development, properties under development for own use, hotel properties and other land and buildings were pledged against the bank loans, details of which are set out in note 23.

16 INTERESTS IN ASSOCIATES

| | At 31 December | | | At 30 September |
|-------------------------------|----------------|---------------|---------------|--------------------|
| | 2007 | 2008 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Share of net assets | 283 | 300 | 300 | 27,895 |
| Goodwill | 61,146 | 64,656 | 64,758 | 66,798 |
| | <u>61,429</u> | <u>64,956</u> | <u>65,058</u> | <u>94,693</u> |

Details of the associates as at 30 September 2010, which are established and operate in the PRC, are as follows:

| Name of associate | Proportion of ownership interest | | | Principal activities |
|---|----------------------------------|------------------------|-----------------------|--|
| | Group's effective interest | held by the Company | held by subsidiary | |
| Shanghai Feng Dan Li She Property Development Co., Ltd. (上海楓丹麗舍房地產開發有限公司) | 14.3% | — | 30% | Property development and investment |
| Tianjin Haijixing Agricultural Products Limited (天津海吉星農產品有限公司) | 40% | — | 40% | Wholesale of agricultural products and property development |

Summary financial information on the associates:

| | Assets | Liabilities | Equity | Loss |
|-----------------------------------|----------------|---------------|---------------|----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| As at 31 December 2007 | <u>61,998</u> | <u>61,053</u> | <u>945</u> | <u>(9,440)</u> |
| As at 31 December 2008 | <u>73,825</u> | <u>72,159</u> | <u>1,666</u> | <u>(661)</u> |
| As at 31 December 2009 | <u>71,372</u> | <u>72,274</u> | <u>(902)</u> | <u>(2,567)</u> |
| As at 30 September 2010 | <u>146,182</u> | <u>82,522</u> | <u>63,660</u> | <u>(3,126)</u> |

17 OTHER FINANCIAL ASSETS

| | At 31 December | | | At 30 September |
|--|----------------|--------------|----------|--------------------|
| | 2007 | 2008 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Available-for-sale equity securities, unlisted | 2,668 | 2,821 | 2,823 | 2,897 |
| Less: Impairment loss | — | — | (2,823) | (2,897) |
| | <u>2,668</u> | <u>2,821</u> | <u>—</u> | <u>—</u> |

18 INVENTORIES

| | At 31 December | | | At 30 |
|--|------------------|------------------|------------------|------------------|
| | 2007 | 2008 | 2009 | September |
| | HK\$'000 | HK\$'000 | HK\$'000 | 2010 |
| Leasehold land held for development for sale | 173,604 | 176,849 | 177,177 | 451,601 |
| Properties under development for sale | 2,133,028 | 3,138,417 | 2,400,060 | 3,094,592 |
| Completed properties for sale | 39,054 | 137,140 | 480,762 | 435,415 |
| | <u>2,345,686</u> | <u>3,452,406</u> | <u>3,057,999</u> | <u>3,981,608</u> |

(a) The analysis of carrying value of properties is as follows:

| | At 31 December | | | At 30 |
|---|------------------|------------------|------------------|------------------|
| | 2007 | 2008 | 2009 | September |
| | HK\$'000 | HK\$'000 | HK\$'000 | 2010 |
| In the PRC | | | | |
| — under long leases | 1,638,413 | 1,970,923 | 1,700,287 | 2,625,033 |
| — under medium-term leases | 707,273 | 1,481,483 | 1,357,712 | 1,356,575 |
| | <u>2,345,686</u> | <u>3,452,406</u> | <u>3,057,999</u> | <u>3,981,608</u> |
| Including: | | | | |
| — Properties expected to be completed after more than one year | <u>2,040,997</u> | <u>2,419,146</u> | <u>1,581,054</u> | <u>1,153,124</u> |

(b) The Group's certain leasehold land held for development for sale and properties under development for sale were pledged against the bank loans and loans from non-controlling shareholders, details of which are set out in notes 23 and 24.

19 TRADE AND OTHER RECEIVABLES

| | At 31 December | | | At 30 |
|--|----------------|----------------|------------------|------------------|
| | 2007 | 2008 | 2009 | September |
| | HK\$'000 | HK\$'000 | HK\$'000 | 2010 |
| Debtors, prepayments and deposits (<i>note (iii)</i>) | 322,329 | 233,021 | 941,133 | 1,143,005 |
| Amount due from ultimate shareholder (<i>note (iv)</i>) | — | 113,345 | — | — |
| Amounts due from non-controlling shareholders (<i>note (iv)</i>) | 204,502 | 10,807 | 5,729 | — |
| Loans to non-controlling shareholders (<i>note (v)</i>) | — | 79,401 | 79,527 | — |
| Amount due from an associate (<i>note (iv)</i>) | 12,834 | 17,507 | 17,535 | 17,984 |
| Loan to a related company (<i>note (vi)</i>) | 4,291 | — | — | — |
| Amounts due from related companies (<i>note (vii)</i>) | 72,242 | 312,244 | 456,305 | 423,746 |
| Amounts due from related parties (<i>note (iv)</i>) | 644 | 1,103 | — | — |
| | <u>616,842</u> | <u>767,428</u> | <u>1,500,229</u> | <u>1,584,735</u> |

Notes:

(i) Except as disclosed in note 19(v) below, all of the trade and other receivables are expected to be recovered within one year.

- (ii) The Group's credit policy is set out in note 3(a).
- (iii) During the year ended 31 December 2009, the Group entered into two land grant contracts for acquisition of the land use rights for two pieces of land in the PRC. As at 31 December 2009, a total of HK\$762,829,000 was paid and recognised as deposits for such lands acquisition. During the nine months ended 30 September 2010, the acquisition of one piece of land was completed and the respective land use right certificate was obtained. Therefore, HK\$483,788,000 was still recognised as deposits for the remaining land acquisition as at 30 September 2010.
- (iv) The amounts are interest-free, unsecured and recoverable on demand.
- (v) The balances as at 31 December 2008 and 2009 are the total sum of two entrusted loans made to non-controlling shareholders amounting to RMB70,000,000 (equivalent to approximately HK\$79,401,000 and HK\$79,527,000 as at 31 December 2008 and 2009 respectively) which were secured by the non-controlling shareholders' interests in the Group's subsidiary, interest-bearing at 6.75% per annum and recoverable in December 2011. The loans were fully recovered during the nine months ended 30 September 2010.
- (vi) In March 2007, the Group granted a loan of RMB10,000,000 to a related company, Top Spring International (Yuhang) Landmark Co., Ltd., which was secured, interest-bearing at 7.5% per annum and repayable on 21 June 2007. During the year ended 31 December 2007, RMB6,000,000 was repaid and the remaining balance of RMB4,000,000 as at 31 December 2007 became recoverable on demand. The loan as at 31 December 2007 was fully settled during 2008.
- (vii) Except for amounts due from a related company amounting to HK\$50,522,000 as at 31 December 2007, which are interest-bearing at 6.00% per annum and recoverable in 2008, all of the remaining balances are interest-free, unsecured and recoverable on demand.
- (viii) All of the Group's trade debtors was not impaired, of which 100%, 100%, 92% and 97% as at 31 December 2007, 2008, 2009 and 30 September 2010 respectively was neither past due nor more than 1 year past due. Receivables which were neither overdue nor impaired relate to a wide range of customers for whom there was no recent history of default. Receivables which were overdue but not impaired relate to independent customers, for which have a good track record of trading with the Group or sufficient rental deposits are held to cover potential exposure to credit risk. Based on past experience, management considers that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.
- (ix) Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

| | At 31 December | | | At 30 September |
|--|----------------|---------------|---------------|--------------------|
| | 2007 | 2008 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Current or under 1 month overdue | 51,333 | 15,278 | 32,700 | 35,739 |
| More than 1 month overdue and up to | | | | |
| 3 months overdue | — | 8,073 | 7,851 | 12,806 |
| More than 3 months overdue and up to | | | | |
| 6 months overdue | — | 798 | 23,907 | 1,691 |
| More than 6 months overdue and up to | | | | |
| 1 year overdue | — | 2,869 | 8,556 | 13,486 |
| More than 1 year overdue | — | 36 | 6,330 | 2,308 |
| | <u>51,333</u> | <u>27,054</u> | <u>79,344</u> | <u>66,030</u> |

20 RESTRICTED AND PLEDGED DEPOSITS

| | At 31 December | | | At 30 |
|---|----------------|----------------|------------------|------------------|
| | 2007 | 2008 | 2009 | September |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Restricted deposits (<i>note a</i>) | — | — | 39,765 | 2,570 |
| Pledged deposits (<i>note b</i>) | 269,922 | 105,283 | 1,275,095 | 1,815,179 |
| | <u>269,922</u> | <u>105,283</u> | <u>1,314,860</u> | <u>1,817,749</u> |

(a) In 2009, the Group entered into a memorandum of understanding (the “memorandum”) to acquire a property development company in the PRC. Pursuant to the memorandum, both the Group and the owner of the company were required to place certain amount of cash into a separate bank account as deposits, the use of which is subject to the approval of both parties. Such deposits were therefore classified as restricted bank deposits as at 31 December 2009. In 2010, both parties agreed to cancel the transaction and the Group retrieved the deposits from the bank account.

(b) Deposits have been pledged to secure short term bank loans and are therefore classified as current assets.

The Group's certain bank deposits which were pledged as securities in respect of:

| | At 31 December | | | At 30 |
|--|----------------|----------------|------------------|------------------|
| | 2007 | 2008 | 2009 | September |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Bank loans | 184,669 | 56,715 | 1,270,620 | 1,768,390 |
| Creditors and bills payable | 12,232 | 37,856 | — | — |
| Mortgage loan facilities granted by the banks to purchasers of the Group's properties | 73,021 | 10,712 | 4,475 | 46,789 |
| | <u>269,922</u> | <u>105,283</u> | <u>1,275,095</u> | <u>1,815,179</u> |

21 CASH AND CASH EQUIVALENTS

| | At 31 December | | | At 30 |
|-------------------------------------|----------------|----------------|------------------|------------------|
| | 2007 | 2008 | 2009 | September |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Cash at banks and in hand | 596,982 | 546,907 | 1,282,905 | 2,943,696 |
| | <u>596,982</u> | <u>546,907</u> | <u>1,282,905</u> | <u>2,943,696</u> |

22 TRADE AND OTHER PAYABLES

| | At 31 December | | | At 30 |
|---|------------------|------------------|------------------|------------------|
| | 2007 | 2008 | 2009 | September |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Creditors and accrued charges | 739,940 | 947,147 | 1,278,366 | 1,110,150 |
| Bills payable | — | 79,355 | 1,275 | — |
| Rental and other deposits | 56,636 | 52,913 | 59,311 | 166,380 |
| Receipts in advance | 1,239,613 | 2,417,226 | 960,213 | 4,921,293 |
| Loans from non-controlling shareholders (<i>note 24</i>) | 214,546 | — | — | — |
| Loan from a related company (<i>note (i)</i>) | — | — | 528,294 | — |
| Amounts due to ultimate shareholder (<i>note (ii)</i>) | 28,081 | — | — | — |
| Amounts due to a non-controlling shareholder (<i>note (ii)</i>) | 107,342 | 2,590 | 2,155 | — |
| Amounts due to related companies (<i>note (ii)</i>) | 207,033 | 754,110 | 731,205 | 816 |
| | <u>2,593,191</u> | <u>4,253,341</u> | <u>3,560,819</u> | <u>6,198,639</u> |

Note:

- (i) Loan from a related company was an entrusted loan amounting to RMB465,004,000 (equivalent to approximately HK\$528,294,000 as at 31 December 2009), which was unsecured, interest-bearing at 4.78% per annum and repayable within one year. The loan was fully repaid during the nine months ended 30 September 2010.
- (ii) Except for an amount due from a related company amounting to HK\$89,327,000 as at 31 December 2007 which is interest bearing at 4.00% per annum, all of the remaining balances are interest-free, unsecured and repayable on demand.
- (iii) Included in trade and other payables are trade creditors with the following ageing analysis at the balance sheet date:

| | At 31 December | | | At 30 |
|--|----------------|----------------|----------------|----------------|
| | 2007 | 2008 | 2009 | September |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Due within 1 month or on demand | 466,833 | 717,830 | 824,142 | 507,475 |
| Due after 1 month but within 3 months | 12,755 | 18,454 | 30,716 | 91,595 |
| Due after 3 months but within 6 months | 8,137 | 34,340 | 9,545 | 22,745 |
| Due after 6 months but within 1 year | — | 181 | 16,390 | 157,900 |
| Due after 1 year | 17,593 | 25,363 | 57,618 | 51,354 |
| | <u>505,318</u> | <u>796,168</u> | <u>938,411</u> | <u>831,069</u> |

23 BANK LOANS

| | At 31 December | | | At 30 September |
|-----------------------|------------------|------------------|------------------|--------------------|
| | 2007 | 2008 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Bank loans | | | | |
| — secured | 1,183,105 | 1,502,110 | 2,924,887 | 4,937,422 |
| — unsecured | 429,093 | 113,430 | 894,104 | 863,153 |
| | <u>1,612,198</u> | <u>1,615,540</u> | <u>3,818,991</u> | <u>5,800,575</u> |

Bank loans are repayable as follows:

| | At 31 December | | | At 30 September |
|---|------------------|------------------|------------------|--------------------|
| | 2007 | 2008 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Within 1 year and included in current liabilities | 980,766 | 1,428,085 | 571,580 | 1,723,599 |
| After 1 year and included in non-current liabilities: | | | | |
| After 1 year but within 2 years | 622,184 | 170,145 | 2,170,781 | 2,760,645 |
| After 2 years but within 5 years | — | 17,310 | 1,076,630 | 1,316,331 |
| After 5 years | 9,248 | — | — | — |
| | <u>631,432</u> | <u>187,455</u> | <u>3,247,411</u> | <u>4,076,976</u> |
| | <u>1,612,198</u> | <u>1,615,540</u> | <u>3,818,991</u> | <u>5,800,575</u> |

Notes:

- (i) The bank loans bear interest ranging from 5.50% to 8.32%, 4.43% to 9.50% and 2.06% to 7.92% per annum for each of the three years ended 31 December 2007, 2008 and 2009 respectively and 1.37% to 9.18% per annum for the nine months ended 30 September 2010, and are secured by the following assets:

| | At 31 December | | | At 30 September |
|--|------------------|------------------|------------------|--------------------|
| | 2007 | 2008 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Investment properties | — | 358,229 | 1,159,900 | 1,579,825 |
| Investment properties under development | 387,277 | 546,980 | — | — |
| Properties under development for own use | 54,746 | 64,142 | — | — |
| Hotel properties | — | — | — | 379,983 |
| Leasehold land held for development for sale | — | 80,646 | — | — |
| Properties under development for sale | 1,619,039 | 1,555,816 | 690,703 | 311,373 |
| Other land and buildings | 21,636 | 21,996 | — | — |
| Pledged deposits | 184,669 | 56,715 | 1,270,620 | 1,768,390 |
| Total | <u>2,267,367</u> | <u>2,684,524</u> | <u>3,121,223</u> | <u>4,039,571</u> |

- (ii) Included in the bank loans as at 30 September 2010 was an entrusted loan amounting to RMB400,000,000 (equivalent to approximately HK\$466,092,000) provided by CITIC Trust Co., Ltd., an independent third party. The loan is secured by 51% equity interest in a subsidiary. The loan is interest-bearing at 9.18% per annum and repayable within two years.
- (iii) Included in the bank loans as at 31 December 2009 and 30 September 2010 was an entrusted loan amounting to RMB300,000,000 (equivalent to approximately HK\$341,000,000 and HK\$349,000,000 as at 31 December 2009 and 30 September 2010 respectively) provided by Huarong International Trust Co., Ltd., an independent third party. The loan is secured by the investment properties of the Group and guaranteed by Top Spring Holdings Limited. The loan is interest-bearing at 6.68% per annum and repayable in 2011.

24 LOANS FROM NON-CONTROLLING SHAREHOLDERS

| | At 31 December | | | At 30 |
|--|----------------|----------|----------|-----------|
| | 2007 | 2008 | 2009 | September |
| | HK\$'000 | HK\$'000 | HK\$'000 | 2010 |
| Loans from non-controlling shareholders | 429,092 | — | — | — |
| Less: current portion (<i>note 22</i>) | (214,546) | — | — | — |
| | <u>214,546</u> | <u>—</u> | <u>—</u> | <u>—</u> |

Loans from non-controlling shareholders consist of the followings:

- (i) Included in the loans from non-controlling shareholders as at 31 December 2007 was an entrusted loan amounting to RMB200,000,000 (equivalent to approximately HK\$214,546,000). The loan was secured by a leasehold land held for development for sale and properties under development for sale with carrying amount of approximately HK\$173,604,000 and HK\$46,625,000 respectively as at 31 December 2007. The loan was interest-bearing at 4.50% to 5.25% per annum and repayable within one year. The loan was fully repaid during 2008.
- (ii) Included in the loans from non-controlling shareholders as at 31 December 2007 was an entrusted loan amounting to RMB200,000,000 (equivalent to approximately HK\$214,546,000), which was secured by properties under development for sale with carrying amount of approximately HK\$219,882,000 as at 31 December 2007, interest-bearing at 5.18% per annum and repayable after one year. The loan was fully repaid during 2008.

25 CAPITAL AND RESERVES

(a) *Share capital*

As disclosed in Section A above, the Financial Information has been prepared under the merger accounting method in that financial statements of the companies now comprising the Group during the Relevant Period were combined as if the Group had always been in existence.

The Company was incorporated on 25 August 2009 and the reorganisation of the Group was not complete as at 30 September 2010. For the purpose of this report, share capital as at 31 December 2007, 2008, 2009 and 30 September 2010 represents the issued and paid-up capital of the Company and the aggregate amount of the Company's share of the nominal value of the issued and paid-up capital of the companies now comprising the Group, after elimination of investments in subsidiaries.

(b) *Nature and purpose of reserves*

(i) **Exchange reserve**

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(s).

(ii) PRC statutory reserves

PRC statutory reserves include general reserve, statutory surplus reserve and statutory public welfare fund.

General reserve

The general reserve is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

Statutory surplus reserve

According to the PRC Company Law, the PRC subsidiaries of the Group (excluding foreign investment enterprises) are required to transfer 10% of their profit after taxation, as determined under the PRC Accounting Regulations, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

Statutory public welfare fund

Prior to 1 January 2006, according to the then PRC Company Law, the PRC subsidiaries of the Group (excluding foreign investment enterprises) were required to transfer 5% to 10% of their profit after taxation, as determined under the PRC Accounting Regulations, to the statutory public welfare fund. This fund could only be utilized on capital items for the collective benefits of the Group's employees such as the construction of dormitories, canteens and other staff welfare facilities. This fund was non-distributable other than in liquidation. The transfer to this reserve must be made before distribution of a dividend to shareholders.

From 1 January 2006, according to the revised PRC Company Law, the PRC subsidiaries of the Group (excluding foreign investment enterprises) are not required to make such transfers.

(iii) Other reserve

The other reserve represents:

- (1) The difference between the consideration received and the net book value of Joinbest Enterprises Limited ("JEL") and its subsidiaries for the deemed disposal of partial interests in JEL. The deemed disposal was resulted from the issuance of 1 ordinary share of JEL at premium upon conversion of convertible notes held by a third party on 18 June 2006.
- (2) The difference between the consideration paid and the net book value of JEL and its subsidiaries for the acquisition of additional interest in JEL from the non-controlling shareholders in 2007.
- (3) The difference between the consideration paid and the net book value of Prosperous Properties Holdings Limited and its subsidiaries for the acquisition of additional interest in Prosperous Properties Holdings Limited from the non-controlling shareholders in 2008.
- (4) The difference between the consideration paid and the net book value of Shenzhen Top Spring Business Management Co., Ltd., Changzhou Top Spring Property Services Co., Ltd. (formerly known as Changzhou Top Spring Property Management Co., Ltd.), Changzhou Top Spring Business Management Co., Ltd., Hangzhou Top Spring Business Management Co., Ltd. and Changzhou Top Spring Advertising Co., Ltd. for the acquisition of additional interests in these subsidiaries from the non-controlling shareholders in 2009.

- (5) The deemed contributions from ultimate shareholder represent the transfer of investment costs in JEL, Le Leman International (Yuhang) Limited, Glory Wise Limited, Fullshine Group Limited and Fortune Mega International Limited at nil consideration pursuant to the Reorganization.
- (6) The difference between the consideration paid and the net book value of Shenzhen SZITIC Property Development Co., Ltd. ("SZITIC Property") and its subsidiaries for the acquisition of additional interests in SZITIC Property from the non-controlling shareholder in 2010.

(c) *Capital management*

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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.

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

26 NOTES TO THE COMBINED CASH FLOW STATEMENTS

(a) *Acquisition of subsidiaries*

During the year ended 31 December 2008, the Group acquired the following entities:

| <u>Name of company (Note)</u> | <u>Note</u> | <u>Ownership interest</u> | <u>Date of acquisition</u> | <u>Principal activities</u> |
|--|-------------|-------------------------------|----------------------------|--|
| | | held by subsidiary | | |
| Fortune Mega International Limited | (i) | 100% | 18 June 2008 | Investment holding |
| Scarborough China Holdings Limited | (i) | 100% | 18 June 2008 | Investment holding |
| Top Spring Realty (Chengdu) Co., Ltd. (萊蒙置業(成都)有限公司) (formerly known as Sheffield United Realty (Chengdu) Co., Ltd. (謝菲聯置業(成都)有限公司)) | (i) | 100% | 18 June 2008 | Property development and investment |
| Le Leman International (Yuhang) Limited (萊蒙國際(余杭)有限公司) | (ii) | 100% | 18 June 2008 | Investment holding |
| Top Spring International (Yuhang) Landmark Co., Ltd. (萊蒙國際(余杭) 置業有限公司) | (ii) | 100% | 18 June 2008 | Property development and investment |

Note:

The English translation of the names is for reference only. The official names of these entities are in Chinese.

- (i) Acquisition of Fortune Mega International Limited and its subsidiaries (the "Fortune Mega Group")

On 18 June 2008, the Group acquired 100% interest in Fortune Mega Group together with the assignment of Fortune Mega Group's debts totalling HK\$171,506,000 from related companies, Scarborough Holdings

Limited ("SHL") and Sheffield United Realty B.V. ("SUR"). The consideration was satisfied by the issuance of 307,632,562 ordinary shares with par value of HK\$1 each of SIL Limited. SIL Limited is a subsidiary beneficially owned by Mr. Wong.

Following the acquisition, Fortune Mega Group contributed turnover and profit after taxation of approximately HK\$Nil and HK\$485,000 respectively for the year ended 31 December 2008.

Had the acquisition taken place at the beginning of the year, the turnover and profit after taxation of the Group for the year ended 31 December 2008 would be decreased by approximately HK\$Nil and HK\$3,691,000 respectively.

- (ii) Acquisition of Le Lemman International (Yuhang) Limited and its subsidiary (the "Le Lemman Yuhang Group")

Prior to 18 June 2008, the Le Lemman Yuhang Group was 50% as owned by the Group's ultimate shareholder, Mr. Wong, and 50% as owned by SHL and SUR. On 18 June 2008, the Group acquired 50% interest in Le Lemman Yuhang Group from SHL and SUR. The consideration was satisfied by the issuance of 1,039,126,021 ordinary shares with par value of HK\$1 each of Crown Faith Investment Limited ("Crown Faith"). Crown Faith was a company beneficially owned by Mr. Wong and not involved in the Reorganization. Accordingly, the interest in Le Lemman Yuhang Group was treated as deemed contributions to the Group from Mr. Wong.

Following the acquisition, Le Lemman Yuhang Group contributed turnover and profit after taxation of approximately HK\$6,077,000 and HK\$519,000 respectively for the year ended 31 December 2008.

Had the acquisition taken place at the beginning of the year, the turnover and profit after taxation of the Group for the year ended 31 December 2008 would be increased by approximately HK\$48,088,000 and decreased by approximately HK\$897,000 respectively.

- (iii) The cash flow and the fair value of the net assets are set out below:

| | At 31 December | | | At 30 September |
|--|----------------|-----------|----------|--------------------|
| | 2007 | 2008 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Net assets acquired: | | | | |
| Fixed assets | — | 291,449 | — | — |
| Inventories | — | 354,902 | — | — |
| Trade and other receivables | — | 60,932 | — | — |
| Cash and cash equivalents | — | 12,132 | — | — |
| Trade and other payables | — | (372,966) | — | — |
| Current taxation | — | (28) | — | — |
| Deferred tax liabilities | — | (43,605) | — | — |
| Net assets | — | 302,816 | — | — |
| Satisfied by: | | | | |
| Deemed contributions from ultimate shareholder | — | 302,816 | — | — |
| Net cash inflow in respect of the acquisition of subsidiaries | — | 12,132 | — | — |

(b) Disposal of a subsidiary

During the nine months ended 30 September 2010, the Group disposed of all its equity interest in a subsidiary to an independent third party at a total consideration of HK\$125,884,000.

(i) Net assets disposed:

| | At 31 December | | | At 30 September |
|--|----------------|----------|----------|--------------------|
| | 2007 | 2008 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Fixed assets | — | — | — | 694 |
| Inventories | — | — | — | 163,177 |
| Trade and other receivables | — | — | — | 23 |
| Cash and cash equivalents | — | — | — | 1,304 |
| Trade and other payables | — | — | — | (21,721) |
| Tax payable | — | — | — | (7) |
| Non-controlling interests | — | — | — | (82,043) |
| Net assets | — | — | — | 61,427 |
| Net gain on disposal of a subsidiary | — | — | — | 64,457 |
| | — | — | — | 125,884 |
| | — | — | — | 125,884 |
| Satisfied by: | | | | |
| Cash | — | — | — | 91,766 |
| Debtors | — | — | — | 34,118 |
| | — | — | — | 125,884 |
| | — | — | — | 125,884 |

(ii) Analysis of net cash inflow of cash and cash equivalents in respect of the disposal of a subsidiary:

| | HK\$'000 |
|---------------------------------------|----------|
| Cash consideration received | 91,766 |
| Cash disposed of | (1,304) |
| | 90,462 |
| | 90,462 |

(c) Significant non-cash transactions

The Group incurred payables of HK\$314,538,000, HK\$190,897,000 and HK\$830,616,000, HK\$724,837,500 and HK\$772,566,000 to contractors for additions of properties under development during the years ended 31 December 2007, 2008 and 2009 and the nine months ended 30 September 2009 and 2010 respectively.

27 COMMITMENTS

Capital commitments outstanding at balance sheet date not provided for in the Financial Information were as follows:

| | At 31 December | | | At 30 |
|---|----------------|------------------|------------------|------------------|
| | 2007 | 2008 | 2009 | September |
| | HK\$'000 | HK\$'000 | HK\$'000 | 2010 |
| Contracted for | 589,927 | 1,752,719 | 2,978,269 | 3,636,582 |
| Authorised but not contracted for | — | — | — | — |
| | <u>589,927</u> | <u>1,752,719</u> | <u>2,978,269</u> | <u>3,636,582</u> |

Capital commitments mainly related to development expenditure for the Group's properties under development and expenditure in respect of future investment and property development.

In addition, the Group was committed at 31 December 2007, 2008 and 2009 and 30 September 2010 to make donations of HK\$9,655,000, HK\$9,074,000, HK\$7,953,000 and HK\$6,991,000 to a charitable institution at RMB1,000,000 per annum until 2016.

28 SIGNIFICANT LEASING ARRANGEMENTS

(a) Lessor

The Group leases out a number of building facilities under operating leases. The leases typically run for an initial period of 1 to 15 years, with an option to renew the leases after that date at which time all terms are renegotiated. Further details of the carrying value of the properties are contained in note 15.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

| | At 31 December | | | At 30 |
|---|----------------|----------------|----------------|----------------|
| | 2007 | 2008 | 2009 | September |
| | HK\$'000 | HK\$'000 | HK\$'000 | 2010 |
| Within 1 year | 46,189 | 60,301 | 74,510 | 86,320 |
| After 1 year but within 5 years | 150,733 | 193,561 | 237,109 | 251,215 |
| After 5 years | 136,878 | 235,538 | 149,148 | 162,462 |
| | <u>333,800</u> | <u>489,400</u> | <u>460,767</u> | <u>499,997</u> |

(b) Lessee

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

During each of the three years ended 31 December 2007, 2008 and 2009 and the nine months ended 30 September 2009 and 2010, HK\$2,239,000, HK\$22,314,000, HK\$19,944,000, HK\$11,748,000 and HK\$5,959,000 respectively were recognised as an expense in the combined income statements in respect of leasing of building facilities.

The Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | At 31 December | | | At 30 September |
|---|----------------|---------------|---------------|--------------------|
| | 2007 | 2008 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Within 1 year | 16,480 | 16,282 | 6,651 | 12,163 |
| After 1 year but within 5 years | 33,667 | 24,500 | 11,605 | 23,158 |
| After 5 years | 1,353 | — | — | — |
| | <u>51,500</u> | <u>40,782</u> | <u>18,256</u> | <u>35,321</u> |

29 CONTINGENT LIABILITIES

| | As at 31 December | | | As at 30 September |
|---|-------------------|----------|-----------|-----------------------|
| | 2007 | 2008 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Guarantees given to financial institutions for mortgages facilities granted to purchasers of the Group's properties | 631,226 | 983,386 | 1,587,976 | 2,869,457 |

30 MATERIAL RELATED PARTY TRANSACTIONS

Material related party transactions identified during the years and balances with these related parties at those dates are summarized as follows:

(a) Non-continuing transactions

| | Year ended 31 December | | | Nine months ended 30 September | |
|--|------------------------|----------|----------|-----------------------------------|----------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Disposal of available-for-sale equity securities to a non-controlling shareholder | 105,814 | — | — | — | — |
| Other interest income received and receivable from related parties | 9,431 | 2,667 | 5,722 | 2,862 | 137 |
| Interest expenses payable to a related company | — | — | 14,794 | 8,526 | 19,061 |
| Interest expenses payable to a non-controlling shareholder | 23,495 | 6,105 | — | — | — |
| Guarantee expenses payable to/(refund receivable from) a non-controlling shareholder | 6,448 | (1,138) | — | — | — |
| Management fee received and receivable from a jointly controlled entity | — | 842 | — | — | — |
| Sale/(sale return) of a property to an executive director, Li Yan-jie (note) | — | 14,669 | (14,817) | — | — |

Note: The sale of property was recognised in 2008 upon the transfer of legal ownership to the director. Such sale was subsequently returned in 2009 based on mutual agreement between the director and the Group.

During the years ended 31 December 2008 and 2009, the Group acquired several subsidiaries from certain related companies. Details are summarized in notes 25(b)(iii) and 26(a).

As at 31 December 2009, a property under development for sale with carrying amount of approximately HK\$351,683,000 was pledged to a bank for a loan of a related company, Top Spring Investment Co., Ltd. (萊蒙投資有限公司). The pledge was released during the nine months ended 30 September 2010.

(b) Continuing transactions

- (i) Remuneration of key management personnel, including amounts paid to the directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|------------------------------------|------------------------|---------------|---------------|-----------------------------------|---------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | <i>(Unaudited)</i> | |
| Short-term employee benefits . . . | 15,285 | 12,735 | 24,106 | 3,919 | 10,003 |
| Post-employment benefits | 221 | 265 | 92 | 55 | 95 |
| | <u>15,506</u> | <u>13,000</u> | <u>24,198</u> | <u>3,974</u> | <u>10,098</u> |

- (ii) As at 31 December 2009 and 30 September 2010, Top Spring Holdings Limited provided guarantee for the Group's borrowing of HK\$341,000,000 and HK\$349,000,000 respectively (see note 23(iii)).

(c) Balances with related parties

As at the balance sheet dates, the Group had the following balances with related parties:

| | At 31 December | | | At 30 September |
|--|-----------------|----------------|----------------|--------------------|
| | 2007 | 2008 | 2009 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| (i) Amounts due from related parties | | | | |
| Li Yan-jie | — | 885 | — | — |
| Wu Li-hong | 644 | — | — | — |
| Others | — | 218 | — | — |
| | <u>644</u> | <u>1,103</u> | <u>—</u> | <u>—</u> |
| (ii) Amount due (to)/from ultimate shareholder | | | | |
| Wong Chun Hong | <u>(28,081)</u> | <u>113,345</u> | <u>—</u> | <u>—</u> |
| (iii) Loans from a non-controlling shareholder | | | | |
| China Resources SZITIC Trust Co., Ltd. . . . | <u>429,092</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| (iv) Loan from a related company | | | | |
| China Resources SZITIC Trust Co., Ltd. . . . | <u>—</u> | <u>—</u> | <u>528,294</u> | <u>—</u> |

| | At 31 December | | | At 30 |
|--|----------------|----------------|----------------|----------------|
| | 2007 | 2008 | 2009 | September |
| | HK\$'000 | HK\$'000 | HK\$'000 | 2010 |
| | | | | HK\$'000 |
| (v) Amounts due from non-controlling shareholders | | | | |
| Top Spring Investment Co., Ltd. | 110,718 | 9,551 | — | — |
| Changzhou Top Spring Business Investment and Development Co., Ltd. | 53 | — | — | — |
| China Resources SZITIC Trust Co., Ltd. | 93,731 | 1,256 | — | — |
| Kunming Da Run Property Development Co., Ltd. | — | — | 5,149 | — |
| Shenzhen Hua Shun Digital Technology Co., Ltd. | — | — | 580 | — |
| China Resources SZITIC Investment Co., Ltd. | — | — | — | — |
| | <u>204,502</u> | <u>10,807</u> | <u>5,729</u> | <u>—</u> |
| (vi) Loans to non-controlling shareholders | | | | |
| Kunming Da Run Property Development Co., Ltd. | — | 71,461 | 71,575 | — |
| Shenzhen Hua Shun Digital Technology Co., Ltd. | — | 7,940 | 7,952 | — |
| | <u>—</u> | <u>79,401</u> | <u>79,527</u> | <u>—</u> |
| (vii) Amount due to a non-controlling shareholder | | | | |
| China Resources SZITIC Trust Co., Ltd. | <u>107,342</u> | <u>2,590</u> | <u>2,155</u> | <u>—</u> |
| (viii) Loan to a related company | | | | |
| Top Spring International (Yuhang) Landmark Co., Ltd. | <u>4,291</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| (ix) Amounts due from related companies (Note (d)) | | | | |
| Top Spring Holdings Limited | — | 144,585 | 456,305 | 201,283 |
| Top Spring Group Holdings Limited | — | 147,975 | — | — |
| Shanghai Top Spring Landmark Co., Ltd. | 16,091 | 584 | — | — |
| Top Spring International (Xi Taihu) Limited | 50,522 | 108 | — | — |
| Shenzhen Shen Guo Tou Shang Yong Zhi Ye Company Limited | 4,827 | — | — | — |
| Top Spring International (Yuhang) Landmark Co., Ltd. | 802 | — | — | — |
| Top Spring Baoshan Information Consulting Co., Ltd. | — | 18,170 | — | — |
| Five Dragon Trading Company Limited | — | 822 | — | — |
| Scarborough Luxembourg Surl | — | — | — | 222,463 |
| | <u>72,242</u> | <u>312,244</u> | <u>456,305</u> | <u>423,746</u> |

| | At 31 December | | | At 30 |
|--|----------------|----------------|----------------|------------|
| | 2007 | 2008 | 2009 | September |
| | HK\$'000 | HK\$'000 | HK\$'000 | 2010 |
| | | | | HK\$'000 |
| (x) Amounts due to related companies (Note (d)) | | | | |
| Top Spring Holdings Limited | — | 365,854 | 730,410 | — |
| Top Spring Group Holdings Limited | 174,312 | 1,027 | — | — |
| Top Spring International (West Taihu) Limited | 2,317 | 6 | — | — |
| Shenzhen Sheng Feng Investment and Development Co., Ltd. | 22,875 | 24,161 | 795 | — |
| Shenzhen Shen Guo Tou Shang Yong Zhi Ye Company Limited | 3,071 | 794 | — | 816 |
| Five Dragon Trading Company Limited | 2,788 | 3,352 | — | — |
| Top Spring International (Yuhang) Landmark Co., Ltd. | 590 | — | — | — |
| Guangzhou Qiao Ai Company Limited | 493 | — | — | — |
| SIL Limited | 587 | 358,816 | — | — |
| Top Spring International (Baoshan) Limited | — | 100 | — | — |
| | <u>207,033</u> | <u>754,110</u> | <u>731,205</u> | <u>816</u> |

The Company intends that balances with related parties as at 30 September 2010 in the above will be settled before listing.

- (d) All these related companies are beneficially owned by the Company's ultimate shareholder.

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary course of business, and have confirmed that the non-continuing transactions stated above will not continue in the future after the listing of the Company's shares.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIOD

Up to the date of issue of this Financial Information, the HKICPA has issued a number of amendments and interpretations and one new standard which are not yet effective in respect of the financial periods included in the Relevant Period, and which have not been adopted in this Financial Information.

| | <i>Effective for accounting periods beginning on or after</i> |
|---|---|
| Revised HKAS 24, <i>Related Party disclosures</i> | 1 January 2011 |
| HKFRS 9, <i>Financial Instruments</i> | 1 January 2013 |
| Improvements to HKFRSs 2010 | 1 July 2010 or 1 January 2011 |
| Amendments to HKAS 12, <i>Income taxes</i> | 1 January 2012 |

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

32 FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 25 August 2009 with authorized capital of HK\$390,000 divided into 3,900,000 shares of HK\$0.10 each. 100,000, 12,423 and 5,224 fully paid shares, each of HK\$0.10 ranking pari passu in all respects were allotted and issued to Chance Again Limited, Scarborough Holdings Limited and Sheffield United Realty B.V. respectively.

Company Balance Sheet

| | Note | At 31 December 2009 HK\$'000 | At 30 September 2010 HK\$'000 |
|---|------|---------------------------------------|--|
| Non-current asset | | | |
| Fixed assets | (a) | — | 1,493 |
| Current assets | | | |
| Prepayments and other receivables | (b) | 12 | 158,096 |
| Bank balance | | — | 6,323 |
| | | 12 | 164,419 |
| Current liability | | | |
| Other payables | (c) | 3,334 | 192,374 |
| Net current liabilities | | (3,322) | (27,955) |
| Total assets less current liabilities | | (3,322) | (26,462) |
| NET LIABILITIES | | <u>(3,322)</u> | <u>(26,462)</u> |
| CAPITAL AND RESERVE (d) | | | |
| Share capital | | 12 | 12 |
| Accumulated losses | | (3,334) | (26,474) |
| TOTAL DEFICIT | | <u>(3,322)</u> | <u>(26,462)</u> |

Note:

(a) Fixed assets

| | Furniture, fixtures and other fixed assets |
|--|---|
| | HK\$'000 |
| Cost: | |
| At 31 December 2009 and 1 January 2010 | — |
| Additions | 1,572 |
| | <hr/> |
| At 30 September 2010 | 1,572 |
| | <hr/> <hr/> |
| Accumulated depreciation: | |
| At 31 December 2009, 1 January 2010 | — |
| Charge for the period | 79 |
| | <hr/> |
| At 30 September 2010 | 79 |
| | <hr/> <hr/> |
| Net book value: | |
| At 30 September 2010 | 1,493 |
| | <hr/> <hr/> |
| At 31 December 2009 | — |
| | <hr/> <hr/> |

(b) Prepayments and other receivables

| | At 31 December 2009 | At 30 September 2010 |
|--|------------------------------------|-------------------------------------|
| | HK\$'000 | HK\$'000 |
| Prepayments and other receivables | 10 | 3,154 |
| Amounts due from subsidiaries (<i>note</i>) | — | 147,785 |
| Amounts due from related companies (<i>note</i>) | 2 | 7,157 |
| | <hr/> | <hr/> |
| | 12 | 158,096 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note: The amounts due from subsidiaries and related companies are unsecured, interest-free and recoverable on demand.

(c) Other payables

| | At 31 December 2009 | At 30 September 2010 |
|---|---------------------------|----------------------------|
| | HK\$'000 | HK\$'000 |
| Creditors and accrued charges | 3,258 | 4,293 |
| Amounts due to subsidiaries (note) | — | 188,081 |
| Amounts due to related companies (note) | 76 | — |
| | <u>3,334</u> | <u>192,374</u> |

Note: The amounts due to subsidiaries and related companies are unsecured, interest-free and repayable on demand.

(d) Capital and reserve

Details of the changes in the company's individual components of equity between the beginning and the end of the period are set out below:

| | Share capital | Accumulated losses | Total |
|---|---------------|-----------------------|-----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Shares issued upon incorporation | 12 | — | 12 |
| Total comprehensive income for the period | — | (3,334) | (3,334) |
| At 31 December 2009 | 12 | (3,334) | (3,322) |
| Total comprehensive income for the period | — | (23,140) | (23,140) |
| At 30 September 2010 | <u>12</u> | <u>(26,474)</u> | <u>(26,462)</u> |

33 INFORMATION OF STATUTORY FINANCIAL STATEMENTS OF THE SUBSIDIARIES

The statutory financial statements of the companies now comprising the Group, which were subject to audit during the Relevant Period, were prepared in accordance with accounting principles generally accepted in Hong Kong or the relevant accounting rules and regulations in the PRC. The respective statutory auditors of these financial statements are indicated below:

| Name of company (Note 1) | Financial period | Statutory auditors (Note 1) |
|---|--|---|
| Jointak Investment Limited (光德投資有限公司) (Note 3) | Year ended 31 December 2007 Years ended 31 December 2008 and 2009 | David, K.L. Lit & Co. KPMG |
| Changzhou Top Spring Landmark Real Estate Co., Ltd. (常州萊蒙都會置業有限公司) (Note 2) | Years ended 31 December 2007 to 2009 | Changzhou Dacheng Certified Public Accountants Co., Ltd. (常州大誠會計師事務所有限公司) |

| Name of company (Note 1) | Financial period | Statutory auditors (Note 1) |
|--|---|--|
| Scarborough China Holdings Limited (Notes 3 and 4) | Period from 8 June 2006 (date of incorporation) to 28 February 2007 | Moores Rowland |
| | Period from 1 March 2007 to 31 December 2007 | KPMG |
| | Years ended 31 December 2008 and 2009 | KPMG |
| Top Spring Realty (Chengdu) Co., Ltd. (萊蒙置業(成都)有限公司) (formerly known as Sheffield United Realty (Chengdu) Co., Ltd. (謝菲聯置業(成都)有限公司)) (Note 2) | Years ended 31 December 2007 and 2008 | Sichuan Hua Wei Certified Public Accountants Co., Ltd. (四川華為會計師事務所有限責任 公司) |
| | Year ended 31 December 2009 | Sichuan Yongli Certified Public Accountants Co., Ltd. (四川永立會計師事務所有限責任 公司) |
| Top Spring International (Long Hua) Limited (萊蒙國際 (龍華)有限公司)(Note 3) | Year ended 31 December 2007 Years ended 31 December 2008 and 2009 | David, K.L. Lit & Co. KPMG |
| Top Spring Real Estate (Shenzhen) Co., Ltd. (萊蒙房地產(深圳)有限 公司)(Note 2) | Years ended 31 December 2007 to 2009 | Asia Pacific Certified Public Accountants (Group) Co., Ltd., Shenzhen Branch (亞太(集團)會計師事務所有限公司 深圳分所) |
| Top Spring (HK) Company Limited (萊蒙(香港)有限公司) (formerly known as Top Spring Real Estate (HK) Company Limited (萊蒙房地 產(香港)有限公司)) (Note 3) | Years ended 31 December 2007 to 2009 | KPMG |
| Shenzhen Top Spring Business Management Co., Ltd. (深圳市萊蒙 商業管理有限公司) (Note 2) | Years ended 31 December 2007 to 2009 | Shenzhen Putian Certified Public Accountants Co., Ltd. (深圳普天會計師事務所有限公司) |
| Hangzhou Top Spring Business Management Co., Ltd. (杭州萊蒙商業管理有限公司) (Note 2) | Period from 7 September 2007 (date of establishment) to 31 December 2007 Years ended 31 December 2008 and 2009 | Hangzhou Dongxin Certified Public Accountants (杭州東欣會計師事務所) Hangzhou Dongxin Certified Public Accountants (杭州東欣會計師事務所) |
| Le Leman International (Yuhang) Limited (萊蒙國際(余杭)有限公司) (Note 3) | Year ended 31 December 2007 Years ended 31 December 2008 and 2009 | Shu Lun Pan Horwath Hong Kong CPA Limited KPMG |
| Top Spring International (Yuhang) Landmark Co., Ltd. (萊蒙國際(余杭)置業有限公司) (Note 2) | Years ended 31 December 2007 to 2009 | Hangzhou Dongxin Certified Public Accountants (杭州東欣會計師事務所) |
| Prosperous Property Development (Holdings) Limited (盛興地產發展 (集團)有限公司) (Note 3) | Year ended 31 December 2007 Years ended 31 December 2008 and 2009 | David, K.L. Lit & Co. KPMG |

| Name of company (Note 1) | Financial period | Statutory auditors (Note 1) |
|---|---|--|
| Prosperous Properties Holdings Limited (盛興地產控股有限公司) (Note 3) | Years ended 31 December 2007 to 2009 | KPMG |
| Tai Xiang Information Consulting (Shenzhen) Co., Ltd. (泰祥信息諮詢(深圳)有限公司) (Note 2) | Years ended 31 December 2007 to 2009 | Asia Pacific Certified Public Accountants (Group) Co., Ltd., Shenzhen Branch (亞太(集團)會計師事務所有限公司深圳分所) |
| Shenzhen Sheng Xing Information Consulting Co., Ltd. (深圳市盛興信息諮詢有限公司) (Note 2) | Years ended 31 December 2007 to 2009 | Asia Pacific Certified Public Accountants (Group) Co., Ltd., Shenzhen Branch (亞太(集團)會計師事務所有限公司深圳分所) |
| Shenzhen SZITIC Property Development Co., Ltd. (深圳深國投房地產開發有限公司) (Note 2) | Years ended 31 December 2007 to 2009 | KPMG Huazhen |
| Shenzhen Water Flower Property Co., Ltd. (深圳市水樹花都房地產有限公司) (Note 2) | Year ended 31 December 2007 Year ended 31 December 2008 Year ended 31 December 2009 | KPMG Huazhen Shenzhen Guang Cheng Certified Public Accountants (深圳廣誠會計師事務所) Shenzhen Zhenxing Certified Public Accountants (深圳振興會計師事務所) |
| Changzhou Top Spring Water Flower Property Development Co., Ltd. (常州萊蒙水樹花都房地產開發有限公司) (Note 2) | Years ended 31 December 2007 to 2009 | KPMG Huazhen |
| Shenzhen City Hua Long Property Development Co., Ltd. (深圳市華龍房地產開發有限公司) (Note 2) | Years ended 31 December 2007 to 2009 | Zhonglian Certified Public Accountants Co., Ltd., Shenzhen Office (中聯會計師事務所有限公司深圳分所) |
| Dongguan SZITIC Property Development Co., Ltd. (東莞市深國投房地產開發有限公司) (Note 2) | Year ended 31 December 2007 Year ended 31 December 2008 Year ended 31 December 2009 | Shenzhen Chenghua Certified Public Accountants Co., Ltd. (深圳誠華會計師事務所有限公司) Dongguan City Renzhihe Certified Public Accountants Co., Ltd. (東莞市仁智和會計師事務所有限公司) Shenzhen Zhenxing Certified Public Accountants (深圳振興會計師事務所) |

| Name of company (Note 1) | Financial period | Statutory auditors (Note 1) |
|---|--|---|
| Shenzhen Xiang Sheng Information Consulting Co., Ltd. (深圳市祥盛信息諮詢有限公司) (Note 2) | Year ended 31 December 2007 Years ended 31 December 2008 and 2009 | Shenzhen Jinniu Certified Public Accountants (深圳金牛會計師事務所) Zhonglian Certified Public Accountants Co., Ltd., Shenzhen Office (中聯會計師事務所有限公司深圳分所) |
| Top Spring International (Shenzhen) Limited (萊蒙國際(深圳)有限公司) (Note 3) | Period from 17 June 2006 (date of incorporation) to 31 December 2008 Year ended 31 December 2009 | KPMG KPMG |
| Xiang Kang Information Consulting (Shenzhen) Co., Ltd. (祥康信息諮詢(深圳)有限公司) (Note 2) | Years ended 31 December 2007 to 2009 | Asia Pacific Certified Public Accountants (Group) Co., Ltd., Shenzhen Branch 亞太(集團)會計師事務所有限公司深圳分所 |
| Top Spring International (Zhejiang) Limited (Note 3) (萊蒙國際(浙江)有限公司) | Period from 7 July 2006 (date of incorporation) to 31 December 2008 Year ended 31 December 2009 | W.M. Sum & Co. KPMG |
| Top Spring Xiang Jun Information Consulting (Shenzhen) Co., Ltd. (萊蒙祥俊信息諮詢(深圳)有限公司) (formerly known as Xiang Jun Information Consulting (Shenzhen) Co., Ltd. (祥俊信息諮詢(深圳)有限公司)) (Note 2) | Years ended 31 December 2007 to 2009 | Asia Pacific Certified Public Accountants (Group) Co., Ltd., Shenzhen Branch (亞太(集團)會計師事務所有限公司深圳分所) |
| Shenzhen Top Spring Property Services Co., Ltd. (深圳市萊蒙物業服務有限公司) | Period from 24 August 2009 (date of establishment) to 31 December 2009 | Asia Pacific Certified Public Accountants (Group) Co., Ltd. Shenzhen Branch (亞太(集團)會計師事務所有限公司深圳分所) |
| Top Spring International (Taihu Bay) Development Limited (萊蒙國際(太湖灣)開發有限公司) (Formerly known as Mark Creation Limited) (Note 3) | Period from 10 November 2006 (date of incorporation) to 31 December 2007 Years ended 31 December 2008 to 2009 | KPMG KPMG |
| Top Spring International (Xiqi) Limited (萊蒙國際(西溪)有限公司) (Note 3) | Years ended 31 December 2007 to 2009 | KPMG |

Notes:

- (1) The English translation of the names is for reference only. The official names of these entities are in Chinese.
- (2) The audited statutory financial statements of these entities were prepared in accordance with the relevant accounting rules and regulations in the PRC.

- (3) The audited statutory financial statements of these entities were prepared in accordance with accounting principles generally accepted in Hong Kong.
- (4) The financial year end of this entity has been changed in 2007 from 28 February to 31 December to conform to that of its holding company.

34 SUBSEQUENT EVENTS

(a) *Group reorganization*

The Group completed the Reorganization in preparation for a listing of shares of the Company on the Stock Exchange, details of which are set out in the section headed "Statutory and General Information" in Appendix VIII to this prospectus.

- (b) In October 2010, the non-controlling shareholder of Fullest Max Limited ("Fullest Max") and Top Spring Holdings Limited entered into an equity stake transfer agreement whereby the non-controlling shareholder agreed to transfer its 10.6% equity interest in Fullest Max (excluding the non-controlling shareholder's indirect interest in Shanghai Feng Dan Li She Property Development Co., Ltd.) to Top Spring Holdings Limited at a consideration of RMB84,000,000 and since then Top Spring Holdings Limited was interested in the entire issued share capital of Fullest Max and transfer to the Group in December 2010 as part of the Reorganization.
- (c) In December 2010, the State Administration of Taxation issued Decree (2010) No. 29 which allows property developers to claim CIT deductions on LAT paid on their final settlement before tax-deregistration and obtain refunds of any excess CIT paid. The Group has assessed the impact of this decree and has subsequently recognised deferred tax assets of HK\$34,000,000.
- (d) Pursuant to the written resolution of the shareholders of the Company passed on 2 December 2010, the Company has conditionally adopted a Share Award Scheme, Pre-IPO Share Option Scheme and Share Option Scheme. The principal terms of the Share Award Schemes, Pre-IPO Share Option Scheme and Share Option Scheme are set out in "Share Award Scheme", "Pre-IPO Share Option Scheme" and "Share Option Scheme" of Appendix VIII "Statutory and General Information" to the Prospectus, respectively.

D SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Group in respect of any period subsequent to 30 September 2010.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong