



保利(香港)投資有限公司  
Poly (Hong Kong) Investments Limited

Stock Code: 119

Annual Report 2010



**Yangtze River  
Delta Region**

**Pearl River  
Delta Region**

**Central &  
Southwestern  
Regions**

**Other Regions**









## Vision

The Group aspires to be a leading Chinese property developer with a renowned brand backed by cultural substance.

## Mission

The Group is driven by a corporate spirit and fine tradition that attaches importance to dedication, honesty and integrity. Its development strategy advocates professionalism, market-orientation and internationalism. It also strives to enhance the architectural quality and commercial value of the properties by instilling cultural substance into its property projects.

Ultimately, it aims to build a pleasant living environment for its clients and create satisfactory returns to its shareholders.



保利(香港)投資有限公司  
Poly (Hong Kong) Investments Limited

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# Corporate Information

## Board of directors

### Executive directors

CHEN Hong Sheng  
WANG Xu  
XUE Ming (*Chairman and Managing Director*)  
HAN Qing Tao  
YE Li Wen

### Non-executive director

IP Chun Chung, Robert\*

### Independent non-executive directors

YAO Kang, J.P.\*  
CHOY Shu Kwan\*  
LEUNG Sau Fan, Sylvia\*

\* *members of the Audit Committee*

## Company secretary

TAI Kar Lei

## Registered office

Room 2503, Admiralty Centre, Tower 1  
18 Harcourt Road  
Hong Kong

## Principal bankers

Agricultural Bank of China Limited  
Bank of China Limited  
Bank of Communications Co., Ltd.  
Bank of East Asia, Limited  
China Construction Bank Corporation  
China Minsheng Banking Corp., Ltd.  
CITIC Bank International Limited  
Hang Seng Bank Limited  
Industrial and Commercial Bank of China Limited  
Shenzhen Development Bank Co., Ltd.

## Auditor

PKF

## Investor relations consultant

iPR Ogilvy Ltd.  
Units 2608-10, 26/F  
The Center  
99 Queen's Road Central  
Hong Kong

## Share registrars and transfer office

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

## Stock code

119

## Company website

[www.polyhongkong.com.hk](http://www.polyhongkong.com.hk)  
[www.irasia.com/listco/hk/polyhk](http://www.irasia.com/listco/hk/polyhk)

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Poly (Hong Kong) Investments Limited (the "Company") will be held at Taishan Room, Level 5, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on 6th May, 2011 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditor for the year ended 31st December, 2010.
2. To declare a final dividend.
3. To elect directors and to authorise the board of directors to fix their remuneration.
4. To appoint auditor and to authorise the board of directors to fix their remuneration.

To consider as special business and, if thought fit, pass with or without amendments the following resolutions as Ordinary Resolutions:

5. (A) **"THAT:**
  - (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
  - (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
  - (c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to a Rights Issue (as hereinafter defined) or the exercise of any option under the Share Option Scheme of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and

- (d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or by any applicable laws to be held; and
- (iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong).”

5. (B) **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its own shares of HK\$0.50 each (the “Shares”), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the Shares to be purchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and



(c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or by any applicable laws to be held; and
- (iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

5. (C) **“THAT** conditional upon the Resolutions numbered 5(A) and 5(B) respectively set out in the notice convening this meeting being passed, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares pursuant to the Resolution numbered 5(A) be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company purchased by the Company under the authority granted pursuant to the Resolution numbered 5(B), provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution.”
6. **“THAT** the authorised share capital of the Company be increased from HK\$2,000,000,000 divided into 4,000,000,000 Shares to HK\$4,000,000,000 by the creation of 4,000,000,000 new Shares ranking *pari passu* in all respects with the existing Shares.”

By Order of the Board

**TAI Kar Lei**

*Company Secretary*

Hong Kong, 31st March, 2011

*Notes:*

- (1) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the office of the Company’s share registrars, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- (3) A circular containing information concerning resolutions nos. 3, 5 and 6 was sent to the shareholders together with 2010 Annual Report.

# OUR BUSINESS

**PROPERTY  
DEVELOPMENT**

## Yangtze River Delta Region

In addition to Suzhou Poly West Bank Villa, Poly Lake Mansion is another project injected by the parent company dwelling in Suzhou. Located in the Wuzhong Economic Development Zone in Jiangsu Province, which is a focal point of the Yinshan Lake development plan led by the government, Suzhou Poly Lake Mansion enjoys convenient transport network of expressways and highways including Sujiahang Expressway and the proposed Suzhou Central Expressway. It also benefits from the comprehensive range of amenities offered in the neighbourhood.

The project stands at the northern side of scenic Yinshan Lake boasting the ecological attractions and natural scenic area. It will be developed into an integrated residential and commercial community featuring clubhouse, business centre and an array of cultural and leisure facilities, which offer graceful living and making an ideal home. The development blends the features of Spanish Baroque architecture perfectly with the ambiance and is surrounded by the ecological landscape providing an overwhelming green living experience. Pre-sale will be launched in the first half of 2011.

**Suzhou**



**Shanghai**

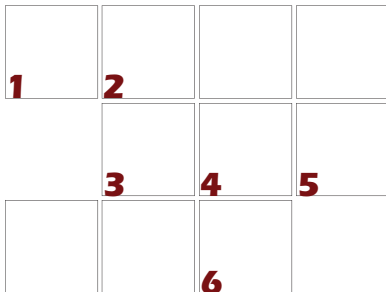
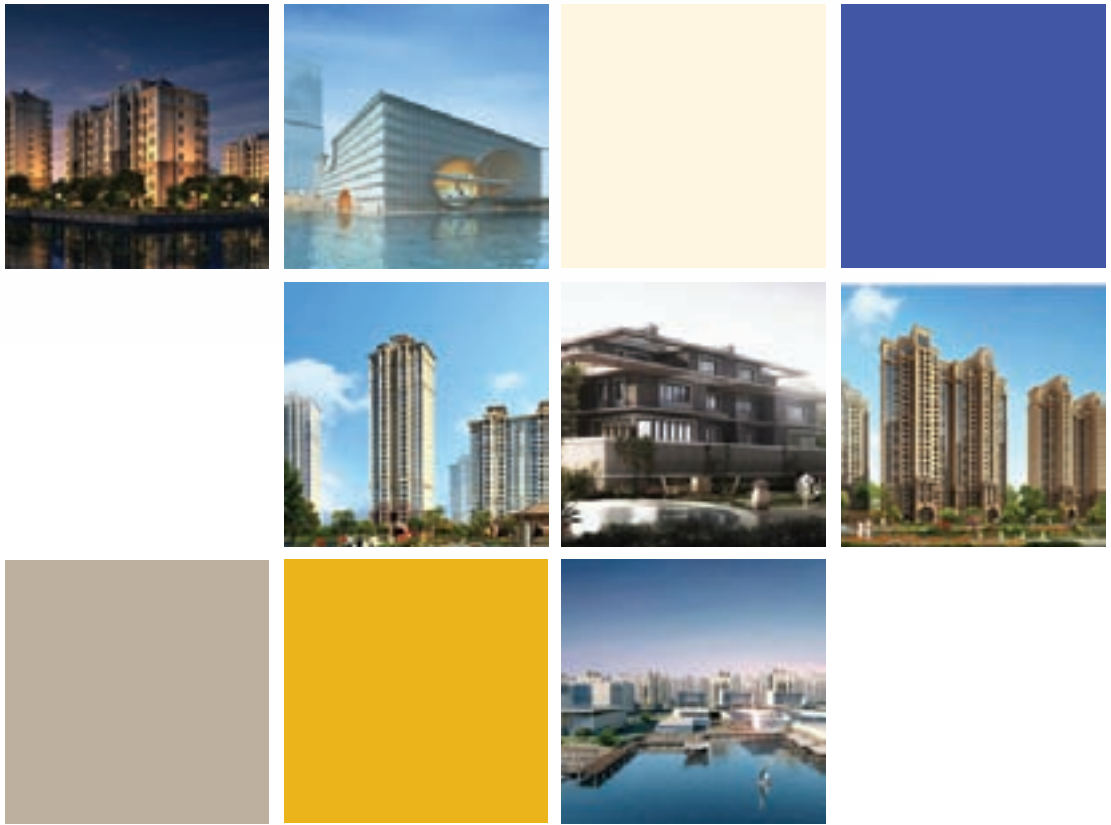


**Hangzhou**



**Ningbo**





**1. Shanghai**  
Poly Royal Garden

**2. Shanghai**  
Jiading Grand Theatre

**3. Suzhou**  
Poly Lake Mansion

**4. Suzhou**  
Poly West Bank Villa

**5. Hangzhou**  
Poly Deqing Project

**6. Ningbo**  
Zhenhai New Town Project



# Chairman's Statement



## Results of 2010

The profit attributable to shareholders amounted to HK\$1,838,367,000, representing an increase of 178% compared with 2009.

Earnings per share amounted to HK\$0.56, representing an increase of 86% compared with 2009.

A final dividend of HK15.5 cents per share has been proposed by the Board of Directors.

## Corporate background

The Group is the sole overseas-listed company of “China Poly Group”, one of the large-scale central enterprises under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The principal businesses of China Poly Group include real estate, trading, natural resources and culture. China Poly Group was named by the State-owned Assets Supervision and Administration Commission as one of the key real estate central enterprises, and was ranked top three among real estate development enterprises in the PRC in terms of the amount of sales contracts signed in 2010.



Chairman

**Xue Ming**



### **BUSINESS REVIEW**

Looking back on the real estate market in China during 2010, it lived up to "The Year of Austerity Policy". A series of measures targeted at stabilising the property market were introduced by the central government as well as local authorities. Government policies were no longer supportive to the property market and measures aiming at restraining speculation activities were in place instead, thus curbing the soaring property price through the implementation of economic as well as administrative measures. All in all, "austerity policies" were the keynotes throughout the year.

During the period, the Group's property sector in mainland China was inevitably affected by the market condition. However, macro-control measures presented both challenges and opportunities. The Group has been actively responding to the market, closely monitoring and studying the trend of macro policies, leveraging on development and investment opportunities of our core business and adapting to new development of the ever-changing market. Accordingly, the Group has been able to provide each of its operating segment with promising growth momentum and to realize targets set at the beginning of the year. The Group boasted the favorable development of its operating performance and competitive edges as a whole, thereby paving the way to its ultimate goal of ranking amongst one of the best listed property companies in China.

The Group's property sales in the market exceeded RMB10 billion for the first time. During the period, a total of 22 property projects were introduced to the market. Some of them were marketed for the first time while some were available throughout the year, recording a contracted sales of RMB11.4 billion. Contracted area was 1.43 million square meters, representing a year-on-year growth of 43% and 19% respectively. In respect of sales activities, the Group adhered to the development strategy of rapid rolling with residential properties as the core. As a result, we selected the best time to launch the sales of its properties with clear target customer groups, set the price at a reasonable level and allowed flexibility to the pace of its sales activities, thereby minimizing the impact and risks resulting from policy changes.

During the period, the operating performance and profitability of the Group improved further, delivering year-on-year revenue growth of 18.3%. Pre-tax profits and profits attributable to shareholders were 181.9% and 177.7% respectively, a year-on-year growth over 100% in both cases. The Group successfully placed shares for additional funds during the year and the Group's share capital increased accordingly. However, we recorded significant growth in earnings, making basic earnings per share record year-on-year growth of over 86%, or increase to HK55.83cents. Gross profit margin surged to 40.9% from 23.3% of last year, which is closer to the level of top listed property companies in mainland China. The increase in gross profit margin was attributable to the higher average sales price of carried projects. Meanwhile, the Group committed to maintain a professional management mechanism and expand the scope and scale of centralized bidding and procurement. Besides, the Group began to integrate and re-organize in a professional way with efforts to reduce costs, enhance efficiency and control the increase of expenses to a reasonable level.

With the rapid growth in the scale of sales, the Group seized the opportunities arising from market adjustment and fluctuation by replenishing its land reserve when appropriate, preparing for the necessary pipeline for fast development in future years. During the period, the Group acquired 15 parcels of land in 10 cities in mainland China with a total planned gross floor area of approximately 8 million square meters. Through these acquisitions, the Group was able to secure a foothold in two major cities in the Yangtze River Delta, namely Ningbo and Hangzhou, thus strengthening our strategic presence in main cities in the Yangtze River Delta and the Pearl River Delta. Although the quantity of newly acquired projects increased when compared with that of 2009, the Group still adhered to prudent, proactive and flexible strategies in the acquisition of new projects. Only four of these projects were acquired through public auctions while others were injected by of the parent company or secured through property development projects for commercial or recreational activities, urban renewal programs or equity acquisitions, which kept the land cost at a lower level. It is believed that all the land held will bring about promising returns, enabling the Group to develop into a sizable property development conglomerate as soon as possible.

A sound and reasonable financial structure also facilitated the healthy development of the Company. Benefiting from increased sales and funds recoupment, the monetary fund held by the Group at the year end increased when compared with the beginning of year, which exceeded the total amount of bank and other loans due within one year, representing a stable capital structure. Notwithstanding the increased amount of raised loans during the period, the Group remained cautious about borrowing costs and strived for securing low cost capital through a variety of means. The Group successfully raised HK\$3.52 billion through a placing of shares, effectively enhancing our capital base. Also, the Group secured a syndicated loan of US\$480 million in Hong Kong, realizing long-term capital at a cost lower than that in mainland China within a short period of time, which helped to reduce the finance cost of the Group. Meanwhile, in order to support the Group's rapid development, the Group endeavored to maintain a sufficient cash flow through diversified financing activities in China, namely trust financing and property development loans, protecting the Group from the impact of continuous stringent control measures imposed on the property sector.

In the year under review, notwithstanding the mixed and highly fluctuated property market, the Group adopted proactive and consistent development measures by taking a leading role in job management and implementing development policies as scheduled. Satisfactory results in various scopes of business were recorded because our operation scale and ability in risk aversion were further strengthened. The Group delivered remarkable growth of revenue and profits contributions as a whole accordingly, laying a solid foundation for the stable and continuous development of the Group in the future.

## **BUSINESS OUTLOOK**

In the first quarter of 2011, austerity measures in mainland China were frequently introduced again. The new series of measures demonstrate that the government is serious in controlling the property market and checking the ever rising property price. The government is expected to further tighten policies in respect of land, credit and taxation in 2011. Certain trial polices will become normal and established practice, turning the market to an austere one in the long run. That is, a fluctuating market with more uncertainties may become inevitable.

The Group holds the belief that intrinsic factors for the long-term development of the property market in China remain the same. It is still optimistic to the medium and long-term development of the property market in mainland China though control measures may go into further detail and may be effective for a period longer than ever expected as well as staged and localized fluctuations will become inevitable in the short term. The Group believes that strong confidence, prompt response to the market and effective measures will be able to turn pressure into drive for development and turn challenges into opportunities. With these conditions, the impact of external adverse factors will be minimized, enabling the Group to deliver consistent growth in its operating results. In 2011, the Group will further strengthen its judgment on market environment and its own ability, and will arrange its annual target and working plan in a reasonable way with its development strategy as the base. In order to realize sustained growth, the Group will respond to market fluctuations proactively for the sake of lessening the impact of control measures on our operation.

The Group will endeavor to uphold the consistence and stabilization of its strategies to maintain its general direction for development. Where the external environment is subject to substantial fluctuations, the Group will also make partial adjustments and improve its strategies to respond to the market in due course so as to make sure its development is in line with market changes. The Group will adhere to the general layout with the Yangtze River Delta, the Pearl River Delta and cities in which it is operating as the focus, while presence will be established in more second-tier and third-tier cities in the Yangtze River Delta and the Pearl River Delta. Directed by the market, the Group will develop a mixed product portfolio with residential properties as the core and will adhere to the policy of rapid rolling development to continuously introduce residential properties with high cost efficiency. Meanwhile, the Group will continue to work together with the parent company to consider and discuss the feasibility of injecting quality assets.

With respect to sales, the Group will adapt to market changes in a proactive way and set the price at a reasonable level with reference to the actual and market conditions to accelerate the speed of cash flows. Sales in the Yangtze River Delta and the Pearl River Delta regions are stable, featuring quality products with high cost efficiency. Accordingly, the Group is able to secure more support from customers with its quality products and property services. By further improving our sales volume and sales ability in second-tier and third-tier cities, the Group believes that, under current policies, the real demand in these cities will guarantee the overall sales volume of the Group, and has confidence to meet the annual sales target.

Regarding development activities, the Group will uphold the development mode of rapid rolling with residential properties as the focus by accelerating the pace of development to ensure sufficient supply of products and speeding up the launch of ordinary property products for self-occupied. These products are in line with the general positioning of our products under construction and are also less affected by control policies. The Group will stick to the principle of providing quality products, and will strive to know the requirement of its target customers according to different market conditions and regional features for the purpose of providing innovative products and services and increasing the technological content and added-value of products. All these efforts serve to enlarge the Group's customer base to maintain its edges in the highly competitive market.

In respect of project acquisitions, the Group will be much prudent in short term. The Group is expected to maintain the mode of high speed development in the next few years, thus increasing its construction area and sales scale continuously. Accordingly, it is necessary for the Group to seize the opportunity of replenishing its land reserve at lower costs in due course to meet the need of business development. By maintaining a modest investment scale and a reasonable investment schedule according to the cash flow, the Group continues to give full play in the development of cultural property. By following a clear investment direction according to the development strategy, the Group will keep, and moderately expand, its development scale in second-tier and third-tier cities in which the Group's presence has been established. By making full use of sufficient resources of the society, the Group will be able to maintain the acquisition cost of its land reserve at a lower level through acquisition, merging, co-operation, core theme development, primary land development and other channels. The Group also intends to participate in the construction of security housing and to establish good relationship with governments of all levels for the purpose of fostering the image of a good enterprise which will eventually help the Company's long-term development.

It is believed that a financialized real estate market is an inevitable trend in the future. The Group will actively diversify its financing channel, continue to co-operate maintain with banks and sizable financial corporations according to strategic needs, enhance its ability in the operation of financial capital, implement stringent control on financial risks and consolidate its sound financial position. As a result, the Group will put the security and sufficiency of capital in a higher priority in order to make sure our financial resources is able to provide sustainable and healthy support to the Group's development. Meanwhile, the Company will adjust the pace of its development when appropriate and strive for securing more facilities and more low-cost loans, preparing itself to cope with the market where macro-control measures become normal and routine practice.

The Group aims at ranking amongst one of the leading property developers in the PRC and the following two to three years will be crucial to the development of the Group. In 2011, the Group will launch approximately 15 new projects for sale while 18 projects will be subject to continuous sales. The operating revenue and profit of the Group are expected to grow steadily. Being the sole overseas-listed flagship of China Poly Group, the Group is confident about the prospects of future development and believes that the Group will receive continuous attention and support from the parent company. Looking forward, the Group is confident that it will be able to take advantages of, and capitalize on, invaluable opportunities arising from the ever changing market to continuously respond to the challenging market and to maintain a constant and healthy development trend for the Group, with an ultimate goal of creating fruitful returns for our shareholders.

## **Appreciation**

With devoted efforts and team spirit of our staff, the Group is able to deliver satisfactory results for 2010. On behalf of the Board and Shareholders, I would like to express my sincerest gratitude to all of our dedicated employees.

**Xue Ming**

*Chairman*



# OUR BUSINESS

**PROPERTY  
DEVELOPMENT**

## Pearl River Delta Region

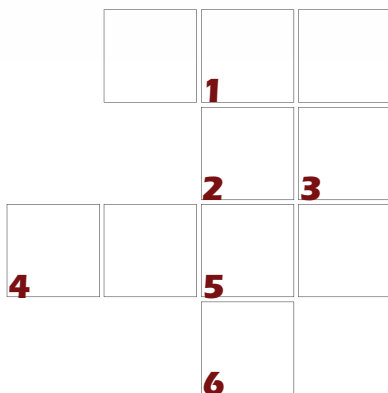
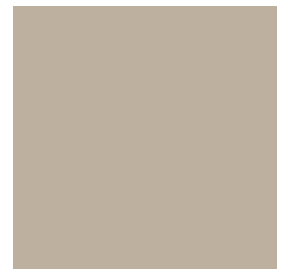
Shenzhen Poly Upper Town is one of the projects injected by the parent company in March 2010, which is also one of the government-led urban renewal development projects in Shenzhen. The project received high acclamation from the municipal government on its accelerating development amongst the urban renewal and redevelopment projects.

Located in the prime location of CBD in Longgang, Shenzhen, the project offers high accessibility with close proximity to Ai Lian Station along the Metro Line No. 3 and is only approximately 500 meters away from Longgang Municipal Government and a thirty-minute drive to the commercial district Lowu. It is also adjacent to the stadium of the upcoming Universiade Shenzhen 2011.

The project will be developed into a comprehensive community featuring residential and commercial elements. Construction of Phase 1 commenced in August 2010, pre-sale is expected to launch in the second half of 2011 and the completion is scheduled in 2012.







**1. Guangzhou**

Citic Plaza

**2. Guangzhou**

City of Poly

**3. Foshan**

Poly Prestige City

**4. Shenzhen**

Poly Cultural Centre

**5. Huizhou**

Poly Deutch Kultur

**6. Guangzhou**

Poly New Town City

# Management Discussion and Analysis

## Overall Operating Conditions

In 2010, the Group recorded a turnover of HK\$8,514,136,000 (corresponding period in 2009: HK\$7,196,898,000), representing an increase of 18.3% as compared with the corresponding period last year. Profit attributable to shareholders amounted to HK\$1,838,367,000 (corresponding period in 2009: HK\$662,114,000), representing an increase of 177.7% as compared with the corresponding period last year. Basic earnings per share was HK55.83 cents (corresponding period in 2009: HK30.00 cents), while diluted earnings per share was HK55.2 cents (corresponding period in 2009: HK29.67 cents), representing an increase of 86.1% and 86% respectively as compared with the corresponding period last year.

As at 31st December, 2010, total shareholders' equity of the Group amounted to HK\$22,010,167,000 (31st December, 2009: HK\$14,619,950,000) and net asset value per share was HK\$6.1 (31st December, 2009: HK\$4.90).

## Property Development Business

During the year, construction works with a gross floor area of approximately 3.25 million square meters were commenced. 15 projects were under on-going sales and 7 projects were newly launched, with a pre-sale and sales area of approximately 1.43 million square meters. Properties with a gross floor area of approximately 1.71 million square meters were completed and delivered. As of 31st December, 2010, the Group had more than 44 projects under construction (or land reserves under different development stages) with a gross floor area of approximately 17.14 million square meters.

## Sales

The volatility in the real estate market of China in 2010 was more prominent than in 2009. The central and local governments implemented various austerity policies and measures to tighten money supply for the sake of restraining the over-rising housing prices, whereby control measures over the real estate market were more stringent and became normal routine and practice. In light of complicated market conditions and tightening measures, the Group adhered to its development strategy of rapid rolling with residential products as the focus. The Group also closely followed changes of relevant policies to take an active role in response to the ever changing market trend, adjusted its sales schedule in a flexible way and set its prices to a reasonable level with reference to the actual market situation. These efforts were all attributable to remarkable sales performance of its projects. During the period, the pre-sale and sales area of the 22 projects totaled 1.43 million square meters, representing an increase of 230,000 square meters or 19% as compared with 1.2 million square meters in

2009. The pre-sale and sales amount totaled RMB11.4 billion, representing an increase of RMB3.4 billion or 43% as compared with RMB8 billion in 2009, exceeding the target set at the beginning of the year by 14%. Five cities recorded sales revenue of over RMB1 billion, namely Shanghai, Nanning, Guiyang, Harbin and Wuhan, of which the market share in Nanning ranked the second while the market share in Guiyang and Jinan was amongst the top-tier:

1. Sales in the Yangtze River Delta and the Pearl River Delta regions remained stable. Shanghai Poly Villa Garden launched 112 residential units in May 2010 and all units were sold out. Guangzhou City of Poly launched 1,111 residential units and over 97% of units was sold. Shanghai Poly Royal Garden newly launched a total of 267 residential units and villas in October 2010, and recorded a sales rate of nearly 80%. Contract sales of 964 units in Shanghai Poly Town were recorded, representing a sales rate of 94%. Huizhou Poly Deutch Kultur launched an aggregate of 387 houses and villas in September 2010 and recorded a subscription rate of over 90% on the debut; additional units were launched afterwards and realized a contractual amount of about RMB330 million.
2. Our sales in the central and southwestern parts of China, including provincial capitals such as Wuhan, Nanning and Guiyang, recorded relatively high revenue. During the year, Wuhan Poly Royal Palace Phase 2 and Phase 3 launched 1,042 residential units and recorded a sales rate of 89%. Guiyang Poly International Center launched 260 high-rise residential units in September 2010 and recorded a sales rate of 91%. Guiyang Poly Hot Spring Newisland launched 1,411 residential units and recorded a sales rate of 82%. Guiyang Poly Spring Street launched a total of 506 high-rise residential units in September and December 2010, recording a comprehensive sales rate of 64%. During the year, contract sales comprising 1,485 units in Guiyang Poly Clouds Hill International were concluded, recording a sales rate of 81%, and a contractual sales amount of approximately RMB760 million. During the year, Nanning Poly Upper House launched retail premises for sale, recording an overwhelming market response, and all units were sold. Sales contracts in respect 222 retail premises were concluded, recording a contractual sales amount of over RMB320 million.
3. Our sales in other regions, including provincial capitals such as Jinan and Harbin, also met the expected target. During the year, Jinan Poly Daming Lake launched 170 high-rise residential units in October 2010, recording a sales rate of 95% and a contractual amount of approximately RMB270 million. Harbin Poly The Water's Fragrant Dike Phase 2 and Phase 3 launched comprising 325 villas, recording a sales rate of 83% and a contractual amount of approximately RMB810 million at end of the year. Poly Harbin Contemporary No.9 Park Life Phase 2 launched 756 high-rise residential units in September 2010, recording a sales rate of 69% and a contractual amount of approximately RMB310 million.

## Sales/Pre-sale Area in 2010

<b>Project Name#</b>	<b>Contractual sales/pre-sale area in 2010 (<sup>'000</sup> square meters)</b>	<b>Contractual sales/pre-sale amount in 2010 (<sup>'0,000</sup> RMB)</b>
1. Shanghai Poly Town	88	135,711
2. Shanghai Poly Lakeside Garden	31	45,420
3. Shanghai Poly Royal Garden	33	73,837
4. Shanghai Poly Villa Garden	11	33,516
5. Guangzhou City of Poly	118	78,792
6. Huizhou Poly Deutch Kultur	63	32,696
7. Wuhan Poly Royal Palace	142	97,462
8. Wuhan Cai Sheng Garden of Poly	4	3,827
9. Guiyang Poly Hot Spring Newisland	148	69,545
10. Guiyang Poly International Center	34	38,117
11. Guiyang Poly Spring Street	48	21,774
12. Guiyang Poly Clouds Hill International	142	75,859
13. Nanning Poly Upper House	12	32,452
14. Nanning Poly Century	4	15,060
15. Nanning Poly Landscape	172	99,601
16. Chongqing Poly Spring Villa	6	12,060
17. Kunming Sunny Lake & Splendid Life	129	64,982
18. Poly Harbin Contemporary No.9 Park Life	57	30,957
19. Harbin Poly The Water's Fragrant Dike	75	81,031
20. Jinan Poly Lotus	10	11,729
21. Jinan Poly Garden	78	49,176
22. Jinan Poly Daming Lake	22	26,914
23. Others (Car parking spaces)	—	11,223
<b>Total:</b>	<b>1,427</b>	<b>1,141,741</b>

# Note: Shanghai Poly Plaza and share-participation projects are not included in the above sales areas and sales amounts.

## Completed Projects

In 2010, among the Group's projects under construction, the completed area during the year was approximately 1,707,000 square meters:

### List of the Gross Floor Area of Completed Projects in 2010

<b>Project</b>	<b>Completed gross floor area in 2010</b> ( <sup>'000</sup> square meters)	<b>Aggregate completed gross floor area as at the end of 2010</b> ( <sup>'000</sup> square meters)
<b>Yangtze River Delta and Pearl River Delta Regions</b>		
1. Shanghai Poly Plaza	102	102
2. Shanghai Poly Noble Duke	35	146
3. Shanghai Poly Town	111	224
4. Shanghai Poly Lakeside Garden	58	58
5. Guangzhou City of Poly	223	223
<b>Central and Southwestern Regions</b>		
6. Wuhan Poly Royal Palace	114	322
7. Nanning Poly Landscape	271	271
8. Guiyang Poly Hot Spring Newisland	104	515
9. Guiyang Poly Clouds Hill International	278	278
10. Kunming Sunny Lake & Splendid Life	151	261
11. Chongqing Poly Spring Villa	8	28
<b>Other Regions</b>		
12. Jinan Poly Garden	97	229
13. Jinan Poly Lotus	84	84
14. Harbin Poly The Water's Fragrant Dike	71	168
Total:	<u>1,707</u>	<u>2,909</u>



## Projects Sales Recognised

In 2010, the sold gross floor area of 18 projects in total was recognised and delivered, the amount involved was RMB6.93 billion and the area was 890,000 square meters, average unit price was approximately RMB7,800 per square meter. Among of which, 76% of the recognised area was apartments, 16% was villas and 8% was retail premises and others.

### List of Projects Sales Recognised in 2010

<b>Project</b>	<b>Projects sales amount recognised in 2010</b> (RMB million)
<b>Yangtze River Delta and Pearl River Delta Regions</b>	
1. Shanghai Poly Plaza	586
2. Shanghai Poly Noble Duke	411
3. Shanghai Poly Town	199
4. Shanghai Poly Lakeside Garden	413
5. Guangzhou City of Poly	426
6. Others	11
<b>Central and Southwestern Regions</b>	
7. Nanning Poly Century	415
8. Nanning Poly Landscape	393
9. Nanning Poly Upper House	503
10. Kunming Sunny Lake & Splendid Life	872
11. Guiyang Poly Clouds Hill International	947
12. Guiyang Poly Hot Spring Newisland	497
13. Chongqing Poly Spring Villa	88
14. Others	7
<b>Other Regions</b>	
15. Poly Harbin Contemporary No. 9 Park Life	128
16. Harbin Poly The Water's Fragrant Dike	599
17. Jinan Poly Garden	212
18. Jinan Poly Lotus	223
Total:	6,930



## Newly Acquired Land Reserves

In 2010, the Group acquired 12 land parcels in Shanghai, Ningbo, Wuhan, Nanning, Guiyang, Kunming and Jinan, with a total site area of approximately 3,568,000 square meters and a planned gross floor area of approximately 6,057,000 square meters. In March 2010, the parent company injected land reserves situated in Shenzhen, Suzhou, Hangzhou and other regions, with a potential gross floor area of 1,891,000 square meters. During the period, the Group's land reserves increased by an aggregate site area of approximately 4,172,000 square meters and a planned gross floor area of approximately 7,948,000 square meters.

Land Parcel/Project	Usage	Total site area ('000 square meters)	Planned gross floor area ('000 square meters)	Attributable interests of the Group (as at 31 December, 2010)	Project progress as the end of 2010	
<b>Yangtze River Delta and Pearl River Delta Regions</b>						
1.	Land parcel for commercial/ residential usage in Jiading Xincheng, Shanghai	Residential, commercial, office and theater	205	477	100%	Under construction
2.	Land parcel in Baoshan, Shanghai	Residential, commercial and office	43	94	100%	Under construction
3.	Suzhou Lake Mansion	Residential	369	1,040	100%	Under construction
4.	Land parcel in Deqing, Hangzhou	Residential, hotel and office	165	497	100%	Under construction
5.	Ningbo Zhenhai Xin Cheng Project	Residential, commercial and office	326	860	100%	Early stage
6.	Shenzhen Poly Upper Town	Residential	70	354	100%	Under construction
<b>Central and Southwestern Regions</b>						
7.	Wuhan Cai Sheng Garden of Poly	Residential	40	145	100%	For sale
8.	Wuhai Blue Ocean District of Poly	Residential	92	380	100%	Early stage
9.	Wuhan City of Poly	Residential	333	1,276	68%	Early stage
10.	Nanning Poly Sincere Garden	Residential	35	177	100%	Early stage
11.	Land parcel in Yong Wu Road, Nanning	Residential, commercial and office	74	368	100%	Early stage
12.	Land parcel in Wu Yi Xi Road, Nanning	Residential	66	344	100%	Early stage
13.	Guiyang Poly Park 2010	Residential, villa, commercial	2,261	1,642	70%	Early stage
14.	Kunming Sunny Lake & Splendid Life	Residential	13	70	100%	Early stage
<b>Other Regions</b>						
15.	Jinan Poly Daming Lake	Residential	80	224	80%	For sale
Total:		4,172	7,948			

## Projects under Construction and Forthcoming Projects

As at 31st December, 2010, the Group held 44 property development projects in 17 cities. Among of which the gross floor area, approximately 25% and 16% are located in the Yangtze River Delta and the Pearl River Delta respectively whereas approximately 47% and 12% are located in cities of the central and southwestern regions and other regions respectively. The Group had 31 projects under construction with a gross floor area of approximately 4,573,000 square meters, and a land reserve of planned gross floor area of approximately 12,568,000 square meters.

As at 31st December, 2010, the total gross floor area of projects under construction and forthcoming projects:

	<b>Total gross floor area under construction</b>	<b>Total planned gross floor area</b>	<b>Total</b>	<b>Attributable interest of the Group</b>	
	('000 square meters)	('000 square meters)	('000 square meters)		
<b>Yangtze River Delta and Pearl River Delta Regions</b>					
1.	Shanghai Poly Town	166	–	166	100%
2.	Shanghai Poly Lakeside Garden	226	–	226	100%
3.	Shanghai Poly Villa Garden	16	–	16	100%
4.	Shanghai Poly Royal Garden	223	19	242	50.1%
5.	Land parcel in Jiading Xincheng, Shanghai (C10-6,C14-2)	–	163	163	100%
6.	Land parcel in Jiading Xincheng, Shanghai (A04-1,A04-2)	–	157	157	100%
7.	Commercial and residential project in Jiading Xincheng, Shanghai	50	427	477	100%
8.	Shanghai Baoshan District Project	42	52	94	100%
9.	Suzhou Poly West Bank Villa	63	201	264	100%
10.	Suzhou Lake Mansion	191	849	1,040	100%
11.	Hangzhou Deqing Project	127	370	497	100%
12.	Ningbo Zhenhai New Town Project	–	860	860	100%
13.	Guangzhou City of Poly	315	–	315	51%
14.	Guangzhou Poly Crystal City	241	140	381	100%
15.	Guangzhou Poly Zephyr City	–	483	483	100%
16.	Shenzhen Poly Upper Town	190	164	354	100%
17.	Foshan Poly Cullinan Garden	172	–	172	100%
18.	Foshan Poly Prestige City	190	244	434	100%
19.	Huizhou Poly Deutch Kultur	280	233	513	80%

	<b>Total gross floor area under construction</b> ( <sup>'000</sup> square meters)	<b>Total planned gross floor area</b> ( <sup>'000</sup> square meters)	<b>Total</b> ( <sup>'000</sup> square meters)	<b>Attributable interest of the Group</b>	
<b>Central and Southwestern Regions</b>					
20.	Wuhan Poly Plaza	143	–	143	100%
21.	Wuhan Poly Royal Palace	288	–	288	100%
22.	Wuhan Cai Sheng Garden of Poly	145	–	145	100%
23.	Wuhan Blue Ocean District of Poly	–	380	380	100%
24.	Wuhan City of Poly	–	1,276	1,276	68%
25.	Guiyang Poly Hot Spring Newisland	256	231	487	66.5%
26.	Guiyang Ploy Clouds Hill International	124	249	373	100%
27.	Guiyang Poly International Center	97	145	242	66.5%
28.	Guiyang Poly Spring Street	124	552	676	66.5%
29.	Guiyang Poly Park 2010	–	1,642	1,642	70%
30.	Nanning Poly Crescendo	135	392	527	100%
31.	Nanning Poly Sincere Garden	–	177	177	100%
32.	Nanning Wu Yi Xi Road	–	344	344	100%
33.	Land Parcel in Yong Wu Road, Nanning	–	368	368	100%
34.	Liuzhou Poly Merization World	147	740	887	100%
35.	Kunming Sunny Lake & Splendid Life	38	–	38	80%
36.	Extension of Kunming Sunny Lake & Splendid Life	–	70	70	100%
37.	Chongqing Poly Spring Villa	11	19	30	51%
<b>Other Regions</b>					
38.	Harbin Poly The Water's Fragrant Dike	74	461	535	58%
39.	Poly Harbin Contemporary No. 9 Park Life	139	–	139	51%
40.	Harbin The Tsinghua Summer Palace of Poly	–	361	361	51%
41.	Jinan Poly Garden	36	–	36	100%
42.	Jinan Poly Hyde Mansion	100	342	442	100%
43.	Jinan Poly Daming Lake	224	–	224	80%
44.	Hainan Shenzhou Peninsula	–	457	457	100%
Total:	<u>4,573</u>	<u>12,568</u>	<u>17,141</u>		



## Land Reserves Acquired in 2011

In January and February 2011, the Group further acquired three land parcels in the Yangtze River Delta regions, the Pearl River Delta regions and a city in which we have just established a presence, thereby expanding the Group's land reserves by a gross floor area of approximately 1,072,000 square meters.

Land Parcel/Project	Usage	Total	Planned gross
		site area ( <sup>'000</sup> square meters)	floor area ( <sup>'000</sup> square meters)
<b>Yangtze River Delta and Pearl River Delta Regions</b>			
1. Huizhou Danshui Project	Residential	66	238
2. Ningbo Yuyao Commercial Comprehensive Project	Residential and commercial	208	554
<b>Other Regions</b>			
3. Shandong Yantai Poly Garden	Residential	100	280
Total:		374	1,072

## Review of Property Investment Business

The Group held a number of investment properties in Shanghai, Beijing, Guangzhou, Wuhan and Shenzhen.

In September 2010, Hubei Poly White Rose Hotel was officially approved as a five-star tourist hotel by the Appraisal Committee of Tourism Hotel Star-rating under the National Tourism Administration, which is the first of the kind under the Group. Radegast Resort Guiyang Poly opened for trial operation in October 2010. The hotel, with a gross floor area of approximately 39,000 square meters and 210 guest rooms, is invested and constructed by the Group, and is situated in the center of Poly Hot Spring Newisland. It is also right next to Poly International Hot Spring which is a National AAAA Class Scenic Spot. The hot spring resort hotel is of five-star standard. Beijing Tianlun International Hotel Management Group was appointed the manager of which by the Group.

In 2010, the overall performance of our property leasing business remained stable, delivering a satisfactory occupancy rate. As at 31 December, 2010, the gross floor area of investment properties held by the Group was approximately 349,000 square meters, recording an accumulative operating revenue of RMB393,230,000 for the year. Our investment properties provide the Group with stable and recurring rental income.



Shanghai Poly Royal Garden

## List of Investment Properties

List of major investment properties and hotels as at 31st December, 2010:

<b>Location</b>	<b>Project</b>	<b>Gross floor area ('000 square meters)</b>	<b>Gross floor area attributable to the Group (%)</b>	<b>Property category</b>
Shanghai	Shanghai Stock Exchange Building	100	48%	Office building
Beijing	Beijing Poly Plaza	95	75%	Office building, hotel and theatre
Beijing	Beijing Legend Garden Villas	22	55%	Apartment and villa
Guangzhou	Guangzhou Citic Plaza	38	60%	Office building
Shenzhen	Shenzhen Poly Cultural Plaza	148	91%	Mall, cinema, theatre, etc.
Wuhan	Hubei Poly White Rose Hotel	34	100%	Hotel
Guiyang	Radegast Resort Guiyang Poly	39	66.5%	Hotel
Total:		<u>476</u>		

## Review of Property Management Business

The Group holds various property management companies engaging in the management of hotels and high-end properties. Over the years, the companies won numerous awards and honors including the honorary titles of quality, services and integrity of model unit.

In 2010, the property management companies realized an income of RMB114,270,000 and managed 60 property projects with an aggregate gross floor area of 7,450,000 square meters, covering office buildings, hotels, shopping malls, villas and residences.

## Summary for Major Development Projects

### 1. Yangtze River Delta Region

Yangtze River Delta Region is the first region that the Group set up its presence and also is one of the major development areas of the Group at the moment. As at 31st December, 2010, the Group held 12 property development projects in the Yangtze River Delta Region, of which 9 projects are under construction. The total gross floor area is 4,202,000 square meters, of which approximately 1,104,000 square meters are under construction and approximately 3,098,000 square meters are under planning, which represents approximately 24.5% of the total gross area of projects under construction and proposed projects under planning of the Group.

The Group has 8 property development projects in Shanghai and five of them are located in Jiading Xincheng, Jiading district, Shanghai. Jiading Xincheng ranks amongst the three major new cities under development as designated by the general urban planning of Shanghai municipal government, and is the main vehicle in respect of services and connection provided by Shanghai to various cities in the Yangtze River Delta region. As at 31st December, 2010, three projects were under construction, including residential and commercial properties, office buildings, theatres and hotels and combinations of the above categories. Shanghai Poly Town introduced a brand new cultural real estate concept of “family-oriented community” by incorporating concerns of family relationship into the planning, construction and property management of the development, and was awarded the “China People Residential 10 Years • Social Harmony Community Award (中國人居10年•社會和諧型社區獎)” jointly by IRETO and China Real Estate Business (中國房地產報). Phases 3 and 4 of Shanghai Poly Town are under construction. By linking the urban areas with the Shanghai lightrail Line 11 which is being constructed, Shanghai Poly Lakeside Garden is conveniently located. At present, the phase 2 of the project is under construction. The Group secured a new commercial and residential project in Jiading Xincheng during the year, and it is an integrated property development project. Construction works of the grand theatre under the planning of phase 1 of the project were commenced in June 2010. In addition, Shanghai Poly Royal Garden is situated in Tangzhen, Pudong New District, Shanghai, a new town which will undergo major development in the next five years. Shanghai Poly Villa Garden is situated in Xinjiangwancheng, Shanghai, which is adjacent to the sub-civic centre of the city. Six blocks of multi-storey residential buildings incorporate the style of Jiangnan south town into Scandinavian architecture for the sake of demonstrating the natural ecological characteristics of towns in Scandinavian countries. All the residential units were sold out, and the project is scheduled to be completed for delivery by 2011.



With respect to the Yangtze River Delta region, in addition to Shanghai, the Group holds two projects in Suzhou city, one project in Hangzhou city and one project in Ningbo city. Suzhou Guan Hu Guo Ji and Suzhou Poly Dushu West Coast are ideally located by the lakeside with beautiful scenery. The former is located in the north of Yinshan Lake scenic area in Suzhou Wuzhong Economic Development Zone, while the latter is located by the lakeside of Dushu Lake and the land parcel is on a small island with water from three sides around. Both projects can enjoy gorgeous lake view and construction works of phase 1 are being processed. The Group also holds two projects in Hangzhou City and Ningbo City. They are situated in the trunk roads of the urban areas with convenient transportation services. Hangzhou Deqing project commenced construction in the end of 2010.

## **2. Pearl River Delta Region**

As at 31st December, 2010, the Group held seven property development projects in the Pearl River Delta region, of which six are under construction. The total gross floor area is 2,652,000 square meters, of which 1,388,000 square meters are under construction and 1,264,000 square meters are under planning, which represents 15.5% of the total gross floor area of projects under construction and proposed projects under planning of the Group.

Guangzhou City of Poly, the Group's first project in Guangzhou region, is situated in Huadou District, Guangzhou, is in the neighborhood of Cultural Square in Motor City, Asia Games Stadium and the terminal of metro rail Line 9 which is under construction. The project is featured with concise England style and has recorded satisfactory results since its debut from 2009. Phase 2 and phase 3 of the project are under construction. Guangzhou Poly Crystal City, another project of the Group in Guangzhou, is just opposite to Guangzhou City of Poly and construction works of which were commenced at the end of 2010. Shenzhen Poly Upper Town is situated in the prime area of commercial district in Longgang, Shenzhen, where metro rail Line 5 is nearby. That is, the project enjoys convenient transportation services. Foshan Poly Cullinan is located at the heartland of Shan City, Foshan, only 500 meters away from the exit of Jihua station of metro rail Line 1. It is surrounded by hospitals, schools and a variety of facilities for daily life, leisure and recreational activities. The project enjoys comprehensive services and is a new project relatively rare in Foshan old district. Foshan Poly Prestige Town is situated in Longjiang Town, Shunde District, Foshan, and is right in the area of Lecong Furniture City where prosperous commercial activities can be found. Each project has its own characteristics to meet the demand of different types of residence.

## **3. Cities in central and southwestern regions**

Demand for residential properties in cities in central and southwestern regions is relatively inelastic and projects in these regions account for a substantial share in projects of the Group. As at 31st December, 2010, the Group held 18 property development projects in cities in central and southwestern regions, of which 11 are under construction. The total gross floor area is 8,093,000 square meters, of which 1,508,000 square meters are under construction and 6,585,000 square meters are under planning, which represents 47.2% of the total gross floor area of projects under construction and proposed projects under planning of the Group.

The Group holds a total of five property development projects in Wuhan. Wuhan Poly Plaza is a composite building situated in the heartland of Hongshan Square (洪山廣場) in Wuchang District, Wuhan City and is in the neighborhood of metro rail Line 2 and Line 4. It is also a landmark commercial and office building and is expected to be completed in 2012. Wuhan Poly Royal Palace is situated in the prime area of Donghu New Technology Development Zone in Wuhan City, and is adjacent to the metro rail and commands a panorama view of the renowned Donghu scenic area to the north. Phase 3 of the project is under construction and is expected to be completed in 2011. Wuhan Poly Blue Ocean District of Poly is conveniently situated within the second ring of Wuhan City and enjoys a perfect geographical location. Wuhan Cai Sheng Garden of Poly is closely adjacent to Xudong Commercial Circle, Wuhan Polytechnic University and the headquarter of Wuhan Steel Group in the inner ring of the city. The project was acquired through transfer agreements and was able to achieve the goal of "acquisition, construction and offer for sale within the same year".

In addition, the Group holds five property development projects in Guiyang. Guiyang Poly Hot Spring Newisland, a sizable cultural residential project, is situated in Wudang District, Guiyang City, Guizhou Province, and phase 3 of the project is under construction. Guiyang Poly International Plaza is situated on the bank of Nanming River, Nanming District, Guiyang City. With a shoreline of nearly 300 meters, the project adjoins the Guiyang Grand Theatre. It is an integrated development project of the premium grade, which is in scarcity in the main urban area in Guiyang City, featuring residential apartments, shopping malls, office towers and art galleries. Guiyang Poly Spring Street is situated in the southern part of Wudang District, Guiyang City, and is only 1 kilometer away from the centre of Wudang District. The project features a variety of residential units and comprehensive facilities for daily life, making available amiable living environment. Phase 1 of the project is under construction. Located by the side of Qianling Park of Guiyang City and opposite to Xiaoguan Lake, Guiyang Poly Clouds Hill International is adjacent to the provincial government and renowned schools. Phase 2 of the project is under construction. The Group has a clear layout and product positioning in Guiyang City, and its products include townhouses, villas and high-rise residential units, enabling the Group to meet the inelastic market demand for residential housing and to improve the life quality of local people.

Moreover, the Group holds four projects in Nanning City, one project in Liuzhou City and two projects in Kunming City. Nanning Poly Crescendo is situated in the north of Nanning City, a 20 minutes drive from downtown area. According to the planning of this sizable development, residential apartments with low density will constitute the core part of the project while high-rise residential buildings and serviced apartments will also be built for the community. Phase 1 of the project is under construction. Nanning Poly Relations with Childlike Innocence is situated in the west of Fenglin Road in the northern part of Fengling. The land parcel in Wuyi Xi Road and the one in Yongwu Road, both in Nanning City, are land reserves acquired in 2010. The Group is a top property developer in terms of market share in Nanning City and enjoys remarkable branding effects. We also earn market reputation with our quality products and property services. For example, Poly Phoenixia Garden developed by the Group is named by the Ministry of Housing and Urban-Rural Development as a national model community. Liuzhou Poly Dajiang County is situated at Baisha Road, North District, Liuzhou City, with Binjiang Dong Road at the east, and has a riverfront of over 200 meters. Kunming Sunny & Lake Splendid Life is situated in Anning, Kunming City, Yunan Province. The project is a high-end integrated residential and commercial complex.



Chongqing Poly Spring Villa is situated in the South Hot Spring Scenic Area, one of Chongqing's top ten scenic spots. The project features a high-end hot spring resort with independent villas, and has been awarded various titles since the commencement of the development.

#### **4. Cities in other regions**

As at 31st December, 2010, in addition to the Yangtze River Delta, the Pearl River Delta and central and southwestern regions, the Group held seven projects in Harbin, Jinan and Hainan, of which five projects are under construction. The total gross floor area is 2,194,000 square meters, of which 573,000 square meters are under construction and 1,621,000 square meters are under planning, which represents approximately 12.8% of the total gross floor area of projects under construction and proposed projects under planning of the Group.

The Group has three projects in Harbin. Harbin Poly The Water's Fragrant Dike is adjacent to the offices of Harbin municipal government, and is a sizable, low density and high-end residential development mainly comprising villas. Phase 3 of the project is under construction. Poly Harbin Contemporary No.9 Park Life is located in Songbei District, closely adjacent to Songbei central business district and the Convention and Exhibition Centre, and is a high-end residential community. Phase 2 of the project is under construction. Besides, the project has been awarded "Top 10 Selected Developments (十大精品樓盤)", "Buildings with Outstanding Landscape Design (景觀設計優秀樓盤)" in Harbin. Harbin The Tsinghua Summer Palace of Poly is located in Nangang District in the center of Harbin city, which is an education and cultural base clustering a number of tertiary academic institutions, and is also adjacent to the Group's newly completed projects Poly Yi He Homeland which is the first culture-themed residential project in Harbin.

The Group holds three projects in Jinan. Jinan Poly Garden is situated at the eastern part of the Jinan High-tech Development Zone, and was awarded the "Family-oriented Residential Trial Development in China (中國親情住宅試點小區)". Phase 2 of the project is under construction. Jinan Poly Daming Lake is situated in Lixia District, Jinan City, and is adjacent to the renowned Daming Lake scenic area. The project mainly comprises high-rise residential buildings. During the first quarter of 2010, the Group acquired the related land parcel by way of bidding, and the project was launched into the market during the same year. Jinan Poly Hyde Mansion is situated in Licheng District, a commercial center in the eastern part of Jinan City. It is a sizable commercial and residential development with a 30 minutes drive from the airport.

The yacht club project of Hainan Shenzhou Peninsula is situated in the center part of the eastern coast of Hainan Province, which is 7 kilometers south of Wanning City, Hainan Province. The project is endowed with scenic coastal view of the island, and will be developed into a first-class sizable international resort residential area by capitalizing on, as well as protecting, natural resources.

## FINANCIAL REVIEW

### Liquidity and Capital Structure

As at 31st December, 2010, total equity attributable to shareholders of the Group amounted to HK\$22,010,167,000 (2009: HK\$14,619,950,000), while the net asset value per share was HK\$6.1 (2009: HK\$4.9). As at 31st December, 2010, the Group's gearing ratio (on the basis of the amount of total liabilities divided by the amount of total assets) was 68% (2009: 58%).

As at 31st December, 2010, the Group had an outstanding bank and other borrowings of HK\$29,823,270,000. In terms of maturity, the outstanding bank and other borrowings can be divided into HK\$9,522,631,000 (32%) to be repaid within one year, HK\$8,377,408,000 (28%) to be repaid after one year but within two years, HK\$9,815,846,000 (33%) to be repaid after two years but within five years, HK\$2,107,385,000 (7%) to be repaid after five years. In terms of currency denomination, the outstanding bank and other borrowings can be divided into HK\$26,313,270,000 (88%) in Renminbi, and HK\$3,510,000,000 (12%) in United States dollars.

28% of the bank and other borrowings of the Group are subject to fixed interest rates and the remaining 72% are subject to floating interest rates. Therefore, under circumstances of interest rates uncertainty or fluctuations or otherwise as appropriate, the Group will consider the use of hedging instruments (including interest rates swaps), in order to manage interest rate risks.

As at 31st December, 2010, the Group had a net current assets of HK\$33,539,008,000 and total bank balances of HK\$16,054,674,000 (2009: HK\$14,634,931,000 and HK\$10,363,977,000 respectively).

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi and United States dollars. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimized via balancing the monetary assets versus monetary liabilities, and foreign exchange revenue versus foreign exchange expenditures. The management believes that the foreign exchange rate between Hong Kong dollars and United States dollars is relatively stable. On the other hand, despite the recent mild appreciation of Renminbi, the Board believes that Renminbi will only gradually appreciate by a small percent in the foreseeable future. In this regard, the management believes that the exposure of the Group to foreign exchange risks is minimal.

### **Pledge of Assets**

As at 31st December, 2010, certain of the Group's investment properties of approximately HK\$1,462,914,000 (2009: HK\$1,744,683,000), hotel properties of approximately HK\$642,353,000 (2009: HK\$621,160,000), buildings of approximately HK\$574,413,000 (2009: HK\$219,198,000), prepaid lease payments of approximately HK\$333,389,000 (2009: HK\$361,165,000), properties under development of approximately HK\$10,969,486,000 (2009: HK\$4,288,045,000), bank deposits of approximately HK\$181,864,000 (2009: HK\$263,548,000) and properties held for sales of approximately HK\$1,976,672,000 (2009: HK\$470,369,000) and shares in certain subsidiaries were pledged to secure credit facilities granted to the Group.

### **Contingent Liabilities**

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amounted to HK\$8,306,183,000 as at 31st December, 2010 (2009: HK\$6,075,008,000). Such guarantees terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

At 31st December, 2010, the Company had given guarantees to certain banks and a fellow subsidiary in respect of credit facilities granted to certain subsidiaries of the Company. The amounts that could be required to be paid if the guarantees were called upon in entirety amounted to HK\$6,181,000,000 (2009: HK\$131,000,000). HK\$6,181,000,000 (2009: HK\$131,000,000) had been utilised by subsidiaries.

### **STAFF**

As at 31st December, 2010, the Group employed about 5,140 staff with remuneration for the year amounted to HK\$359,787,000. The Group provides its staff with various benefits including year-ended double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

# OUR BUSINESS

**PROPERTY  
DEVELOPMENT**

## Central & Southwestern Regions

Residing at Yongwulu, the northern side of Nanning City, Nanning Poly Crescendo offers convenient access with only twenty-minute ride from Nanning City centre. The project is a large-scale residential development integrating various residences with villas, condominiums, high-rise apartments and serviced apartments. It will be developed in four different phases while striving to conserve of natural environment and ecology of the site.

The development orchestrates the features of European style backdrop seamlessly with the scenic water landscape and ambiance. It boasts the picturesque scenery and showcases a 4,000 square meters 'Crystal House', which will be the key exhibit demonstrating the collaboration of nature and modern architecture.


The project has an aggregate gross floor area of approximately 530,000 square meters. Phase 1 of the project has an aggregate gross floor area of approximately 140,000 square meters and is expected to be completed in 2012.

**Chongqing** 

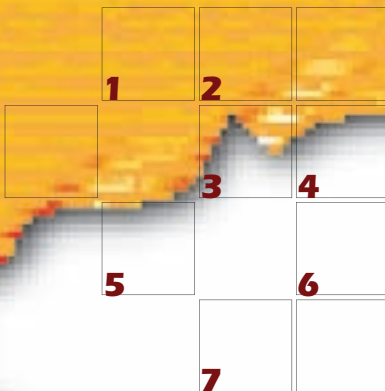
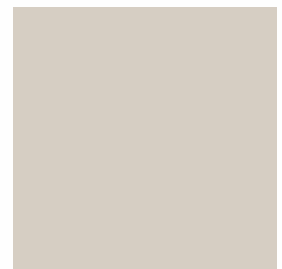
**Guiyang** 

**Kunming** 

**Nanning** 

**Liuzhou** 





- 1. Kunming**  
Poly Sunny Lake & Splendid Life
- 2. Guiyang**  
Poly International Center
- 3. Chongqing**  
Poly Spring Villa
- 4. Wuhan**  
Poly Plaza
- 5. Guiyang**  
Poly Hot Spring Newisland
- 6. Nanning**  
Poly Crescendo
- 7. Wuhan**  
Poly Royal Palace



## Corporate Governance Report

This corporate governance report (“CG Report”) presents the corporate governance matters during the period covering the financial period ended 31st December, 2010 and up to the date of the Annual Report to which this CG Report is inscribed (“CG Period”) required to be disclosed under the Rules Governing the Listing of the Securities of The Stock Exchange of Hong Kong Limited (“Listing Rules”).

### **Adoption of corporate governance principles**

The Board has adopted a set of corporate governance principles (“Principles”) which aligns with the requirements set out in the Code on Corporate Governance Practices (“CG Code”) (Appendix 14 of the Listing Rules) and the Model Code for Securities Transactions by Directors of Listed Issuers (“Securities Code”) (Appendix 10 of the Listing Rules). During the CG Period, the Principles had been duly complied with.

### **Securities code**

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard set out in the Securities Code. Having made specific enquiry, all of the Directors have complied with the Company’s code of conduct during the CG Period except that the Company has received a notification from Mr. Lam Tak Shing, Harry, an ex-director of the Company, on 21st January, 2010 regarding his trading of 300,000 Shares during the blackout period for the final results for the year ended 31st December, 2009.

### **Chairman and Chief Executive Officer**

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the roles of Chairman and Chief Executive Officer of the Company have been performed by Mr. Xue Ming since 29th April, 2010. The Board believes that the roles of Chairman and Chief Executive Officer performed by Mr. Xue Ming provide the Group with strong and consistent leadership and are beneficial to the Group especially in planning and execution of business strategies. The Board also believes that the present arrangement is beneficial to the Company and the shareholders as a whole.

## Board of directors

For the year ended 31st December, 2010, the Board had held 4 physical meetings of the full Board of Directors. Out of the 4 full Board meetings, 2 of them were held to discuss and/or approve the annual and interim results of the Group, 1 meeting for considering the business and development of the Group, and 1 meeting for considering the continuing connected transactions.

For the year ended 31st December, 2010, the composition of the Board, and the respective attendances of the Directors at the above Directors' meetings are presented as follows:

<b>Director</b>	<b>Board capacity</b>	<b>Attendance</b> Full Board meetings
Mr. He Ping (Resigned on 29th April, 2010)	Executive Director ("ED") & Chairman	1/4
Mr. Chen Hong Sheng	ED	4/4
Mr. Wang Xu	ED	4/4
Mr. Xue Ming	ED, Chairman & Managing Director	4/4
Mr. Han Qing Tao	ED	4/4
Mr. Ye Li Wen	ED	4/4
Mr. Chan Tak Chi, William (Resigned on 11th August, 2010)	ED	2/4
Mr. Ip Chun Chung, Robert	Non-Executive Director ("NED")	4/4
Mr. Yao Kang, J.P.	Independent Non-Executive Director ("INED")	4/4
Mr. Lam Tak Shing, Harry (Resigned on 11th August, 2010)	INED	2/4
Mr. Choy Shu Kwan	INED	4/4
Ms. Leung Sau Fan, Sylvia (Appointed on 11th August, 2010)	INED	2/4

The Company has received from each of the INEDs a written confirmation of his independence pursuant to the requirements of the Listing Rules and considered that all of the INEDs are independent in accordance with the independence guidelines set out in the Listing Rules.

During the CG Period, none of the Directors above has or maintained any financial, business, family or other material/relevant relationship with any of the other Directors.

The appointment of the directorship were subject to, as to EDs, retirement, rotation and re-election at least once every 3 financial years and, as to NEDs and INEDs, their specific term of office or their retirement by rotation at annual general meeting of the Company, at which they being eligible can offer themselves for re-election.

The Board of Directors of the Company takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, financial information, appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the Managing Director and the senior management. Approval has to be obtained from the Board prior to any significant transactions entered into by the officers.

## Remuneration committee

Since the Adoption Date, the Company had maintained a Remuneration Committee. The role and function of the Remuneration Committee includes:

- formulate remuneration policy;
- recommendation to the Board on the remuneration policy for the Directors;
- review of, approval of and recommendation for (if any) the remuneration package of each Director including benefits in kind, pension right, performance bonus payment and compensation payable;
- review and approval of the compensation payment to any Director upon his/her cessation of directorship in or employment with the Company; and
- engagement of external professional advisors to assist and/or advise the Remuneration Committee on its duties when necessary and reasonable.

Terms of reference of the Remuneration Committee had been compiled since the establishment of the Remuneration Committee and were endorsed and adopted by the Board of Directors of the Company.

During the CG Period, the Remuneration Committee held one committee meeting.

The composition of the Remuneration Committee is as follows:

<b>Member</b>	<b>Board capacity</b>	<b>Attendance</b>
Mr. Yao Kang, <i>J.P.</i>	INED	1/1
Mr. Lam Tak Shing, Harry (Resigned on 11th August, 2010)	INED	0/1
Mr. Choy Shu Kwan	INED	1/1
Ms. Leung Sau Fan, Sylvia (Appointed on 11th August, 2010)	INED	1/1
Mr. He Ping (Resigned on 29th April, 2010)	Chairman	0/1
Mr. Wang Xu	ED	1/1
Mr. Xue Ming (Appointed on 29th April, 2010)	Chairman and Managing Director	1/1

The chairman of the Remuneration Committee since its establishment has been Mr. Yao Kang, *J.P.*.

The summary of the work performed by the Remuneration Committee for the financial period under review included:

- endorsement to the remuneration policy for the Directors;
- review and approval of the remuneration package of each Director including benefits in kind, pension right, bonus payment and compensation payable.

## Directors' emoluments

The remuneration paid to and/or entitled by each of the Directors for the financial period under review is set out in note 11 to the financial statements in the Annual Report.

The share options granted to and/or entitled by the Directors during the financial period under review are set out in the section headed "Directors' Interests in Securities" in the Directors' Report of the Annual Report.

## Nomination of directors

The Board shall be composed of members with mixed skills and experience with appropriate weights necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. Each member of the Board shall possess, be recognised for and be able to exhibit high and professional standard of a set of core criteria of competence.

The Company had adopted a nomination policy for the criteria, procedures, and process of the appointment and removal of Directors.

Under the nomination policy, the board of EDs has been delegated the full power to the administration of the nomination policy and the appointment and the termination of Directors, where the full Board remains to have the full and overriding power and absolute right thereover.

During the CG Period, the EDs held two meetings for the appointment and resignation of directors of the Company.

## Audit committee

Throughout the CG Period, the Company had maintained an Audit Committee. The major role and function of the Audit Committee includes:

- monitoring the integrity of the financial statements of the Group;
- providing independent review and supervision of the effectiveness of the internal control of the Group;
- review of the adequacy of the external audits;
- review on the compliance issues with the Listing Rules and other compliance requirements;
- providing independent views on connected transactions and transactions involving materially conflicted interest;
- considering and reviewing the appointment of the Auditor and the audit fee.

Terms of reference of the Audit Committee had been compiled since the establishment of the Audit Committee and revised by the Board of Directors of the Company on 21st January, 2009.

During the CG Period, the Audit Committee had held 4 physical meetings for discussing and/or approving the final/interim results of the Group and for discussing the change of internal auditor, the internal control and the continuing connected transactions of the Group.

The composition of the Audit Committee, and the respective attendances of the committee members are presented as follows:

<b>Member</b>	<b>Board capacity</b>	<b>Attendance</b>
Mr. Yao Kang, <i>J.P.</i>	INED	4/4
Mr. Lam Tak Shing, Harry (Resigned on 11th August, 2010)	INED	2/4
Mr. Choy Shu Kwan	INED	4/4
Ms. Leung Sau Fan, Sylvia (Appointed on 11th August, 2010)	INED	2/4
Mr. Ip Chun Chung, Robert	NED	4/4

The chairman of the Audit Committee is Mr. Yao Kang, *J.P.*.

The report of the work performed by the Audit Committee for the financial period under review is set out in the section headed "Audit Committee Report" of this Annual Report.

## **Auditor's remuneration**

The analysis of the Auditor's remuneration for the financial period under review is presented as follows:

	<b>Fee amount</b> HK\$'000
Audit services	5,000
Non-audit services	—
	<hr/>
Total	<u>5,000</u>

## **Acknowledgement of responsibility for the financial statements**

The Directors acknowledged their responsibilities for preparing the financial statements of the Group. In preparing the accounts for the financial period under review, the Directors have:

- based on a going concern basis;
- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were prudent, fair and reasonable.



## **Review of internal control**

During the financial period under review, the Directors had arranged to conduct a review over the effectiveness of the internal control system of the Group including functions of financial, operation, compliance and risk management. The review showed a satisfactory control system. The review had been reported to the Audit Committee. The Directors had also, where necessary, initiated necessary improvement and reinforcement to the internal control system.

On behalf of the Board

**XUE Ming**

*Chairman and Managing Director*

30th March, 2011

## Audit committee report

The Audit Committee of the Company was established on 19th March, 1999. Its composition shall be a minimum of 3 members of NEDs with a NED majority being INEDs. For the financial period under review, the Audit Committee comprised all the NED and INEDs of the Company at all times.

For the financial period under review, the Audit Committee had performed the following duties:

- reviewed and commented on the audited full year financial statements and the unaudited interim financial results of the Group of the financial period under review before submission to the Board for adoption and publication;
- endorsed the policy on the engagement of external auditor for non-audit services;
- met with the Auditor to discuss the financial matters of the Group that arose during the course of the audit process, and reviewed the findings, recommendations and representations of the Auditor;
- reviewed and approved the remuneration and the terms of engagement of the Auditor for both audit services and non-audit services for the financial period under review;
- reviewed the internal audit reports and the Company's statement on internal control.

After due and careful consideration of the reports from the management of the Group and the Auditor, the Audit Committee was of the view that no suspected irregularities, internal control deficiencies, or breach of regulations had been found. The Company has taken necessary measures to strengthen its system of internal control so as to ensure that it is adequate and effective.

Based on the reviews and discussions performed by the Audit Committee, the Audit Committee had:

- recommended to the Board for the approval of the audited financial statements of the financial period under review together with the Auditor's Report there attached, before the announcement of the annual results;
- recommended to the Board for the approval of the unaudited financial statements of the financial period under review before the announcement of the interim results; and
- recommended to the Board for the proposal for the re-appointment of PKF as the Auditor of the Company for the ensuing year in the forthcoming annual general meeting of the Company.

Audit Committee Members:

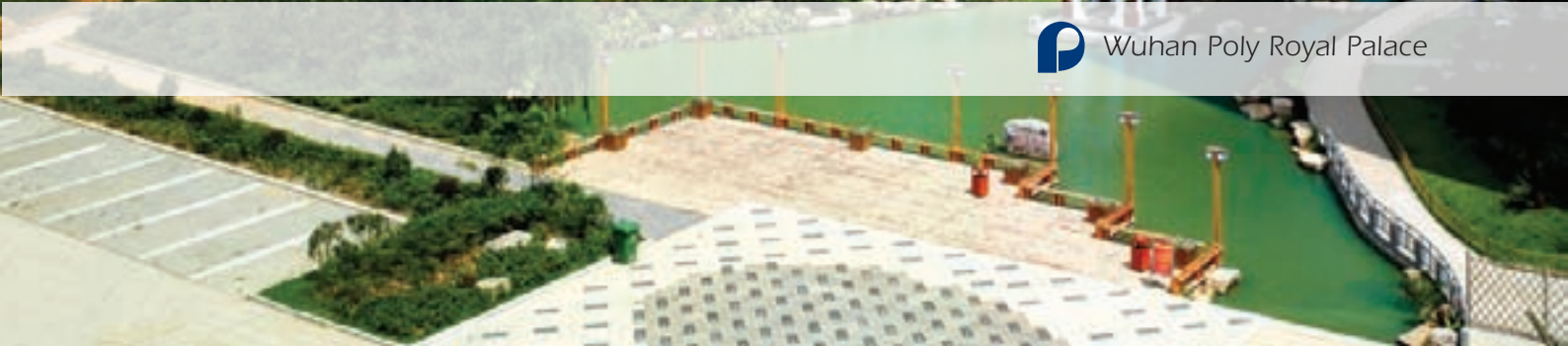
YAO Kang, J.P. (*Chairman of the Audit Committee*)

CHOY Shu Kwan

LEUNG Sau Fan, Sylvia

IP Chun Chung, Robert

Hong Kong, 30th March, 2011





# OUR BUSINESS

**PROPERTY  
DEVELOPMENT**

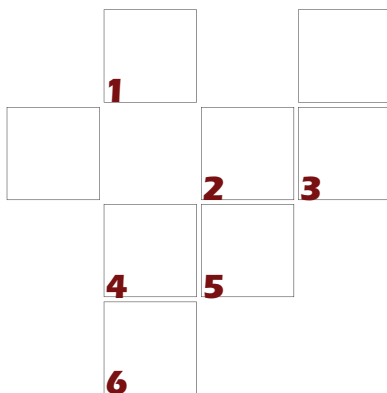
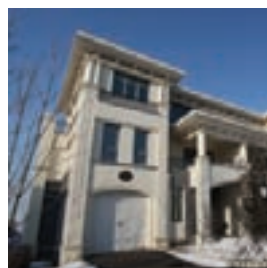
## Other Regions

Jinan Poly Daming Lake is the third project development in Jinan, Shandong. Located in Da Ming Hu Section of Jingyi Road, the project enjoys the prime location cradled by the picturesque Daming Lake, which is one of the major natural and cultural landmarks in Jinan. It is highly accessible connecting to major routes in the city.

The project is an integrated development with a planned gross floor area of 224,000 square meters, comprising high-rise apartments, offices, boasting and fabricating the scenic lake views into exquisite lifestyle. It also offers the extensive access to public facilities and amenities including schools, shops and recreation complex in proximity. The project construction commenced in February 2010 and is expected to be completed in 2012.

**Jinan** 

**Hainan** 



**1. Hainan**  
Shenzhou Peninsula

**2. Jinan**  
Poly Garden

**3. Jinan**  
Poly Lotus

**4. Jinan**  
Poly Daming Lake

**5. Harbin**  
Poly Harbin Contemporary  
No.9 Park Life

**6. Harbin**  
Poly The Water's Fragrant Dike



## Directors' Profile

### Executive directors

**CHEN Hong Sheng**, aged 61, has joined the Board since January 2004. He graduated from Beijing Aviation Institute in the People's Republic of China ("PRC"). Mr. Chen is also the Chairman of China Poly Group Corporation ("China Poly") and a Director of Poly (Hong Kong) Holdings Limited ("Poly Holdings"). China Poly and Poly Holdings are substantial shareholders of the Company. He is very experienced in management and trading.

**WANG Xu**, aged 51, had been the Managing Director of the Company during the period from October 2007 to July 2009. He is a Deputy General Manager of China Poly and the Chairman of Poly Holdings. Mr. Wang had been the Chairman of Poly Southern Group Limited ("Poly Southern", a wholly-owned subsidiary of China Poly) during the period from March 2003 to September 2007.

**XUE Ming**, aged 49, was appointed as a Director of the Company since April 2006. He is the Chairman and the Managing Director of the Company. He holds a master's degree in Economics from Renmin University of China in the PRC. Mr. Xue is a senior economist with over 30 years' experience in management. He was the Deputy General Manager, the General Manager of Poly Property Group Co., Ltd. ("Poly Shanghai") for the period from 2003 to 2005 and was the General Manager of Poly Shanghai in 2006. He is also a Deputy General Manager of China Poly and a Director and Deputy General Manager of Poly Holdings.

**HAN Qing Tao**, aged 50, was appointed as a Director of the Company in October 2007. He is a holder of Executive Master Degree of Business Administration. He has over 16 years' experience in finance and management. Mr. Han had been the Managing Director of Poly Southern during the period from December 2005 to September 2007.

**YE Li Wen**, aged 40, holds a bachelor degree from Dongbei University of Finance & Economics and a Master of Business Administration degree from Beijing University in the PRC. He had worked with China Poly as a senior officer for the period from 1994 to 2001. Mr. Ye has joined the Company since 2001 and is the Deputy General Manager of the Company.

## Non-executive director

**IP Chun Chung, Robert**, aged 54, has joined the Board since January 2001 and is a member of the Audit Committee of the Company. Mr. Ip is a practising solicitor. Mr. Ip is also an Independent Non-Executive Director of China Data Broadcasting Holdings Limited.

## Independent non-executive directors

**YAO Kang, J.P.**, aged 86, has joined the Board since March 1999 and is the Chairman of the Audit Committee of the Company. Mr. Yao was a Director of John Swire & Sons (Hong Kong) Limited and Cathy Pacific Airways Limited. He was also Chairman of Pafoong Insurance Co., (HK) Ltd. and Taikoo Royal Insurance Co., Ltd.

**CHOY Shu Kwan**, aged 56, holds a Master degree in Business Administration and has over 32 years' extensive experience in financial business and investment management. Mr. Choy is also an Independent Non-Executive Director of Skyfame Realty (Holdings) Limited.

**LEUNG Sau Fan, Sylvia**, aged 47, holds a Bachelor degree in Accountancy from City University of Hong Kong and a Bachelor of Laws degree from University of London. She is a chartered secretary and has around 20 years of experience in dealing with listing related and corporate finance areas.

## Directors' Report

The directors present their annual report and the audited consolidated financial statements of Poly (Hong Kong) Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2010.

### Principal activities

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 54 to the consolidated financial statements.

### Results and appropriations

The results of the Group for the year ended 31st December, 2010 are set out in the consolidated income statement on page 59 of the annual report.

No interim dividend was paid during the year. The directors recommend the payment of a final dividend of HK\$0.155 per share to the shareholders on 20th May, 2011.

### Share capital

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

### Investment properties

At 31st December, 2010, the investment properties of the Group were revalued by an independent firm of professional surveyor and property valuer on an open market value basis at HK\$5,025,391,000.

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

### Property, plant and equipment

Details of movements during the year in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

## **Distributable reserves of the Company**

The Company's reserve available for distribution to shareholders as at 31st December, 2010 represented the accumulated profits of HK\$732,800,000.

## **Directors and directors' service contracts**

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

### **Executive directors:**

He Ping (*Chairman*) (resigned on 29th April, 2010)

Chen Hong Sheng

Wang Xu

Xue Ming (*Chairman and Managing Director*) (appointed as Chairman on 29th April, 2010)

Han Qing Tao

Chan Tak Chi, William (resigned on 11th August, 2010)

Ye Li Wen

### **Non-executive director:**

Ip Chun Chung, Robert

### **Independent non-executive directors:**

Yao Kang, *J.P.*

Lam Tak Shing, Harry (resigned on 11th August, 2010)

Choy Shu Kwan

Leung Sau Fan, Sylvia (appointed on 11th August, 2010)

In accordance with Article 116 of the Company's Articles of Association, Messrs. Wang Xu, Han Qing Tao and Yao Kang, *J.P.* will retire and being eligible, offer themselves for re-election.

In accordance with Article 99 of the Company's Articles of Association, Ms. Leung Sau Fan, Sylvia, who was appointed as a director during the year will retire and being eligible, offer herself for re-election.

The term of office of Mr. Ip Chun Chung, Robert, the non-executive director, and Mr. Yao Kang, *J.P.* and Mr. Choy Shu Kwan, independent non-executive directors, is three years from 6th October, 2008, subject to retirement by rotation as required by the Company's Articles of Association.

The term of office of Ms. Leung Sau Fan, Sylvia, an independent non-executive director, is three years from 11th August, 2010, subject to retirement by rotation as required by the Company's Articles of Association.

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

The Company has received an annual written confirmation from each of the independent non-executive directors concerning their independence and considered that the independent non-executive directors to be independent in accordance with the independence guidelines set out in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

## **Directors' interests in securities**

At 31st December, 2010, the interest and short positions of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### **Long position**

#### **Ordinary shares of HK\$0.5 each of the Company**

Ms. Leung Sau Fan, Sylvia is holding 10,000 shares (0%) in the issued share capital of the Company.



### Share options of the Company

<b>Name of director</b>	<b>Capacity</b>	<b>Number of options held</b>	<b>Number of underlying shares</b>
Chen Hong Sheng	Beneficial owner	11,500,000	11,500,000
Wang Xu	Beneficial owner	3,000,000	3,000,000
Xue Ming	Beneficial owner	2,650,000	2,650,000
Han Qing Tao	Beneficial owner	1,600,000	1,600,000
Ye Li Wen	Beneficial owner	1,600,000	1,600,000
Yao Kang, <i>J.P.</i>	Beneficial owner	500,000	500,000
Choy Shu Kwan	Beneficial owner	600,000	600,000
		21,450,000	21,450,000

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2010.

### Share options

Particulars of the Company's share option schemes are set out in note 38 to the consolidated financial statements.

### Arrangements to purchase shares or debentures

Other than the option holdings set out in note 38, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Substantial shareholders

As at 31st December, 2010, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

### Ordinary shares of HK\$0.5 each of the Company

Name of shareholder	Number of shares				Custodian/ Approved lending agent	Total number of shares	Approximate percentage of the issued share capital of the Company
	Beneficial owner	Investment manager	Held by controlled corporation(s)				
<b>Long position</b>							
Congratulations Company Ltd.	1,037,975,080	–	–	–	–	1,037,975,080	28.77%
Source Holdings Limited	228,398,760	–	100,086,800	–	–	328,485,560 <i>(Note 1)</i>	9.10%
Ting Shing Holdings Limited	–	–	1,366,460,640 <i>(Note 2)</i>	–	–	1,366,460,640	37.87%
Poly (Hong Kong) Holdings Limited	112,410,476	–	1,366,460,640 <i>(Note 3)</i>	–	–	1,478,871,116	40.98%
Poly Southern Group Limited	253,788,246	–	–	–	–	253,788,246	7.03%
China Poly Group Corporation	–	–	1,732,659,362 <i>(Note 4)</i>	–	–	1,732,659,362	48.02%
JPMorgan Chase & Co.	6,775,040	250,685,000	–	–	173,176,164	430,636,204	11.93%
<b>Short position</b>							
JPMorgan Chase & Co.	3,796,040	–	–	–	–	3,796,040	0.11%
<b>Lending pool</b>							
JPMorgan Chase & Co.	–	–	–	–	173,176,164	173,176,164	4.80%

*Notes:*

1. Source Holdings Limited is deemed by the SFO to be interested in 328,485,560 shares of the Company as a result of its direct holding of 228,398,760 shares and indirect holding of 100,086,800 shares through its wholly-owned subsidiaries, Musical Insight Holdings Limited and Wincall Holding Limited of 44,658,800 shares and 55,428,000 shares, respectively.
2. Ting Shing Holdings Limited is deemed by the SFO to be interested in 1,366,460,640 shares as a result of its indirect holding of 1,366,460,640 shares through its subsidiaries, Source Holdings Limited and Congratulations Company Ltd. of 328,485,560 shares and 1,037,975,080 shares, respectively.
3. Poly (Hong Kong) Holdings Limited is deemed by the SFO to be interested in 1,478,871,116 shares as a result of its direct holding of 112,410,476 shares and indirect holding of 1,366,460,640 shares through its wholly-owned subsidiary, Ting Shing Holdings Limited.
4. China Poly Group Corporation owns 100% of Poly (Hong Kong) Holdings Limited and Poly Southern Group Limited and is accordingly deemed by the SFO to be interested in the shares directly and indirectly owned by Poly (Hong Kong) Holdings Limited and Poly Southern Group Limited.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued shares or underlying shares of the Company as at 31st December, 2010.

## **Connected transactions**

Details of the discloseable connected transactions for the year are set out in note 52 to the consolidated financial statements. In the opinion of the directors who do not have any interest in these transactions, the transactions were carried out on normal commercial terms and in the ordinary and usual course of business of the Group.

The independent non-executive directors of the Company had reviewed the on-going connected transactions set out in note 52 ("Transactions") to the consolidated financial statements and in their opinion:

1. the Transactions were entered into in the ordinary and usual course of business of the Group;
2. the Transactions were conducted on normal commercial terms; and
3. the Transactions were entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company had reviewed the Transactions and provided a letter to the Board in accordance with Rule 14A.38 of the Listing Rules and confirmed, inter alia, that the Transactions have been entered into in accordance with the relevant agreements governing the Transactions and the Transactions have not exceeded their respective annual caps as disclosed in the relevant announcements and circulars.

## **Directors' interests in contracts**

There were no contracts of significance to which the Company or any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Major customers and suppliers

During the year, both the aggregate sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's sales and purchases, respectively.

## Emolument policy

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

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 38 to the consolidated financial statements.

## Pre-emptive rights

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

## Sufficiency of public float

The Company has maintained a sufficient public float throughout the year ended 31st December, 2010.

## Auditor

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

Messrs. PKF was appointed as the auditor of the Company on 21st January, 2009 to fill the casual vacancy occasioned by the resignation of Messrs. Deloitte Touche Tohmatsu on the same date.

On behalf of the Board

### **XUE Ming**

*Chairman and Managing Director*

Hong Kong, 30th March, 2011



Accountants &  
business advisers

26th Floor, Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

大信梁學濂(香港)會計師事務所

香港  
銅鑼灣  
威非路道18號  
萬國寶通中心26樓

## **TO THE SHAREHOLDERS OF POLY (HONG KONG) INVESTMENTS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Poly (Hong Kong) Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 176, which comprise the consolidated and Company's statements of financial position as at 31st December, 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Directors' responsibility for the consolidated financial statements**

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

## **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

## **Opinion**

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

### **PKF**

*Certified Public Accountants*

Hong Kong  
30th March, 2011

# Consolidated Income Statement

For the year ended 31st December, 2010

	<i>Notes</i>	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Revenue	8	<b>8,514,136</b>	7,196,898
Cost of sales		<b>(5,030,365)</b>	(5,518,651)
Gross profit		<b>3,483,771</b>	1,678,247
Increase in fair value of investment properties	17	<b>140,269</b>	49,885
Other income	9	<b>389,783</b>	82,823
Selling expenses		<b>(306,980)</b>	(243,521)
Administrative expenses		<b>(763,814)</b>	(509,033)
Net increase(decrease) in fair value of held-for-trading investments		<b>1,105</b>	(741)
Equity-settled share-based payment expenses	38(b)	–	(7,060)
Gain on disposal of interests in subsidiaries	44	<b>352,349</b>	196,797
Gain on disposal of interest in an associate	22	<b>98,060</b>	–
Discount on acquisition of interests in subsidiaries	42(a)	<b>81,303</b>	–
Write-down of properties held for sale		–	(13,083)
Impairment loss on trade receivables	28	<b>(2,019)</b>	(3,360)
Impairment loss on other receivables		<b>(42,276)</b>	–
Finance costs	10	<b>(257,316)</b>	(86,327)
Share of results of associates	22	<b>19,428</b>	(6,834)
Share of results of jointly controlled entities	23	<b>(7,818)</b>	(7,506)
Profit before taxation	13	<b>3,185,845</b>	1,130,287
Income tax expense	14	<b>(1,049,392)</b>	(314,127)
Profit for the year		<b>2,136,453</b>	816,160
Attributable to:			
Owners of the Company		<b>1,838,367</b>	662,114
Non-controlling interests		<b>298,086</b>	154,046
		<b>2,136,453</b>	816,160
Earnings per share	16		
– basic		<b>55.83 cents</b>	30.00 cents
– diluted		<b>55.20 cents</b>	29.67 cents

The notes on pages 68 to 176 form part of these consolidated financial statements.

Details of dividends payable to owners of the Company attributed to the profit for the year are set out in note 15.

# Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2010

<i>Notes</i>	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
<b>Profit for the year</b>	<b>2,136,453</b>	816,160
<b>Other comprehensive income</b>		
Exchange differences arising on translation of financial statements of foreign operations	<b>376,952</b>	–
Change in fair value of available-for-sale investments	<b>72,786</b>	230,493
Surplus (deficit) arising on revaluation of properties	<b>118,037</b>	(86,400)
Translation reserve released on disposal of interest in a subsidiary	<b>(1,428)</b>	–
Translation reserve released upon dissolution of a subsidiary	<b>(5,797)</b>	–
Other comprehensive income before tax effect	<b>560,550</b>	144,093
Deferred tax (liability) asset arising on revaluation of properties	<b>(29,509)</b>	21,600
Other comprehensive income for the year, net of tax	<b>531,041</b>	165,693
Total comprehensive income for the year	<b>2,667,494</b>	981,853
Attributable to:		
Owners of the Company	<b>2,260,099</b>	839,964
Non-controlling interests	<b>407,395</b>	141,889
	<b>2,667,494</b>	981,853

The notes on pages 68 to 176 form part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at 31st December, 2010

	<i>Notes</i>	<b>At 31st December, 2010 HK\$'000</b>	(Restated) At 31st December, 2009 HK\$'000	(Restated) At 1st January, 2009 HK\$'000
<b>NON-CURRENT ASSETS</b>				
Investment properties	17	<b>5,025,391</b>	4,476,339	3,392,821
Property, plant and equipment	18	<b>1,751,532</b>	1,196,395	1,124,487
Prepaid lease payments – non-current portion	19	<b>385,060</b>	317,765	261,896
Goodwill	20	<b>785,299</b>	790,716	–
Interests in associates	22	<b>135,480</b>	164,025	66,815
Interests in jointly controlled entities	23	<b>1,515</b>	1,630	1,422
Available-for-sale investments	30	<b>419,166</b>	346,340	115,847
Club membership		<b>1,169</b>	1,130	1,130
Deposits paid for acquisition of land use rights	24	<b>2,611,577</b>	2,789,257	1,275,637
Deposits paid for acquisition of subsidiaries	25	<b>235,294</b>	186,742	–
Deferred tax assets	45	<b>158,001</b>	93,003	148,649
		<b>11,509,484</b>	10,363,342	6,388,704
<b>CURRENT ASSETS</b>				
Properties under development	26	<b>37,990,453</b>	14,335,346	11,284,857
Properties held for sale		<b>5,495,438</b>	2,068,511	509,694
Other inventories	27	<b>42,237</b>	29,749	28,045
Trade and other receivables	28	<b>1,215,033</b>	623,999	605,924
Prepaid lease payments – current portion	19	<b>10,621</b>	8,626	6,918
Short-term loan receivables	29	<b>176,471</b>	–	96,013
Held-for-trading investments	31	<b>11,002</b>	9,897	16,526
Deposits paid for acquisition of property development projects	32	<b>976,544</b>	216,155	45,506
Amount due from an associate	22	–	62,571	–
Amount due from a jointly controlled entity	23	<b>2,582</b>	2,275	2,275
Amounts due from fellow subsidiaries	33(a)	<b>34,015</b>	28,138	53,771
Amounts due from non-controlling shareholders of subsidiaries	33(b)	<b>189,012</b>	144,252	72,000
Amounts due from related companies	33(c)	<b>17,431</b>	11,430	6,826
Taxation recoverable		<b>136,366</b>	96,902	35,683
Pledged bank deposits	34	<b>181,864</b>	263,548	51,491
Bank balances, deposits and cash	34	<b>15,872,810</b>	10,100,429	3,111,903
		<b>62,351,879</b>	28,001,828	15,927,432
<b>CURRENT LIABILITIES</b>				
Trade and other payables	35	<b>3,881,360</b>	2,276,723	1,625,823
Pre-sale deposits		<b>8,884,824</b>	4,569,206	1,738,770
Property rental deposits		<b>67,622</b>	71,589	60,142
Amount due to the ultimate holding company	33(a)	<b>98,635</b>	992,315	826,216
Amount due to an intermediate holding company	33(a)	<b>2,625,820</b>	886,192	1,536,464
Amounts due to fellow subsidiaries	33(a)	<b>1,407,760</b>	388,584	201,493
Amounts due to non-controlling shareholders of subsidiaries	33(b)	<b>1,018,110</b>	749,955	920,960
Amounts due to associates	22	<b>70,588</b>	85,294	34,130
Taxation payable		<b>1,235,521</b>	663,404	673,457
Bank and other borrowings – due within one year	36	<b>9,522,631</b>	2,683,635	1,552,831
		<b>28,812,871</b>	13,366,897	9,170,286
<b>NET CURRENT ASSETS</b>				
		<b>33,539,008</b>	14,634,931	6,757,146
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
		<b>45,048,492</b>	24,998,273	13,145,850

	<i>Notes</i>	<b>At 31st December, 2010 HK\$'000</b>	(Restated) At 31st December, 2009 HK\$'000	(Restated) At 1st January, 2009 HK\$'000
<b>CAPITAL AND RESERVES</b>				
Share capital	37	<b>1,804,219</b>	1,491,996	955,524
Reserves		<b>20,205,948</b>	13,127,954	5,124,537
Equity attributable to owners of the Company		<b>22,010,167</b>	14,619,950	6,080,061
Non-controlling interests		<b>1,819,329</b>	1,518,950	1,076,983
<b>TOTAL EQUITY</b>		<b>23,829,496</b>	16,138,900	7,157,044
<b>NON-CURRENT LIABILITIES</b>				
Bank and other borrowings – due after one year	36	<b>20,300,639</b>	8,043,210	5,245,345
Loan from a fellow subsidiary	40	<b>188,470</b>	171,936	162,203
Deferred tax liabilities	45	<b>729,887</b>	644,227	581,258
		<b>21,218,996</b>	8,859,373	5,988,806
		<b>45,048,492</b>	24,998,273	13,145,850

The notes on pages 68 to 176 form part of these consolidated financial statements.

The consolidated financial statements on pages 59 to 176 were approved and authorised for issue by the Board of Directors on 30th March, 2011 and are signed on its behalf by:

**XUE MING**

*Chairman and Managing Director*

**YE LI WEN**

*Director*



# Statement of Financial Position

As at 31st December, 2010

	<i>Notes</i>	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Interests in subsidiaries	21	<b>182,988</b>	150,056
Amounts due from subsidiaries	33(d)	<b>19,743,343</b>	10,833,513
Available-for-sale investments	30	<b>32,487</b>	32,487
		<b>19,958,818</b>	11,016,056
<b>CURRENT ASSETS</b>			
Other receivables		<b>69,839</b>	8,574
Bank balances, deposits and cash	34	<b>4,043,075</b>	2,299,927
		<b>4,112,914</b>	2,308,501
<b>CURRENT LIABILITIES</b>			
Other payables	35	<b>28,004</b>	5,444
Amounts due to subsidiaries	33(d)	<b>297,449</b>	317,319
Amount due to an intermediate holding company	33(a)	<b>1,991,501</b>	–
Bank borrowings – due within one year	36	<b>175,500</b>	300,000
		<b>2,492,454</b>	622,763
<b>NET CURRENT ASSETS</b>			
		<b>1,620,460</b>	1,685,738
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>21,579,278</b>	12,701,794
<b>CAPITAL AND RESERVES</b>			
Share capital	37	<b>1,804,219</b>	1,491,996
Reserves	39	<b>16,420,458</b>	10,809,798
<b>TOTAL EQUITY</b>			
		<b>18,224,677</b>	12,301,794
<b>NON-CURRENT LIABILITIES</b>			
Other payables	35	<b>20,101</b>	–
Bank borrowings – due after one year	36	<b>3,334,500</b>	400,000
		<b>3,354,601</b>	400,000
		<b>21,579,278</b>	12,701,794

The notes on pages 68 to 176 form part of these consolidated financial statements.

The consolidated financial statements on pages 59 to 176 were approved and authorised for issue by the Board of Directors on 30th March, 2011 and are signed on its behalf by:

**XUE MING**  
*Chairman and Managing Director*

**YE LI WEN**  
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31st December, 2010

	Attributable to owners of the Company												Non-controlling interests	Total	
	Share capital	Share premium	Share option reserve	Hotel properties revaluation reserve	Translation reserve	Capital redemption reserve	PRC statutory reserves	Investment revaluation reserve	Other capital reserve	Asset revaluation reserve	Other reserve	Accumulated profits			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2009	955,524	3,392,844	35,894	83,472	474,811	23,917	71,559	(228,777)	307,485	5,798	-	957,534	6,080,061	1,076,983	7,157,044
Total comprehensive income for the year	-	-	-	(52,643)	-	-	-	230,493	-	-	-	662,114	839,964	141,889	981,853
Recognition of equity-settled share-based payment expenses (note 38)	-	-	7,060	-	-	-	-	-	-	-	-	-	7,060	-	7,060
Exercise of share options	150	1,547	(260)	-	-	-	-	-	-	-	-	-	-	1,437	1,437
Placements of shares	335,000	3,945,100	-	-	-	-	-	-	-	-	-	-	4,280,100	-	4,280,100
Issue of shares for acquisition of Big Support Limited and its subsidiaries ("Big Support Group") and Golden Huge Limited and its subsidiary ("Golden Huge Group") (note 42(b))	201,322	3,378,183	-	-	-	-	-	-	-	-	-	-	3,579,505	-	3,579,505
Share issue expenses	-	(129,956)	-	-	-	-	-	-	-	-	-	-	(129,956)	-	(129,956)
Transfer	-	-	-	-	-	-	77,613	-	-	-	-	(77,613)	-	-	-
Dividends paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,537)	(2,537)
Dividends paid (note 15)	-	-	-	-	-	-	-	-	-	-	-	(38,221)	(38,221)	-	(38,221)
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	42,947	42,947
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,321)	(8,321)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	267,989	267,989
<b>At 31st December, 2009</b>	<b>1,491,996</b>	<b>10,587,718</b>	<b>42,694</b>	<b>30,829</b>	<b>474,811</b>	<b>23,917</b>	<b>149,172</b>	<b>1,716</b>	<b>307,485</b>	<b>5,798</b>	<b>-</b>	<b>1,503,814</b>	<b>14,619,950</b>	<b>1,518,950</b>	<b>16,138,900</b>
At 1st January, 2010	1,491,996	10,587,718	42,694	30,829	474,811	23,917	149,172	1,716	307,485	5,798	-	1,503,814	14,619,950	1,518,950	16,138,900
Total comprehensive income for the year	-	-	-	49,584	283,714	-	-	72,786	-	15,648	-	1,838,367	2,260,099	407,395	2,667,494
Exercise of share options	2,800	4,291	(517)	-	-	-	-	-	-	-	-	-	6,574	-	6,574
Placements of shares	200,000	3,320,000	-	-	-	-	-	-	-	-	-	-	3,520,000	-	3,520,000
Issue of shares for acquisition of Rapid Bloom Limited and its subsidiaries ("Rapid Bloom Group") (note 42(a))	109,423	1,801,103	-	-	-	-	-	-	-	-	-	-	1,910,526	-	1,910,526
Share issue expenses	-	(91,548)	-	-	-	-	-	-	-	-	-	-	(91,548)	-	(91,548)
Transfer	-	-	-	-	-	-	157,485	-	-	-	-	(157,485)	-	-	-
Release upon disposal/dissolution of subsidiaries	-	-	-	-	-	-	(15,480)	-	-	-	-	15,480	-	(11,838)	(11,838)
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(124,025)	(124,025)
Dividends paid (note 15)	-	-	-	-	-	-	-	-	-	-	-	(140,938)	(140,938)	-	(140,938)
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	85,294	85,294
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(74,496)	-	(74,496)	(99,583)	(174,079)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	43,136	43,136
<b>At 31st December, 2010</b>	<b>1,804,219</b>	<b>15,621,564</b>	<b>42,177</b>	<b>80,413</b>	<b>758,525</b>	<b>23,917</b>	<b>291,177</b>	<b>74,502</b>	<b>307,485</b>	<b>21,446</b>	<b>(74,496)</b>	<b>3,059,238</b>	<b>22,010,167</b>	<b>1,819,329</b>	<b>23,829,496</b>

Included in other capital reserve at 31st December, 2010 is deemed capital contribution arising on acquisition of subsidiaries of HK\$244,221,000 (2009: HK\$244,221,000) and deemed capital contribution arising from interest-free loans provided by a fellow subsidiary of HK\$62,678,000 (2009: HK\$62,678,000).

The People's Republic of China, other than Hong Kong, (the "PRC") statutory reserves are reserves required by the relevant PRC laws applicable to the Group's PRC subsidiaries and associates.

Other reserve represents the difference between the fair value of consideration paid and payable and the carrying amount of net assets attributable to the additional interests in the subsidiaries being acquired from non-controlling interests during the year.

The notes on pages 68 to 176 form part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31st December, 2010

<i>Notes</i>	<b>2010 HK\$'000</b>	2009 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	<b>3,185,845</b>	1,130,287
Adjustments for:–		
Reversal of impairment loss previously recognised in respect of other receivables	<b>(11,972)</b>	(5,688)
Reversal of impairment loss previously recognised in respect of short-term loan receivables	–	(3,705)
Reversal of impairment loss previously recognised in respect of trade receivables	<b>(1,487)</b>	(3,838)
Reversal of impairment loss previously recognised in respect of amount due from an associate	<b>(9,700)</b>	–
Impairment loss on goodwill	<b>5,417</b>	–
Impairment loss on trade receivables	<b>2,019</b>	3,360
Impairment loss on other receivables	<b>42,276</b>	–
Write-down of properties held for sale	–	13,083
Impairment loss on goodwill arising from acquisition of additional interests in subsidiaries	–	1,666
Discount on acquisition of interests in subsidiaries	<b>(81,303)</b>	–
Amortisation of prepaid lease payments	<b>9,072</b>	7,906
Bank interest income	<b>(49,488)</b>	(40,448)
Interest income from entrusted loan to a third party	<b>(1,240)</b>	(1,820)
Dividend income from investment in securities	<b>(821)</b>	(3,377)
Depreciation of property, plant and equipment	<b>83,030</b>	64,869
Finance costs	<b>246,772</b>	76,595
Gain on disposal of investment properties	<b>(1,527)</b>	(1,768)
Loss on disposal of property, plant and equipment	<b>6,880</b>	9,628
Gain on disposal of interests in subsidiaries	<b>(352,349)</b>	(196,797)
Gain on dissolution of a subsidiary	<b>(7,608)</b>	–
Gain on disposal of interest in an associate	<b>(98,060)</b>	–
Loss on dissolution of a jointly controlled entity	<b>680</b>	–
Loss on disposal of held-for-trading investments	–	1,141
Imputed interest expense	<b>10,544</b>	9,732
Net (increase) decrease in fair value of held-for-trading investments	<b>(1,105)</b>	741
Increase in fair value of investment properties	<b>(140,269)</b>	(49,885)
Share of results of associates	<b>(19,428)</b>	6,834
Share of results of jointly controlled entities	<b>7,818</b>	7,506
Equity-settled share-based payment expenses	–	7,060
Exchange difference	<b>(292,007)</b>	–
Operating cash flows before movements in working capital	<b>2,531,989</b>	1,033,082
Increase in properties under development and properties held for sale	<b>(16,787,309)</b>	(1,347,271)
Increase in other inventories	<b>(11,474)</b>	(1,704)
(Increase) decrease in trade and other receivables	<b>(503,635)</b>	84,961
Increase in short-term loan receivables	<b>(117,647)</b>	–
Increase in deposits paid for acquisition of property development projects	<b>(847,132)</b>	(170,649)
Decrease in trade and other payables	<b>(323,655)</b>	(49,271)
Increase in pre-sale deposits	<b>4,158,613</b>	2,830,436
(Decrease) increase in property rental deposits	<b>(5,732)</b>	11,447
Net cash (used in) generated from operations	<b>(11,905,982)</b>	2,391,031
PRC income tax paid	<b>(559,841)</b>	(344,497)
Interest paid	<b>(1,214,060)</b>	(811,963)
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(13,679,883)</b>	1,234,571

38(b)

	<i>Notes</i>	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		<b>(388,467)</b>	(122,847)
Deposits paid for acquisition of land use rights		<b>(1,792,792)</b>	(1,815,092)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	42	<b>(51,292)</b>	98,731
Purchase of held-for-trading investments		-	(9,433)
Acquisition of additional interests in subsidiaries	41	<b>(174,079)</b>	(24,478)
(Advances to) repayments from fellow subsidiaries		<b>(4,917)</b>	25,633
Purchase of investment properties		<b>(4,096)</b>	(20,582)
Increase in interests in jointly controlled entities		<b>(8,734)</b>	(7,963)
Net proceeds from disposal of subsidiaries	44	<b>342,904</b>	150,801
Proceeds from disposal of an associate		<b>47,369</b>	-
Decrease (increase) in pledged bank deposits		<b>81,684</b>	(212,057)
(Advances to) repayments from related companies		<b>(5,768)</b>	7,621
Bank interest income received		<b>49,488</b>	40,448
Interest income received from entrusted loan to a third party		<b>1,240</b>	1,820
Dividend income received from investment in securities		<b>821</b>	3,377
Repayments of short-term loan receivables		-	99,718
Repayments from an associate		<b>56,790</b>	-
Advances to a jointly controlled entity		<b>(229)</b>	-
Advances to non-controlling shareholders of subsidiaries		<b>(44,818)</b>	(72,252)
Dividends received from a jointly controlled entity		<b>306</b>	249
Proceeds from disposal of investment properties		<b>3,243</b>	13,142
Proceeds from disposal of property, plant and equipment		<b>3,878</b>	27,994
Proceeds from disposal of held-for-trading investments		-	14,180
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b><u>(1,887,469)</u></b>	<b><u>(1,800,990)</u></b>
<b>FINANCING ACTIVITIES</b>			
Borrowings raised		<b>25,043,317</b>	8,321,559
Proceeds from placement of shares		<b>3,520,000</b>	4,280,100
Repayments to an intermediate holding company		<b>(285,559)</b>	(650,272)
(Repayments to) advances from the ultimate holding company		<b>(927,535)</b>	166,099
Advances from fellow subsidiaries		<b>277,530</b>	187,091
Advances from (repayments to) non-controlling shareholders of subsidiaries		<b>179,921</b>	(230,412)
Proceeds from exercise of share options		<b>6,574</b>	1,437
Capital contribution by non-controlling shareholders		<b>85,294</b>	42,947
Repayments of borrowings		<b>(6,641,926)</b>	(4,392,890)
Dividends paid		<b>(140,938)</b>	(38,221)
Dividends paid to a non-controlling shareholders of subsidiaries		<b>(124,025)</b>	(2,537)
Share issue expenses		<b>(91,548)</b>	(129,956)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b><u>20,901,105</u></b>	<b><u>7,554,945</u></b>

<i>Notes</i>	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>5,333,753</b>	6,988,526
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>10,100,429</b>	3,111,903
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGE</b>	<b>438,628</b>	–
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>15,872,810</b>	10,100,429
<b>ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS</b>		
Represented by:–		
– bank balances, deposits and cash	<b>15,872,810</b>	10,100,429

The notes on pages 68 to 176 form part of these consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the directors, the Company's ultimate holding company is China Poly Group Corporation ("China Poly"), a state-owned enterprise established in the PRC. Its parent is Poly (Hong Kong) Holdings Limited ("Poly Holdings"), a company incorporated in Hong Kong. China Poly and its affiliated companies, other than members of the Group, are hereinafter collectively referred to as China Poly Group. The addresses of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" to the annual report.

The Company is an investment holding company. Its subsidiaries are engaged in property development, property investment and management, hotel operations and its related services, securities investment and construction services.

## 2. Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### 3. Basis of preparation

#### (a) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following new or revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2010:–

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) Int – 17	Distributions of Non-cash Assets to Owners
HK Int – 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based payment – Group Cash-settled Share-based Payment Transactions
HKFRSs	Improvements to HKFRSs (2009) (including HKAS 17 (amendment))

Except for the following new HKFRSs, the application of other new HKFRSs had no material impact on the Group's consolidated financial statements for the current or prior accounting periods.

As a result of the adoption of HKFRS 3 (Revised), any business combination acquired on or after 1st January, 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (Revised). These include the following changes in accounting policies:–

- Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.
- If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
- Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

### 3. Basis of preparation (Continued)

#### (a) Initial application of Hong Kong Financial Reporting Standards (Continued)

- If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.
- In addition to the Group's existing policy of measuring the non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.
- Any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27 (Revised), this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

In accordance with the transitional provisions in HKFRS 3 (Revised), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

As a result of the adoption of HKAS 27 (Revised), the following changes in policies will be applied as from 1st January, 2010:–

- If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions, of which the goodwill was calculated as the difference between the consideration paid for the additional interests and the carrying amount of the net assets of the non-wholly owned subsidiary, and partial disposals, respectively.

### 3. Basis of preparation (Continued)

#### (a) Initial application of Hong Kong Financial Reporting Standards (Continued)

- If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the end of reporting period the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in HKAS 27 (Revised), these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures", the following policies will be applied as from 1st January, 2010:–

- If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and reacquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach of which the goodwill was calculated as the difference between the consideration paid for the additional interests and the carrying amount of the net assets of the acquiree, would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
- If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in HKFRS 3 (Revised) and HKAS 27 (Revised), these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

### 3. Basis of preparation (Continued)

#### (a) Initial application of Hong Kong Financial Reporting Standards (Continued)

As a result of the amendment to HKAS 17, "Leases", arising from the "Improvements to HKFRSs (2009)" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers substantially all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that its interests in leasehold land, which are registered and located in the Hong Kong Special Administrative Region ("HKSAR") and subject to the HKSAR Government's land policy of renewal without payment of additional land premium, are no longer classified as operating leases. The Group's position in respect of its interests in leasehold land is economically similar to that of a purchaser and therefore such interests of leasehold land should be re-classified as finance leases.

In accordance with the amendment to HKAS 17, this change in accounting policy has been applied retrospectively with comparatives restated. The effect of the resulting changes on the consolidated statement of financial position is summarised below. There are no effects on the consolidated income statement and the consolidated statement of comprehensive income.

	<b>At 31st December, 2010 HK\$'000</b>	At 31st December, 2009 HK\$'000	At 1st January, 2009 HK\$'000
Increase in property, plant and equipment	<b>83,064</b>	85,369	87,673
Decrease in prepaid lease payments	<b>(83,064)</b>	(85,369)	(87,673)
	<b>-</b>	-	-

HK Int-5 – The HKICPA issued on 29th November, 2010 HK Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". This Interpretation, as a clarification of an existing standard, is effective immediately. According to the Interpretation, the classification of a term loan in accordance with paragraph 69(d) of HKAS 1 shall depend on whether or not the borrower has an unconditional right to defer payment for at least twelve months after the reporting period. Consequently, amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its statement of financial position. This Interpretation did not have a material impact on the Group's financial statements.



### 3. Basis of preparation (Continued)

#### (b) Hong Kong Financial Reporting Standards in issue but not effective

The following HKFRSs in issue at 31st December, 2010 have not been applied in the preparation of the consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1st January, 2010:–

HKAS 24 (Revised)	Related Party Disclosures <sup>3</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>2</sup>
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets <sup>5</sup>
Amendments to HKAS 32	Classification of Rights Issues <sup>1</sup>
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets <sup>4</sup>
Amendments to HKC(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement <sup>3</sup>
HKFRSs	Improvements to HKFRSs 2010 <sup>7</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st February, 2010

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2010

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2011

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2011

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2012

<sup>6</sup> Effective for annual periods beginning on or after 1st January, 2013

<sup>7</sup> Amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34, HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1st January, 2011 and amendments to HKFRS 3, HKAS 21, HKAS 28, HKAS 31, HKAS 32, HKAS 39 are effective for annual periods beginning on or after 1st July, 2010

The Group is in the process of making an assessment of what the impact of these amendments 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 financial statements except for the following:–

HKAS 24 (Revised), "Related party disclosures", issued in November 2009. It supersedes HKAS 24, "Related party disclosures", issued in 2003. HKAS 24 (Revised) is mandatory for periods beginning on or after 1st January, 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group has applied the revised standard from 1st January, 2011. As the result of the adoption, the Group, which is a part of China Poly Group and controlled by the PRC government, is allowed to simplify the disclosure and is only required to disclose following information for its transaction with government-related entities (i) the name of the government entity and the nature of its relationship with the Group; (ii) the nature and amount of each individually significant transaction; and (iii) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

HKAS 12 (Amendments), "Income taxes". The amendment provides an exception to the principles in the existing standard for measuring deferred tax assets or liabilities when investment property is measured at fair value. The amendment is effective for annual periods on or after 1st January, 2012. The Group is in the process of assessing the potential impact on the consolidated financial statements.

## 4. Significant accounting policies

### Measurement basis

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, hotel properties, available-for-sale investments and held-for-trading investments, which are measured at their fair values or revalued amounts, as explained in the accounting policies set out below.

### Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date that control commenced or up to the date that control ceased. 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 that date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of an investment in an associate or jointly controlled entity or other investments.

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 consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

## 4. Significant accounting policies (Continued)

### **Basis of consolidation** (Continued)

Non-controlling interests represent the equity or deficiency 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 consolidated statement of financial position 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 consolidated income statement and the consolidated 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 the consolidated statement of financial position.

### **Business combinations and goodwill**

#### **Business combinations from 1st January, 2010**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

## 4. Significant accounting policies (Continued)

### Business combinations and goodwill (Continued)

#### Business combinations from 1st January, 2010 (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### Business combinations prior to 1st January, 2010 but after 1st January, 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1st January, 2010:—

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

### Interests in subsidiaries

Interests in subsidiaries is included in the Company's statement of financial position at cost less any identified impairment loss.

## 4. Significant accounting policies (Continued)

### Associates and jointly controlled entities

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

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements 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. 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 consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued. 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 or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities 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 or joint control over a jointly controlled entity, 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 or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.



## 4. Significant accounting policies (Continued)

### Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

### Financial guarantees issued, provisions and contingent liabilities

#### (i) Financial guarantees issued

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 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, except for the case of the guarantee issued by the Company to its subsidiary in which the fair value of such guarantee is recognised as an additional cost of investment in a subsidiary, 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 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) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with (iii) below. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with (iii) below.

## 4. Significant accounting policies (Continued)

### Financial guarantees issued, provisions and contingent liabilities (Continued)

#### (iii) 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.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from sales of properties and goods, hotel operations, investments, services provided and subsidies received or receivable, net of discounts and sales related taxes.

- (a) Income from sale of properties is recognised upon the execution of a binding sale agreement, the issue of an occupation permit and a completion certificate by the relevant government authorities and fulfilling the terms of the binding sale agreements. Payments received from the purchasers prior to this stage are recorded as pre-sale deposits and presented as current liabilities.
- (b) Sales of goods are recognised when goods are delivered and title has passed.
- (c) Building management service income is recognised over the relevant period in which the services are rendered.
- (d) Revenue from hotel operations and related services is recognised when the relevant services are provided.

## 4. Significant accounting policies (Continued)

### Revenue recognition (Continued)

- (e) Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- (f) Dividend income from investments is recognised when the Group's rights to receive payment have been established.
- (g) Rental income under operating leases are recognised on a straight-line basis over the term of the relevant lease.
- (h) Construction revenue is recognised on the percentage of completion method, measured by reference to (a) the proportion that contract costs incurred for work performed to date to estimated total contract cost or (b) the amount of work certified by independent engineer with reference to the completion of physical proportion of the contract work.

### Investment properties

Investment properties are properties held to earn rentals and/or capital appreciation. These include properties that are being constructed or developed for future use as investment properties.

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

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

## 4. Significant accounting policies (Continued)

### Property, plant and equipment

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

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, Plant and Equipment" from the requirement to make regular revaluations of the Group's buildings which had been carried at revalued amounts prior to 30th September, 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30th September, 1995, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to accumulated profits.

Hotel properties are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using the fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of hotel properties is generally dealt with in other comprehensive income and accumulated as a separate component of equity (hotel properties revaluation reserve), except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on the revaluation of such buildings is dealt with as an expense to the extent that it exceeds the balance, if any, held on the hotel properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued hotel properties is charged to profit or loss. On the subsequent sale or retirement of a revalued hotel property, the attributable revaluation surplus remaining in the hotel properties revaluation reserve is transferred directly to accumulated profits.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment, other than construction in progress, over their estimated useful lives or lease terms and after taking into account of their estimated residual values, using the straight-line method.

## 4. Significant accounting policies (Continued)

### Property, plant and equipment (Continued)

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

### Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by (a) the proportion that contract costs incurred for work performed to date to the estimated total contract costs or (b) the amount of work certified by independent engineer with reference to the completion of physical proportion of contract work. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the remaining period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

### Club membership

Club membership with indefinite life are stated at cost less identified impairment loss.



## 4. Significant accounting policies (Continued)

### Leasing

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

#### The Group as lessor

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

#### The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

### Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and account for as property, plant and equipment.

### Foreign currencies

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

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

## 4. Significant accounting policies (Continued)

### Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

### Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### Retirement benefits scheme contributions

Payments to Group's defined contribution retirement benefits schemes and Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefits schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

## 4. Significant accounting policies (Continued)

### Taxation

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

### Properties under development

Properties under development developed for future sale in the ordinary course of business are included in current assets at the lower of cost and net realisable value. It comprises the consideration for development expenditure (which includes cost of land use rights, construction costs and capitalised interest) directly contributable to the development of the properties.

## 4. Significant accounting policies (Continued)

### Other inventories

Other inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

### Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### Financial assets

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

#### *Financial assets at fair value through profit or loss*

Financial assets at FVTPL represents financial assets held for trading.

A financial asset is classified as held for trading if:–

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

At the end of each reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend earned on the financial assets.

## 4. Significant accounting policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, short-term loan receivables, amounts due from subsidiaries, fellow subsidiaries, associate, jointly controlled entity, non-controlling shareholders of subsidiaries and related companies, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. (See accounting policy on impairment loss on financial assets below).

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL and loans and receivables.

At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated as a separate component of equity (investment revaluation reserve), until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

##### *Effective interest method*

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

Income is recognised on an effective interest basis for debt instruments.



## 4. Significant accounting policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *Impairment of financial assets*

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:–

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables and short-term loan receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments of trade receivables in the portfolio past the average credit period of 30 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

## 4. Significant accounting policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *Impairment of financial assets (Continued)*

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income.

#### Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

## 4. Significant accounting policies (Continued)

### Financial instruments (Continued)

#### Financial liabilities and equity (Continued)

##### *Effective interest method*

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

Interest expense is recognised on an effective interest basis.

##### **Other financial liabilities**

Other financial liabilities including trade payables, property rental deposits, amounts due to subsidiaries, the ultimate holding company, intermediate holding company, fellow subsidiaries, non-controlling shareholders of the subsidiaries and associates, bank and other borrowings and loan from a fellow subsidiary are subsequently measured at amortised cost, using the effective interest method.

##### **Equity instruments**

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

##### *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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

## 4. Significant accounting policies (Continued)

### Equity-settled share-based payment transactions

#### Share options granted to employees after 7th November, 2002 and vested on or after 1st January, 2005

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

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

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

#### Share options granted to employees on or before 7th November, 2002

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

### Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as other income.

## 4. Significant accounting policies (Continued)

### **Impairment losses other than goodwill (see the accounting policy in respect of goodwill above)**

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

## 5. Key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 5. Key sources of estimation uncertainty (Continued)

### **Estimated net realisable value of properties under development and held for sale**

Management reviews the net realisable value of the Group's properties under development of HK\$37,990,453,000 (2009: HK\$14,335,346,000) and held for sale of HK\$5,495,438,000 (2009: HK\$2,068,511,000) with reference to its estimated costs to completion, intended use and current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its net realisable value. Appropriate write-off to estimated net realisable value is recognised in profit or loss when there is objective evidence that the asset is impaired.

In determining whether write-off properties under development and held for sale is required, the Group takes into consideration the intended use of the properties, the estimated costs to completion, the current market environment, the estimated market value of the properties and/or the present value of future cash flows expected to receive. Write-off is recognised based on the higher of estimated future cash flows and estimated market value. If the market environment/circumstances or estimated costs to completion changes significantly, resulting in a decrease in the net realisable value of these properties interest, additional write-off loss may be required. Except for write-off of HK\$Nil (2009: HK\$13,083,000) made for properties held for sale, no write-off was made on properties under development for the years ended 31st December, 2010 and 31st December, 2009.

### **Estimated impairment of short-term loan receivables and other receivables**

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2010, the carrying amounts of short-term loan receivables and other receivables are HK\$176,471,000 (2009: HK\$Nil) (net of allowance for doubtful debts of HK\$27,040,000 (2009: HK\$207,743,000)) and HK\$864,833,000 (2009: HK\$354,980,000) (net of allowance for doubtful debts of HK\$59,937,000 (2009: HK\$32,554,000)), respectively.

### **Estimation of fair value of investment properties**

Investment properties were revalued as at 31st December, 2010 based on the appraised market value by independent professional valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.



## 5. Key sources of estimation uncertainty (Continued)

### Estimation of fair value of investment properties (Continued)

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location or subject to different leases or other contracts, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flows projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31st December, 2010 was HK\$5,025,391,000 (2009: HK\$4,476,339,000).

### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discounted rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31st December, 2010 was HK\$785,299,000 (2009: HK\$790,716,000). More details are given in note 20.

### PRC enterprise income tax

The Group is subject to income taxes in Mainland China. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgment based on currently enacted tax laws, regulations and other related policies are required in determining the provision of income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have impact on the income tax and tax provisions in the period in which the differences realise.

## 5. Key sources of estimation uncertainty (Continued)

### PRC land appreciation tax ("LAT")

The Group is subject to LAT in Mainland China. The provision of LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for its certain property development projects. The final outcome could be different from the amounts that were initially recorded.

## 6. Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 36, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank and other borrowings less bank balances, deposits and cash. Total capital is calculated as "equity", as shown in the consolidated statement of financial position, plus net debt.

## 6. Capital risk management (Continued)

During 2010, the Group's strategy, which was unchanged from 2009 and the gearing ratios at 31st December, 2010 and 2009 were as follows:-

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Total bank and other borrowings (note 36)	<b>29,823,270</b>	10,726,845
Less: bank balances, deposits and cash	<b>(15,872,810)</b>	(10,100,429)
Net debt	<b>13,950,460</b>	626,416
Total equity	<b>23,829,496</b>	16,138,900
Total capital	<b>37,779,956</b>	16,765,316
Gearing ratio	<b>37%</b>	4%

## 7. Financial instruments

### (a) Categories of financial instruments

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
<b>The Group</b>		
<b>Financial assets</b>		
Held-for-trading investments	<b>11,002</b>	9,897
Loans and receivables (including cash and cash equivalents)	<b>17,414,337</b>	11,196,636
Available-for-sale investments	<b>419,166</b>	346,340
<b>Financial liabilities</b>		
Amortised cost	<b>39,124,368</b>	16,097,888
<b>The Company</b>		
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	<b>23,787,109</b>	13,133,440
Available-for-sale investments	<b>32,487</b>	32,487
<b>Financial liabilities</b>		
Amortised cost	<b>5,818,699</b>	1,017,754

## 7. Financial instruments (Continued)

### (b) Financial risk management objectives and policies

The Group's major financial instruments include held-for-trading investments, available-for-sale investments, trade and other receivables, short-term loan receivables, amount due from an associate, amount due from a jointly controlled entity, amounts due from fellow subsidiaries, amounts due from non-controlling shareholders of subsidiaries, amounts due from related companies, pledged bank deposits, bank balances, deposits and cash, trade and other payables, property rental deposits, amount due to the ultimate holding company, amount due to an intermediate holding company, amounts due to fellow subsidiaries, amounts due to non-controlling shareholders of subsidiaries, amounts due to associates, loan from a fellow subsidiary and bank and other borrowings. The Company's major financial instruments include available-for-sale investments, amounts due from subsidiaries, other receivables, bank balances, deposits and cash, other payables, amounts due to subsidiaries, amount due to an intermediate holding company and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates, foreign currency rates and equity security prices. Market risk exposures are further measured by sensitivity analysis. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk. Details of each type of market risks are described as follows:–

##### (i) Currency risk

The Group's revenue are mostly denominated in RMB, however, the Group also undertakes certain transactions denominated in foreign currencies, hence exposures to currency risk. In addition, the currency risk also arises from funding to its subsidiaries in the PRC. These loans to its subsidiaries are normally denominated in RMB while the sources of funding are usually denominated in Hong Kong dollars and United States dollars ("US\$").

Since Hong Kong dollars is being pegged to US\$, material fluctuations in exchange rates of Hong Kong dollars against US\$ are remote.

The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rate and consider hedging significant foreign currency exposure should the need arise.

## 7. Financial instruments (Continued)

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

#### Market risk (Continued)

##### (i) Currency risk (Continued)

Apart from the bank loan of HK\$3,510,000,000 which was denominated in US\$, the following table details the Group's exposure as at 31st December, 2010 that the currency risk arising from recognised assets denominated in a currency other than the functional currency and US\$ of the entity to which they relate.

	<b>2010</b> <b>RMB'000</b>	2009 RMB'000
Bank balances, deposits and cash	<b>233,871</b>	103,261
Short-term loans to subsidiaries	<b>7,414,015</b>	2,503,889
Gross exposure arising from recognised assets	<b>7,647,886</b>	2,607,150

Apart from the bank loan of HK\$3,510,000,000 which was denominated in US\$, the Company did not have any exposure to currency risk as all the financial assets and liabilities were denominated in its functional currency as at 31st December, 2010 and 2009.

## 7. Financial instruments (Continued)

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

#### Market risk (Continued)

##### (i) Currency risk (Continued)

The following table indicates the approximate change in the Group's profit after tax and accumulated profits in response to reasonably possible changes in foreign exchange rates. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or borrower.

	2010		2009	
	Appreciation (depreciation) in foreign exchange rate	Increase (decrease) in profit after tax and accumulated profits HK\$'000	Appreciation (depreciation) in foreign exchange rate	Increase (decrease) in profit after tax and accumulated profits HK\$'000
Renminbi	5% <u>(5%)</u>	449,876 <u>(449,876)</u>	5% <u>(5%)</u>	148,302 <u>(148,302)</u>

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the end of the reporting period and had been applied to each of the Group's entities' exposure to currency risk for financial instruments in existence at that date, with all other variables remain constant.



## 7. Financial instruments (Continued)

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

#### Market risk (Continued)

##### (ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits and fixed-rate bank and other borrowings (see notes 34 and 36 for details of these deposits and borrowings). The Group aims at keeping borrowings at variable rates. Currently, the Group does not have hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to amount due to the ultimate holding company, amount due to an intermediate holding company, amounts due to fellow subsidiaries, amount due to non-controlling shareholders of subsidiaries, bank balances and variable-rate bank and other borrowings (see notes 33, 34 and 36 for details of these bank balances and borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the cash flows interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR and benchmark rate in the PRC arising from the Group's United States dollars and RMB borrowings.

#### Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2010 would decrease/increase by HK\$38,052,000 (2009: decrease/increase by HK\$10,131,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings and bank balances.

## 7. Financial instruments (Continued)

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

#### Market risk (Continued)

##### (iii) Other price risk

The Group is exposed to equity price risk through its investments in held-for-trading investments and listed available-for-sale investments. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on listed equity instruments quoted in the Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

#### Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 5% higher/lower:–

- Profit for the year ended 31st December, 2010 would increase/decrease by HK\$413,000 (2009: increase/decrease by HK\$371,000) for the Group a result of the changes in fair value of held-for-trading investments; and
- Investment valuation reserve would increase/decrease by HK\$19,275,000 (2009: increase/decrease HK\$15,636,000) for the Group as a result of the changes in fair value of listed available-for-sale investments.

#### Credit risk

As at 31st December, 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

## 7. Financial instruments (Continued)

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

#### Credit risk (Continued)

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

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

#### Liquidity risk

The Group has net current assets amounting to approximately HK\$33,539,008,000 at 31st December, 2010.

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

The Group relies on bank and other borrowings as a significant source of liquidity. As at 31st December, 2010, the Group has available unutilised bank loan facilities of approximately HK\$3,783,329,000 (2009: HK\$2,353,185,000). Details of which are set out in note 36.

## 7. Financial instruments (Continued)

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

#### Liquidity risk (Continued)

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

#### Liquidity and interest risk tables

#### The Group

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	5+ years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2010 HK\$'000
<b>2010</b>								
<b>Non-derivative financial liabilities</b>								
Trade and other payables		968,796	453,056	2,106,514	287,449	8,278	3,824,093	3,824,093
Property rental deposits		-	-	-	67,622	-	67,622	67,622
Amount due to ultimate holding company								
– interest-free		-	-	66,983	-	-	66,983	66,983
– variable rate	6.81	-	-	32,999	-	-	32,999	31,652
Amount due to intermediate holding company								
– interest-free		-	-	1,992,598	-	-	1,992,598	1,992,598
– variable rate	6.36	-	68,404	588,028	-	-	656,432	633,222
Amounts due to fellow subsidiaries								
– interest-free		934,447	26,966	446,347	-	-	1,407,760	1,407,760
Amounts due to non-controlling shareholders of subsidiaries								
– interest-free		187	45,552	217,310	-	-	263,049	263,049
– fixed rate	6.81	-	-	264,485	-	-	264,485	253,685
– variable rate	7.88	-	-	526,080	-	-	526,080	501,376
Bank and other loans								
– fixed rate	8.05	-	596,132	5,238,295	3,569,012	-	9,403,439	8,404,386
– variable rate	5.28	141,811	111,034	3,817,506	17,927,859	3,888,036	25,886,246	21,418,884
Amount due to an associate		-	-	70,588	-	-	70,588	70,588
Loan from a fellow subsidiary	6.00	-	-	-	211,765	-	211,765	188,470
		<u>2,045,241</u>	<u>1,301,144</u>	<u>15,367,733</u>	<u>22,063,707</u>	<u>3,896,314</u>	<u>44,674,139</u>	<u>39,124,368</u>

## 7. Financial instruments (Continued)

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

#### Liquidity risk (Continued)

#### Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	5+ years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2009 HK\$'000
2009								
<b>Non-derivative financial liabilities</b>								
Trade and other payables		1,037,535	551,318	278,001	151,571	6,753	2,025,178	2,025,178
Property rental deposits		–	–	6,215	61,571	3,803	71,589	71,589
Amount due to the ultimate holding company								
– interest-free		–	159	173,044	–	–	173,203	173,203
– variable rate	5.71	–	–	848,359	–	–	848,359	819,112
Amount due to an intermediate holding company								
– fixed rate	4.10	–	44,832	–	–	–	44,832	44,528
– variable rate	6.31	–	–	874,857	–	–	874,857	841,664
Amounts due to fellow subsidiaries								
– interest-free		6,882	11,874	342,911	–	–	361,667	361,667
– variable rate	4.78	–	–	27,721	–	–	27,721	26,917
Amounts due to non-controlling shareholders of subsidiaries								
– interest-free		–	135,720	94,729	–	–	230,449	230,449
– variable rate	6.80	–	65,646	473,916	–	–	539,562	519,506
Bank and other loans								
– fixed rate	6.03	–	–	1,573,094	–	–	1,573,094	1,515,927
– variable rate	5.09	296	223,581	975,802	8,827,538	628,030	10,655,247	9,210,918
Amounts due to associates		–	–	85,294	–	–	85,294	85,294
Loan from a fellow subsidiary	6.00	–	–	–	–	204,778	204,778	171,936
		<u>1,044,713</u>	<u>1,033,130</u>	<u>5,753,943</u>	<u>9,040,680</u>	<u>843,364</u>	<u>17,715,830</u>	<u>16,097,888</u>

## 7. Financial instruments (Continued)

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

#### Liquidity risk (Continued)

#### Liquidity and interest risk tables (Continued)

#### The Company

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	5+ years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2010 HK\$'000
<b>2010</b>								
<b>Non-derivative financial liabilities</b>								
Other payables		-	-	19,749	-	-	19,749	19,749
Amounts due to subsidiaries		-	-	297,449	-	-	297,449	297,449
Amount due to an intermediate holding company								
– interest free		-	-	1,991,501	-	-	1,991,501	1,991,501
Bank loans								
– variable rate	2.24	-	-	178,448	3,427,866	-	3,606,314	3,510,000
		-	-	2,487,147	3,427,866	-	5,915,013	5,818,699

HK\$'000

#### Financial guarantee issued:

– Maximum amount guaranteed (note 48)

6,181,000

– Carrying amount at 31.12.2010

28,356

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	5+ years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2009 HK\$'000
<b>2009</b>								
<b>Non-derivative financial liabilities</b>								
Other payables		-	-	435	-	-	435	435
Amounts due to subsidiaries		-	-	317,319	-	-	317,319	317,319
Bank loans								
– variable rate	1.66	-	150,521	151,564	410,628	-	712,713	700,000
		-	150,521	469,318	410,628	-	1,030,467	1,017,754



## 7. Financial instruments (Continued)

### (c) Fair values

#### (i) Financial instruments carried at fair value

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

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31st December, 2010, the Group had following financial instruments carried at fair value all of which are based on the Level 1 of the fair value hierarchy:–

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Assets		
Available-for-sale investments – Listed	<b>385,501</b>	312,715
Held-for-trading investments – Listed	<b>11,002</b>	9,897
	<b>396,503</b>	322,612

At 31st December, 2010 and 2009, the Company did not have any financial instruments carried at fair value.

During the year ended 31st December, 2010, there were no significant transfers between financial instruments in Level 1 and Level 2.

## 7. Financial instruments (Continued)

### (c) Fair values (Continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31st December, 2010 and 2009 except for the loan from a fellow subsidiary of which the carrying amount and fair value were HK\$188,470,000 (2009: HK\$171,936,000) and HK\$188,683,000 (2009: HK\$172,228,000) respectively.

#### (iii) The fair values of financial assets and financial liabilities are determined as follows:–

The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

## 8. Revenue

Revenue represents the aggregate of the net amounts received and receivable from third parties, net of business tax payable in the PRC. An analysis of the Group's revenue for the year is as follows:–

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Sales of properties	<b>7,742,475</b>	6,642,225
Rental income and building management service income	<b>443,243</b>	339,371
Income from hotel operations	<b>146,885</b>	90,072
Sales of goods	<b>116,963</b>	121,853
Construction revenue	<b>63,749</b>	–
Dividend income from listed securities	–	3,158
Dividend income from unlisted securities	<b>821</b>	219
	<b>8,514,136</b>	7,196,898

## 9. Other income

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Reversal of impairment loss previously recognised in respect of other receivables	<b>11,972</b>	5,688
Reversal of impairment loss previously recognised in respect of trade receivables (note 28)	<b>1,487</b>	3,838
Reversal of impairment loss previously recognised in respect of short-term loan receivables (note 29)	–	3,705
Reversal of impairment loss previously recognised in respect of amount due from an associate	<b>9,700</b>	–
Exchange gains	<b>292,007</b>	1,773
Interest income from deposit paid for acquisition of a development project in form of entrusted loan	<b>1,240</b>	1,820
Bank interest income	<b>49,488</b>	40,448
Gain on disposal of investment properties	<b>1,527</b>	1,768
Gain on dissolution of a subsidiary	<b>7,608</b>	–
Others	<b>14,754</b>	23,783
	<b>389,783</b>	82,823

## 10. Finance costs

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Interest on bank and other borrowings:–		
– wholly repayable within five years	<b>1,015,698</b>	766,939
– not wholly repayable within five years	<b>144,323</b>	34,197
Imputed interest expense on loan from a fellow subsidiary	<b>10,544</b>	9,732
Total borrowing costs	<b>1,170,565</b>	810,868
Less: amounts capitalised (note 26)	<b>(913,249)</b>	(724,541)
	<b>257,316</b>	86,327

Borrowing cost capitalised during the year arose from specific borrowings.

## 11. Directors' emoluments

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

2010	Other emoluments					Total emoluments HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonuses HK\$'000	Equity-settled share-based payment expenses HK\$'000	Retirement benefit scheme contributions HK\$'000	
He Ping	50	-	-	-	-	50
Chen Hong Sheng	50	-	-	-	-	50
Wang Xu	-	2,343	750	-	12	3,105
Xue Ming	-	2,719	720	-	12	3,451
Han Qing Tao	-	1,783	520	-	12	2,315
Ye Li Wen	-	1,820	520	-	12	2,352
Chan Tak Chi, William	20	-	-	-	-	20
Ip Chun Chung, Robert	120	-	-	-	-	120
Yao Kang, J.P.	160	-	-	-	-	160
Choy Shu Kwan	120	-	-	-	-	120
Leung Sau Fan, Sylvia	60	-	-	-	-	60
Lam Tak Shing, Harry	80	-	-	-	-	80
Total	660	8,665	2,510	-	48	11,883

2009	Other emoluments					Total emoluments HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonuses HK\$'000	Equity-settled share-based payment expenses HK\$'000	Retirement benefit scheme contributions HK\$'000	
He Ping	20	-	-	-	-	20
Chen Hong Sheng	20	-	-	-	-	20
Wang Xu	-	2,672	480	863	12	4,027
Xue Ming	-	1,737	390	762	12	2,901
Han Qing Tao	-	1,469	290	460	12	2,231
Ye Li Wen	-	1,483	290	-	12	1,785
Chan Tak Chi, William	20	-	-	-	-	20
Ip Chun Chung, Robert	80	-	-	-	-	80
Yao Kang, J.P.	120	-	-	-	-	120
Choy Shu Kwan	80	-	-	-	-	80
Lam Tak Shing, Harry	80	-	-	-	-	80
Total	420	7,361	1,450	2,085	48	11,364

## 11. Directors' emoluments (Continued)

Note:–

In each of the two years ended 31st December, 2010, no emoluments were paid by the Group to the directors, as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any emoluments during each of the two years ended 31st December, 2010.

Bonus was determined with reference to the Group's operating results, individual performances and comparable market statistics.

## 12. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2009: four) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining one (2009: one) highest paid individuals are as follows:–

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Salaries and other benefits	<b>1,820</b>	1,483
Bonuses	<b>520</b>	290
Equity-settled share-based payment expense	–	–
Retirement benefits scheme contributions	<b>12</b>	12
	<b>2,352</b>	1,785

The emoluments of the remaining one (2009: one) highest paid individuals were within the following bands:–

	<b>2010</b> <b>Number of</b> <b>employees</b>	2009 Number of employees
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	<b>1</b>	–
HK\$2,500,001 to HK\$3,000,000	–	–
HK\$3,000,001 to HK\$3,500,000	–	–

**13. Profit before taxation**

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Profit before taxation has been arrived at after charging and (crediting):–		
Staff costs		
– directors' emoluments ( <i>note 11</i> )	<b>11,883</b>	11,364
– other staff costs	<b>319,549</b>	186,887
– other staff equity-settled share-based payment expenses	–	4,975
– other staff's retirement benefit scheme contributions	<b>28,355</b>	20,695
	<b>359,787</b>	223,921
Amortisation of prepaid lease payments (included in administrative expenses)	<b>9,072</b>	7,906
Depreciation of property, plant and equipment	<b>83,030</b>	64,869
Total depreciation and amortisation	<b>92,102</b>	72,775
Auditor's remuneration		
– current year	<b>5,000</b>	4,200
– under-provision in prior year	–	1,377
Cost of inventories recognised as expenses	<b>4,838,672</b>	5,321,851
Operating lease rentals in respect of		
– rented premises	<b>11,907</b>	8,136
– equipment	<b>1,163</b>	1,138
Impairment loss on goodwill arising from acquisition of additional interests in subsidiaries (included in administrative expenses) ( <i>note 20</i> )	–	1,666
Impairment loss on goodwill (included in cost of sales) ( <i>note 20</i> )	<b>5,417</b>	–
Share of tax of associates (included in share of results of associates)	<b>7,780</b>	4,372
Loss on disposal of property, plant and equipment	<b>6,880</b>	9,628
Loss on disposal of held-for-trading investments	–	1,141
Gain on disposal of interests in subsidiaries	<b>(352,349)</b>	(196,797)
Gain on disposal of interest in an associate	<b>(98,060)</b>	–
Gain on disposal of investment properties	<b>(1,527)</b>	(1,768)
Property rental income and building management service income, net of direct expenses of HK\$28,078,000 (2009: HK\$15,201,000)	<b>(415,165)</b>	(324,170)



## 14. Income tax expense

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
The charge comprises:–		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax		
– current year	<b>601,455</b>	275,099
– under (over)-provision in prior year	<b>8,995</b>	(61,756)
	<b>610,450</b>	213,343
LAT	<b>471,697</b>	60,327
Deferred taxation		
– current year	<b>(24,445)</b>	40,457
– over-provision in prior year	<b>(8,310)</b>	–
	<b>(32,755)</b>	40,457
	<b>1,049,392</b>	314,127

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made as there is no assessable profit for both years.

Except for certain PRC subsidiaries, which are subject to concessionary tax rates lower than the PRC statutory enterprise income tax rate ("Statutory EIT rate") in accordance with relevant tax rules and regulations, all other PRC subsidiaries are subject to Statutory EIT rate at 25% based on the estimated assessable profit for both years.

Details of deferred taxation are set out in note 45.

Certain PRC subsidiaries are also subject to the PRC LAT which is levied at progressive rates ranging from 30% to 60% on the appreciation of properties, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction.

## 14. Income tax expense (Continued)

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

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Profit before taxation	<b>3,185,845</b>	1,130,287
Tax at PRC statutory tax rate of 25% (2009: 25%)	<b>796,461</b>	282,572
Tax effect of share of results of associates	<b>(4,876)</b>	1,594
Tax effect of expenses not deductible for tax purpose	<b>89,414</b>	66,421
Tax effect of income not taxable for tax purpose	<b>(197,693)</b>	(18,735)
Tax effect of tax losses not recognised	<b>41,740</b>	43,800
Tax effect of utilisation of tax losses previously not recognised	<b>(6,086)</b>	(3,996)
Effect of concessionary tax rates for certain PRC subsidiaries	<b>(16,479)</b>	(42,950)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(6,489)</b>	(4,521)
Effect of land appreciation tax	<b>(117,924)</b>	(15,082)
Land appreciation tax	<b>471,697</b>	60,327
Under (over)-provision in prior year	<b>685</b>	(61,756)
Others	<b>(1,058)</b>	6,453
Tax charge for the year	<b>1,049,392</b>	314,127

## 15. Dividends

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Dividends recognised as distribution during the year:–		
2009 final dividend of HK\$0.044 (2009: HK\$0.02 for 2008) per share	<b>140,938</b>	38,221

No interim dividend was paid for both years.

A final dividend for the year ended 31st December, 2010 of HK\$0.155 (2009: HK\$0.044) per share has been proposed by the board of directors and is subject to approval by the shareholders in the forthcoming general meeting.

## 16. Earnings per share

The calculation of the basic and diluted earnings per share for the year is based on the following data:–

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Earnings:–		
Profit for the year attributable to owners of the Company:–	<b>1,838,367</b>	662,114

	<b>2010</b>	2009
Number of shares:–		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>3,292,564,487</b>	2,206,752,580
Effect of dilutive potential ordinary shares on share options	<b>37,610,582</b>	25,162,895
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>3,330,175,069</b>	2,231,915,475

The weighted average number of shares has been adjusted for the shares issued during two years ended 31st December, 2010 as set out in note 37.

## 17. Investment properties

	HK\$'000
<b>The Group</b>	
FAIR VALUE	
At 1st January, 2009	3,392,821
Acquired on acquisition of subsidiaries ( <i>note 42(b)</i> )	951,081
Additions	20,582
Transfer from property, plant and equipment	64,616
Transfer from properties under development	8,728
Increase in fair value recognised in the consolidated income statement	49,885
Disposals	<u>(11,374)</u>
At 31st December, 2009 and 1st January, 2010	4,476,339
Exchange adjustments	150,749
Acquired on acquisition of subsidiaries ( <i>note 42(a)</i> )	18,160
Additions	4,096
Transfer from property, plant and equipment	31,548
Transfer from properties held for sale	3,679
Transfer from properties under development	181,403
Increase in fair value recognised in the consolidated income statement	140,269
Surplus arising on revaluation recognised in the statement of comprehensive income	20,864
Disposals	<u>(1,716)</u>
<b>At 31st December, 2010</b>	<b><u>5,025,391</u></b>

The fair values of the Group's investment properties at 31st December, 2010 and 2009 have been arrived at on the basis of a valuation carried out on that date by AA Property Services Limited, an independent professional surveyor and property valuer not connected with the Group. AA Property Services Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived by reference to comparable sales transactions as available in the relevant market.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of investment properties comprises:-

	2010 HK\$'000	2009 HK\$'000
Properties held under		
– long-term leases in Hong Kong	<b>136,000</b>	108,800
– medium-term land use rights in the PRC	<b>4,889,391</b>	<u>4,367,539</u>
	<b><u>5,025,391</u></b>	<u>4,476,339</u>

## 18. Property, plant and equipment

	Hotel properties HK\$'000	Leasehold land HK\$'000	Buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>The Group</b>								
COST OR VALUATION								
At 1st January, 2009, as previously reported	662,957	–	239,828	127,414	63,174	222,721	63,246	1,379,340
Adjustment for adoption of HKAS 17 (amendment)	–	115,230	–	–	–	–	–	115,230
As 1st January 2009, restated	662,957	115,230	239,828	127,414	63,174	222,721	63,246	1,494,570
Additions	37,247	–	141,422	5,363	12,793	3,095	125,495	325,415
Transfer	21,651	–	–	18,182	–	–	(39,833)	–
Disposals	–	–	(37,829)	(43,091)	(4,042)	(1,348)	–	(86,310)
Transfer to investment properties	–	–	–	–	–	–	(64,616)	(64,616)
Deficit arising on revaluation	(86,400)	–	–	–	–	–	–	(86,400)
Less: elimination of accumulated depreciation	(14,295)	–	–	–	–	–	–	(14,295)
At 31st December, 2009, restated and 1st January, 2010, restated	621,160	115,230	343,421	107,868	71,925	224,468	84,292	1,568,364
Exchange adjustments	22,350	–	10,752	3,510	2,318	7,658	2,876	49,464
Additions	–	–	23,544	19,305	33,872	2,787	308,959	388,467
Acquired on acquisition of subsidiaries (note 42(a))	–	–	–	8	–	–	–	8
Transfer	351,269	–	–	4,879	–	12,079	(368,227)	–
Disposals	–	–	(12,401)	(4,679)	(9,845)	(22)	(303)	(27,250)
Disposal on disposal of subsidiaries (note 44 (a))	–	–	–	(86)	(159)	–	–	(245)
Transfer from properties under development	72,790	–	84,731	–	–	–	–	157,521
Transfer to investment properties	–	–	(38,335)	–	–	–	–	(38,335)
Surplus arising on revaluation	97,173	–	–	–	–	–	–	97,173
Less: elimination of accumulated depreciation	(14,154)	–	–	–	–	–	–	(14,154)
<b>At 31st December, 2010</b>	<b>1,150,588</b>	<b>115,230</b>	<b>411,712</b>	<b>130,805</b>	<b>98,111</b>	<b>246,970</b>	<b>27,597</b>	<b>2,181,013</b>
Comprising:								
At cost, restated	–	115,230	411,712	130,805	98,111	246,970	27,597	1,030,425
At valuation – 2010	1,150,588	–	–	–	–	–	–	1,150,588
	1,150,588	115,230	411,712	130,805	98,111	246,970	27,597	2,181,013
ACCUMULATED DEPRECIATION								
At 1st January, 2009, as previously reported	–	–	89,006	75,955	16,886	160,679	–	342,526
Adjustment for adoption of HKAS 17 (amendment)	–	27,557	–	–	–	–	–	27,557
As 1st January 2009, restated	–	27,557	89,006	75,955	16,886	160,679	–	370,083
Charge for the year	14,295	2,304	14,739	9,752	9,378	14,401	–	64,869
Elimination on disposals	–	–	(6,140)	(38,748)	(2,584)	(1,216)	–	(48,688)
Elimination on revaluation	(14,295)	–	–	–	–	–	–	(14,295)
At 31st December, 2009, restated and 1st January, 2010, restated	–	29,861	97,605	46,959	23,680	173,864	–	371,969
Exchange adjustments	165	–	3,382	1,609	875	6,102	–	12,133
Charge for the year	13,989	2,305	26,299	13,694	12,304	14,439	–	83,030
Elimination on disposals	–	–	(6,172)	(3,663)	(6,638)	(19)	–	(16,492)
Elimination on disposal of subsidiaries (note 44 (a))	–	–	–	(69)	(149)	–	–	(218)
Elimination on revaluation	(14,154)	–	–	–	–	–	–	(14,154)
Transfer to investment properties	–	–	(6,787)	–	–	–	–	(6,787)
<b>At 31st December, 2010</b>	<b>–</b>	<b>32,166</b>	<b>114,327</b>	<b>58,530</b>	<b>30,072</b>	<b>194,386</b>	<b>–</b>	<b>429,481</b>
CARRYING VALUES								
<b>At 31st December, 2010</b>	<b>1,150,588</b>	<b>83,064</b>	<b>297,385</b>	<b>72,275</b>	<b>68,039</b>	<b>52,584</b>	<b>27,597</b>	<b>1,751,532</b>
At 31st December, 2009, restated	621,160	85,369	245,816	60,909	48,245	50,604	84,292	1,196,395
At 1st January 2009, restated	662,957	87,673	150,822	51,459	46,288	62,042	63,246	1,124,487

## 18. Property, plant and equipment (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:–

Hotel properties	2%
Leasehold land	over the lease term
Buildings	2% – 18%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Plant and machinery	5% – 23%

	<b>The Group</b>	
	<b>2010</b>	(Restated)
	<b>HK\$'000</b>	2009
		HK\$'000
The carrying value of hotel properties, leasehold land and buildings located at:–		
– Long-term leases in Hong Kong	<b>103,466</b>	106,337
– Medium-term land use rights in the PRC	<b>1,427,571</b>	846,008
	<b>1,531,037</b>	952,345

The fair value of the Group's hotel properties at 31st December, 2010 was arrived at on the basis of a valuation carried out on that date by AA Property Services Limited, an independent professional surveyor and property valuer not connected with the Group. AA Property Services Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived by the income approach, whereby the income derived from the hotel operations with regard to past trading accounts are capitalised at an appropriate rate of return to arrive at the value of the property interests with due allowance for outgoings and expenses.



## 19. Prepaid lease payments

	<b>The Group</b>		
	<b>At 31st December, 2010 HK\$'000</b>	At 31st December, 2009 HK\$'000	At 1st January, 2009 HK\$'000
The Group's prepaid lease payments comprise:–			
– Medium-term land use rights in the PRC	<b>395,681</b>	326,391	268,814
Analysed for reporting purposes as:–			
– Current asset	<b>10,621</b>	8,626	6,918
– Non-current asset	<b>385,060</b>	317,765	261,896
	<b>395,681</b>	326,391	268,814
		1st January, 2010 HK\$'000	1st January, 2009 HK\$'000
Reconciliation:–			
Opening net book value, as previously reported		411,760	356,487
Adjustment for adoption of HKAS 17 (amendment)		(85,369)	(87,673)
Opening net book value, restated		326,391	268,814

## 20. Goodwill

	<b>The Group</b>	
	<b>2010 HK\$'000</b>	2009 HK\$'000
<b>COST</b>		
At 1st January	<b>792,382</b>	–
Acquisition of additional interests in subsidiaries (note 41)	–	16,157
Acquisition of subsidiaries (note 42(b))	–	776,225
At 31st December	<b>792,382</b>	792,382
<b>IMPAIRMENT</b>		
At 1st January	<b>1,666</b>	–
Impairment loss for the year	<b>5,417</b>	1,666
At 31st December	<b>7,083</b>	1,666
<b>CARRYING AMOUNT</b>		
At 31st December	<b>785,299</b>	790,716

None of the goodwill recognised is expected to be deductible for income tax purpose.

## 20. Goodwill (Continued)

### Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to a specific property development project cash-generating unit for impairment testing. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation. To calculate this, a cash flow projection is prepared for the specific property development project based on the financial budgets approved by management covering 5-year period. The discount rate applied to the cash flow projections beyond a one year period is 10%.

### Key assumptions used in the value in use calculation

The following describes the key assumptions on which management has based its cash flow projects to undertake impairment testing of goodwill:–

Revenue from the property development project	The selling price is estimated by management by reference to the average selling price of a similar property in the relevant locations
Cost of construction	The cost of construction is estimated by the engineering department based on the projected cost to completion of the project

For the year ended 31st December, 2010, management determines that except for impairment loss on goodwill of HK\$5,417,000 which charged to cost of sales as a result of the properties sold, no any other impairment on goodwill based on the estimated recoverable amount of each property development project cash-generating unit is considered necessary. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of units to exceed its aggregate recoverable amount.

## 21. Interests in subsidiaries

	The Company	
	2010 HK\$'000	2009 HK\$'000
Unlisted shares, at cost	<b>182,988</b>	150,056

Details of the Company's principal subsidiaries at 31st December, 2010 are set out in note 54.

## 22. Interests in associates/amounts due from (to) associates

### Interests in associates

	<b>The Group</b>	
	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Cost of unlisted investments in associates	<b>74,533</b>	124,202
Share of post-acquisition profits and reserves, net of dividends received	<b>60,947</b>	39,823
	<b>135,480</b>	164,025

In December 2009, the Group disposed of 50% equity interest of a subsidiary named 上海盛奕資產經營管理有限公司 (“上海盛奕”) as set out in note 44(b) and retained the remaining 50% equity interest as an interest in an associate in the amount of HK\$104 million. During the year, the Group further disposed of 25% equity interest in 上海盛奕 with carrying amount of HK\$53 million at a consideration of HK\$151 million resulting in a gain of HK\$98 million.

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

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Total assets	<b>1,001,488</b>	2,083,225
Total liabilities	<b>(514,021)</b>	(1,665,193)
Net assets	<b>487,467</b>	418,032
Group's share of net assets of associates	<b>135,480</b>	164,025
Revenue	<b>554,753</b>	560,297
Profit (loss) for the year	<b>64,759</b>	(11,628)
Group's share of results of associates for the year	<b>19,428</b>	(6,834)

## 22. Interests in associates/amounts due from (to) associates (Continued)

### Interests in associates (Continued)

Details of the Group's principal associates as at 31st December, 2010 are as follows:–

Name of associate	Place of establishment/ operation	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
重慶綠地東原房地產開發有限公司 ("重慶綠地")	PRC	30%	–	30%	Property development
上海盛奕	PRC	22.5%	–	25%	Property development

### Amounts due from (to) associates

	2010 HK\$'000	2009 HK\$'000
Amount due from an associate	–	62,571
Amounts due to associates	70,588	85,294

Amount due from an associate is unsecured, interest-free and repayable within one year.

Amounts due to associates are unsecured, interest-free and repayable on demand.

## 23. Interests in jointly controlled entities/amount due from a jointly controlled entity

### Interests in jointly controlled entities

	<b>The Group</b>	
	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Cost of unlisted investments in jointly controlled entities	<b>24,018</b>	15,268
Share of post-acquisition losses and reserves, net of dividends received	<b>(22,503)</b>	(13,638)
	<b>1,515</b>	1,630

The Group's jointly controlled entities are indirect equity interest of 35% and 45% in 廣州保利南方文化傳播有限公司 (“廣州保利南方”) and 深圳市保利劇院演出經營有限公司 (“深圳市保利劇院”) respectively. During the year, 廣州保利南方 was dissolved and resulting a loss of HK\$680,000.

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

	<b>The Group</b>	
	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Total assets	<b>8,780</b>	10,062
Total liabilities	<b>(5,413)</b>	(4,944)
Net assets	<b>3,367</b>	5,118
Group's share of net assets of jointly controlled entities	<b>1,515</b>	1,630
Revenue	<b>28,442</b>	39,175
Loss for the year	<b>(7,426)</b>	(6,534)
Group's share of results of jointly controlled entities for the year	<b>(7,818)</b>	(7,506)

## 23. Interests in jointly controlled entities/amount due from a jointly controlled entity (Continued)

### Interests in jointly controlled entities (Continued)

Details of the Group's jointly controlled entity as at 31st December, 2010 are as follows:–

Name of jointly controlled entity	Place of establishment/operation	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
深圳市保利劇院	PRC	45%	–	45%	Theatre management

### Amount due from a jointly controlled entity

	2010 HK\$'000	2009 HK\$'000
Amount due from a jointly controlled entity	<b>2,582</b>	2,275

Amount due from a jointly controlled entity is unsecured, interest-free and repayable on demand.

## 24. Deposits paid for acquisition of land use rights

The deposits were paid by the Group to a PRC government authority in connection with the bidding of five (2009: seven) pieces of land and the acquisition of three (2009: twelve) pieces of land, respectively in the PRC for property development purpose.

## 25. Deposits paid for acquisition of subsidiaries

At 31st December, 2010, the amount represented deposits paid by the Group in connection with the acquisition of a subsidiary which was mainly engaged in property development. The acquisition was not yet completed at 31st December, 2010.

## 26. Properties under development

	<b>The Group</b>	
	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Properties under development comprises:–		
Land, construction costs and capitalised expenditures	<b>37,006,727</b>	13,620,098
Interest capitalised	<b>983,726</b>	715,248
	<b>37,990,453</b>	14,335,346

The capitalisation rate of borrowings was 6.27% (2009: 5.83%) for the year ended 31st December, 2010.

During the year, interest of HK\$913,249,000 (2009: HK\$724,541,000) were capitalised in properties under development.

Properties under development under current assets are expected to realise after twelve months from the end of the reporting period.

## 27. Other inventories

	<b>The Group</b>	
	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Raw materials	<b>21,108</b>	16,958
Work in progress	<b>442</b>	371
Finished goods	<b>20,687</b>	12,420
	<b>42,237</b>	29,749



## 28. Trade and other receivables

	<b>The Group</b>	
	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Trade receivables	<b>263,600</b>	191,013
Less: Allowance for doubtful debts	<b>(13,400)</b>	(12,437)
	<b>250,200</b>	178,576
Bills receivable on disposal of 上海盛奕	<b>100,000</b>	90,443
Other receivables (net of allowance of HK\$59,937,000) (2009: HK\$32,554,000)	<b>864,833</b>	354,980
Total trade and other receivables	<b>1,215,033</b>	623,999

The credit terms in connection with sales of properties granted to the customers are set out in the sale and purchase agreements and vary from agreements. There is no concentration of credit risk with respect to trade receivables arise from sales of properties as the Group has numerous customers. In respect of sales of goods granted to trade customers, the Group allows an average credit period of 30 to 90 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the end of the reporting period:–

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
0 to 30 days	<b>204,802</b>	129,753
31 to 90 days	<b>27,471</b>	31,023
More than 90 days	<b>17,927</b>	17,800
	<b>250,200</b>	178,576

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK\$17,927,000 (2009: HK\$17,800,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The balance arises from sales of properties and sales of goods of HK\$15,704,000 (2009: HK\$15,944,000) and HK\$2,223,000 (2009: HK\$1,856,000) respectively. Based on past experience, the directors consider 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.

**28. Trade and other receivables** (Continued)

Aging of trade receivables which are past due but not impaired

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
91-365 days	<b>17,927</b>	17,800

Movement in the allowance for doubtful debts of trade receivables

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Balance at beginning of the year	<b>12,437</b>	12,915
Exchange adjustments	<b>431</b>	–
Impairment loss recognised on receivables	<b>2,019</b>	3,360
Reversal of impairment loss previously recognised	<b>(1,487)</b>	(3,838)
Balance at end of the year	<b>13,400</b>	12,437

**29. Short-term loan receivables**

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Loan to New City <i>(note a)</i>	–	15,703
Loan to Tong Sun <i>(note a)</i>	–	165,000
Other loans <i>(note b)</i>	<b>27,040</b>	27,040
Loan to the People's Government of Huiyang District, Huizhou City <i>(note c)</i>	<b>176,471</b>	–
	<b>203,511</b>	207,743
Less: Impairment loss recognised	<b>(27,040)</b>	(207,743)
	<b>176,471</b>	–

## 29. Short-term loan receivables (Continued)

Movement in the allowance of short-term loan receivables

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Balance at beginning of the year	<b>207,743</b>	211,448
Reversal of impairment loss previously recognised upon disposal of a subsidiary ( <i>note a</i> )	<b>(180,703)</b>	–
Reversal of impairment loss previously recognised ( <i>note b</i> )	<u>–</u>	<u>(3,705)</u>
Balance at end of the year	<b><u>27,040</u></b>	<u>207,743</u>

Notes:–

- (a) The Group owns a 49% equity interest in Tong Sun of US\$49 (approximately HK\$382). At 31st December, 2009, the short-term loan receivables represent shareholders' loan to Tong Sun of HK\$165,000,000, net of allowance of HK\$165,000,000, and a loan to New City of HK\$15,703,000, net of allowance of HK\$15,703,000. New City and its subsidiaries are collectively referred to as the "New City Group", which held 51% equity interest in Tong Sun. In previous years, the New City Group has invested in a property development project, China Securities Plaza in Beijing, the PRC (the "Project"). Tong Sun is a company incorporated in Samoa which holds 66% of the registered capital of Beijing Zhong Zheng Real Estate Development Co. Ltd. 北京中証房地產開發有限公司 ("Beijing Zhong Zheng"), a sino-foreign co-operative joint venture established in the PRC for the development of the Project.

In accordance with an agreement dated 8th May, 2004 (the "Agreement"), the Group subscribed for 49 new ordinary shares (which were subsequently reclassified as "Class A Ordinary Shares" for which the Group is entitled to receive a preferred dividend distribution) in Tong Sun at a subscription price of US\$49 and would advance an interest-free shareholders' loan of HK\$165,000,000 to Tong Sun to finance exclusively the working capital of the Project.

In addition, the Group advanced a loan to New City ("New City loan"), which bears interest at 6% per annum in accordance with the Agreement. The shareholders' loan and New City loan are secured by shares in New City.

In accordance with the terms of the shareholders' agreement of Tong Sun, the dividend policy of Tong Sun is to distribute at the end of each financial year a cash dividend equivalent to the total amount of surplus/profits of that financial year available for distribution to its shareholders in accordance with the applicable laws of Samoa. Out of such distributable dividends, the Group will be entitled to receive a preferred dividend distribution of up to HK\$94,600,000 (together with the repayment of the shareholders' loan and the New City loan (and interest accrued thereon)) in priority to the dividend payment to the New City Group of up to HK\$136,000,000. In addition, the loan advanced by the New City Group in the sum of approximately HK\$184,000,000 ("New City Group loan") will only be repaid to the New City Group after the full repayment and payment of the shareholders' loan and the New City loan (and all interest accrued thereon) and the payment of the said distribution of HK\$94,600,000 to the Group.

After the payment in full of the said preferred dividend payments and the repayment of the shareholders' loan, the New City loan (and all interest accrued thereon) to the Group and the repayment of the New City Group loan to the New City Group, any further distribution by Tong Sun will be distributed and paid to the Group and the New City Group in the proportion of 25% and 75%, respectively.

In accordance with the relevant transitional provision in HKAS 39, the Group measured the interest-free non-current loan to Tong Sun of HK\$165,000,000 initially at fair value. For the year ended 31st December, 2006, the loan to Tong Sun was discounted at an effective rate of 6% up to 30th June, 2006.

Since Beijing Zhong Zheng has difficulty to realise its asset, it has financial difficulty to repay loan to Tong Sun. In turn, Tong Sun has also financial difficulty to repay loan to the Group and New City. In the opinion of the directors of the Company, Tong Sun and New City have liquidity problem to repay the loans to the Group. Accordingly, the Group has made full impairment losses on the shareholders' loan to Tong Sun of HK\$165,000,000 and the loan to New City of HK\$15,703,000 during the year ended 31st December, 2007.

During the year ended 31st December, 2010, the Group disposed 49% equity interest in Tong Sun. As a result, impairment loss of HK\$180,703,000 was reversed upon disposal of equity interest. Details of the disposal were set out in note 44(a).

## 29. Short-term loan receivables (Continued)

Movement in the allowance of short-term loan receivables (Continued)

Notes:– (Continued)

- (b) The other loans carry interest at 12% (2009: 12%) per annum and repayable on demand. During the year ended 31st December, 2008, the Group negotiated and agreed with the borrower regarding the repayment schedule of the other loan of HK\$5,000,000, which was impaired in previous years, and thus the directors considered to make a reversal of impairment losses of HK\$5,000,000 during the year ended 31st December, 2008. During the year ended 31st December, 2009, the above mentioned other loans of HK\$5,000,000 and another other loan of HK\$3,705,000, which was impaired in previous years, were received and reversal of impairment losses of a HK\$3,705,000 was recognised as other income during the year ended 31st December, 2009. No reversal of impairment loss was recognised during the year ended 31st December, 2010.
- (c) The amount was advanced to the People's Government of Huiyang District, Huizhou City for the development of infrastructure of a piece of land located in Huiyang District, Huizhou City, Guangdong Province, the PRC (中國廣東省惠州市惠陽區). The amount is unsecured, interest-bearing at benchmark rate of the People's Bank of China and expected to be repayable within one year.

## 30. Available-for-sale investments

	The Group		The Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Listed investments:–				
– Interests in equity securities listed in Hong Kong (note a)	<b>385,501</b>	312,715	–	–
Unlisted securities:–				
– Equity securities (note b)	<b>33,665</b>	33,625	<b>32,487</b>	32,487
	<b>419,166</b>	346,340	<b>32,487</b>	32,487

Notes:–

- (a) The interests in listed equity securities represent the share consideration received on the disposal of certain subsidiaries in 2007 and are measured at fair value at the end of each reporting period.

The change in fair value of HK\$72,786,000 (2009: HK\$230,493,000) was credited to investment revaluation reserve.

- (b) The unlisted equity securities represent investments in unlisted equity securities in the PRC and are measured at cost less impairment at the end of each reporting period because the directors of the Company are of the opinion that their fair values cannot be measured reliably.

### 31. Held-for-trading investments

The amounts represent investments in equity securities listed in Hong Kong. The fair values of these securities are based on bid market prices quoted on the Stock Exchange.

### 32. Deposits paid for acquisition of property development projects

At 31st December, 2010, the amount represented deposits paid by the Group in connection with the acquisition of one property development project in the PRC. The property development project was at a preliminary stage.

### 33. Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company/non-controlling shareholders of subsidiaries/related companies/subsidiaries

#### (a) Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company

	<b>The Group</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Amounts due from fellow subsidiaries:–		
– Interest-free	<b>34,015</b>	28,138
Amounts due to fellow subsidiaries:–		
– Interest-free	<b>1,407,760</b>	361,667
– 90% benchmark rate in the PRC	<b>–</b>	26,917
	<b>1,407,760</b>	388,584

The amounts are unsecured and repayable on demand.

### 33. Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company/non-controlling shareholders of subsidiaries/related companies/subsidiaries (Continued)

#### (a) Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company (Continued)

	The Group		The Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Amount due to an intermediate holding company:–				
– Interest-free	<b>1,992,598</b>	–	<b>1,991,501</b>	–
– Fixed rate of 4.1%	–	44,528	–	–
– Benchmark rate in the PRC plus 0.5%	<b>565,536</b>	–	–	–
– Benchmark rate in the PRC plus 1%	<b>67,686</b>	841,664	–	–
	<b>2,625,820</b>	886,192	<b>1,991,501</b>	–

#### The Group

The amounts are unsecured and repayable within one year except HK\$1,097,000 which is interest-free (2009: HK\$Nil) are repayable on demand.

#### The Company

The amount is unsecured and repayable within one year.

	The Group	
	2010 HK\$'000	2009 HK\$'000
Amount due to the ultimate holding company:–		
– Interest-free	<b>66,983</b>	173,203
– Benchmark rate in the PRC	–	489,192
– Benchmark rate in the PRC plus 1%	<b>31,652</b>	329,920
	<b>98,635</b>	992,315

The amounts are unsecured and repayable within one year except HK\$66,983,000 (2009: HK\$173,203,000) are repayable on demand.

### 33. Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company/non-controlling shareholders of subsidiaries/related companies/subsidiaries (Continued)

#### (b) Amounts due from (to) non-controlling shareholders of subsidiaries

	<b>The Group</b>	
	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Amount due from non-controlling shareholders of subsidiaries:–		
– Interest-free	<b>189,012</b>	144,252
Amount due to non-controlling shareholders of subsidiaries:–		
– Interest-free	<b>263,049</b>	230,449
– Fixed rate of 6.81%	<b>14,489</b>	–
– Benchmark rate in the PRC plus 1%	–	19,699
– Benchmark rate in the PRC plus 1.5%	<b>194,270</b>	224,513
– Benchmark rate in the PRC plus 2.6%	<b>261,616</b>	–
Entrusted loans from non-controlling shareholders of subsidiaries:–		
– Fixed rate of 6.85%	<b>239,196</b>	–
– Benchmark rate in the PRC plus 1.5%	<b>45,490</b>	275,294
	<b>1,018,110</b>	749,955

The amounts are unsecured and repayable on demand except the entrusted loans of HK\$284,686,000 (2009: HK\$275,294,000) are repayable within one year.



### **33. Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company/non-controlling shareholders of subsidiaries/related companies/subsidiaries** (Continued)

#### **(c) Amounts due from related companies**

##### **The Group**

The amounts due from related companies are unsecured, interest-free and repayable on demand.

#### **(d) Amounts due from (to) subsidiaries**

##### **The Company**

The amounts due from subsidiaries are unsecured, interest-free and not expected to be realised within one year from the end of the reporting period.

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

### **34. Pledged bank deposits and bank balances, deposits and cash**

#### **The Group**

Pledged bank deposits represents deposits pledged to banks to secure general banking facilities granted to the Group. Deposits amounting to HK\$181,864,000 (2009: HK\$263,548,000) have been pledged to secure general banking facilities and are classified as current assets.

The pledged bank deposits carry interest at a fixed rate 0.36% (2009: 0.36%) per annum. The pledged bank deposits will be released upon settlement of relevant bank borrowings.

Bank balances include HK\$3,431,295,000 (2009: HK\$1,381,664,000) which carry interest at fixed rates ranging from 0.01% to 2.25% (2009: 0.55% to 1.98%) per annum and HK\$12,438,015,000 (2009: HK\$8,716,485,000) which carry interest at variable rates ranging from 0% to 1.17% (2009: 0.08% to 1.35%) per annum.

#### **The Company**

Bank balances carry interest at market rates ranging from 0% to 1% (2009: 0% to 0.14%) per annum.

### 35. Trade and other payables

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

	The Group		The Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
0 to 30 days	<b>1,936,817</b>	1,130,249	–	–
31 to 90 days	<b>15,453</b>	276,908	–	–
More than 90 days	<b>349,343</b>	106,088	–	–
	<b>2,301,613</b>	1,513,245	–	–
Deferred income	–	–	<b>28,356</b>	–
Other payables	<b>1,579,747</b>	763,478	<b>19,749</b>	5,444
	<b>1,579,747</b>	763,478	<b>48,105</b>	5,444
	<b>3,881,360</b>	2,276,723	<b>48,105</b>	5,444
Less: Amount due within one year shown under current liabilities	<b>(3,881,360)</b>	(2,276,723)	<b>(28,004)</b>	(5,444)
Amount due after one year	–	–	<b>20,101</b>	–

The average credit period is 90 days. The Group has financial risk management policies in place to ensure that all payable is within the credit time frame.

Deferred income represents the fair value of the guarantees issued by the Company in respect of loans granted to its subsidiaries by financial institutions and a fellow subsidiary. Details of guarantee given by the Company were set out in note 48. During the year ended 31st December, 2010, based on the valuation performed by an independent professional valuer, the directors considered that the fair value of the financial guarantee contracts was approximately HK\$32,987,000 at the date of issuance of the financial guarantee contracts, which was recognised as additional cost of interests in subsidiaries, and HK\$4,631,000 (2009: HK\$Nil) was amortised in profit or loss and recorded as other income of the Company.

### 36. Bank and other borrowings

	The Group		The Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Bank and other loans				
– secured (note 49)	<b>14,879,473</b>	6,483,955	–	700,000
– unsecured	<b>14,943,797</b>	4,242,890	<b>3,510,000</b>	–
	<b>29,823,270</b>	10,726,845	<b>3,510,000</b>	700,000

The bank and other loans are repayable as follows:–

	The Group		The Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
On demand or within one year	<b>9,522,631</b>	2,683,635	<b>175,500</b>	300,000
In more than one year, but not more than two years	<b>8,377,408</b>	2,644,803	<b>351,000</b>	400,000
In more than two years, but not more than three years	<b>6,800,268</b>	4,454,679	<b>877,500</b>	–
In more than three years, but not more than four years	<b>2,731,206</b>	119,350	<b>2,106,000</b>	–
In more than four years, but not more than five years	<b>284,372</b>	386,999	–	–
In more than five years	<b>2,107,385</b>	437,379	–	–
	<b>29,823,270</b>	10,726,845	<b>3,510,000</b>	700,000
Less: Amount due within one year shown under current liabilities	<b>(9,522,631)</b>	(2,683,635)	<b>(175,500)</b>	(300,000)
Amount due after one year	<b>20,300,639</b>	8,043,210	<b>3,334,500</b>	400,000

### 36. Bank and other borrowings (Continued)

The Group's bank and other loans include HK\$8,404,386,000 fixed-rate borrowings which carry interest from 5.40% per annum to 10% per annum. (2009: HK\$45,506,000, HK\$1,137,656,000 and HK\$332,765,000 fixed-rate borrowings which carry interest at 5.31% per annum, 5.78% per annum and 7% per annum respectively). The Group's bank and other loans also include HK\$3,510,000,000 (2009: HK\$700,000,000) and HK\$17,908,884,000 (2009: HK\$8,510,918,000) variable-rate borrowings which carry interest at LIBOR plus 1.95% (2009: HIBOR plus 1.25% to HIBOR plus 2%) and ranging from 90% of benchmark rate in the PRC to 120% of benchmark rate in the PRC and benchmark rate in the PRC plus 2.19% respectively (2009: HIBOR plus 1.25% to HIBOR plus 2% and ranging from 90% of benchmark rate in the PRC to 120% of benchmark rate in the PRC respectively).

At the end of the reporting period, the Group has the following undrawn borrowing facilities:–

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Variable rate		
– expiring beyond one year	<b><u>3,783,329</u></b>	<u>2,353,185</u>

The Group's certain banking facilities of HK\$3,510,000,000, of which the outstanding balances as at 31st December, 2010 were HK\$3,510,000,000, are subject to the fulfillment of covenants relating to the following ratios and conditions, which are commonly found in lending arrangements with financial institutions:–

- (a) the consolidated tangible net worth shall not be at any time be less HK\$12 billion; and
- (b) the gearing ratio (the consolidated total net borrowings to consolidated tangible net worth) shall not at any time exceed the ratio of 0.7:1.0.

If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 7.

At 31st December, 2010 and 31st December, 2009, none of the above covenants relating to drawn down facilities had been breached.

The Company's variable rate borrowings carry interest at LIBOR plus 1.95% (2009: HIBOR plus 1.25% to HIBOR plus 2%).

## 37. Share capital

	<b>Number of ordinary shares</b>	<b>Amount HK\$'000</b>
Ordinary share of HK\$0.50 each		
Authorised:–		
<b>At 1st January, 2009 and 31st December, 2010</b>	<b><u>4,000,000,000</u></b>	<b><u>2,000,000</u></b>
Issued and fully paid:–		
At 1st January, 2009	1,911,047,046	955,524
Exercise of share options (note a)	300,000	150
Placements of shares (note b)	670,000,000	335,000
Issue of shares (note c)	<u>402,644,000</u>	<u>201,322</u>
At 31st December, 2009 and 1st January, 2010	2,983,991,046	1,491,996
Exercise of share options (note a)	5,600,000	2,800
Placements of shares (note b)	400,000,000	200,000
Issue of shares (note c)	<u>218,846,000</u>	<u>109,423</u>
<b>At 31st December, 2010</b>	<b><u>3,608,437,046</u></b>	<b><u>1,804,219</u></b>

During the two years ended 31st December, 2010, the following changes in the share capital of the Company took place:–

- (a) 5,600,000 (2009: 300,000) share options were exercised by the eligible option holders, resulting in the issue of 5,600,000 (2009: 300,000) ordinary shares of HK\$0.5 each in the Company at a total consideration of HK\$6,574,000 (2009: HK\$1,437,000).
- (b) On 22nd June, 2009, the Company issued 230,000,000 shares of HK\$0.5 each of the Company at a subscription price of HK\$3.45 each pursuant to the Placing and Subscription Agreement dated 12th June, 2009. The Company received gross proceeds of HK\$793,500,000 in relation to the placing and subscription. More details are set out in the Company's announcement dated 14th June, 2009.

## 37. Share capital (Continued)

(b) (Continued)

On 15th October, 2009, the Company issued 60,000,000 shares of HK\$0.5 each of the Company at a subscription price of HK\$6.81 each to Best Investment Corporation, a limited liability company wholly-owned by China Investment Corporation, an independent third party. The Company received gross proceeds of HK\$408,600,000 in relation to the share subscription.

On 23rd October, 2009, the Company issued 380,000,000 shares of HK\$0.5 each of the Company at a subscription price of HK\$8.1 each pursuant to the Placing and Subscription Agreement dated 14th October, 2009. The Company received gross proceeds of HK\$3,078,000,000 in relation to the placing and subscription. More details are set out in the Company's announcement dated 14th October, 2009.

On 16th August, 2010, the Company issued 400,000,000 shares of HK\$0.5 each of the Company at a subscription price of HK\$8.8 each pursuant to the Placing and Subscription Agreement dated 4th August, 2010. The Company received gross proceeds of HK\$3,520,000,000 in relation to the placing and subscription. More details are set out in the Company's announcement dated 4th August, 2010.

(c) On 13th October, 2009, the Company allotted 402,644,000 shares of HK\$0.5 each of the Company at HK\$8.89 each, representing the market price of the share at the date of completion, for the acquisition of Big Support Group and Golden Huge Group (*note 42(b)*).

On 15th April, 2010, the Company allotted 218,846,000 shares of HK\$0.5 each of the Company at HK\$8.73 each, representing the market price of the share at the date of completion, for the acquisition of Rapid Bloom Group (*note 42(a)*).

The shares issued during the year rank *pari passu* in all respects with the existing shares.

## 38. Share option schemes

Details of the equity-settled share option schemes adopted by the Company are as follows:–

### (a) Poly HK Old Scheme

The Poly HK Old Scheme was adopted on 16th June, 1993 for the primary purpose of providing incentives to directors and eligible employees and terminated on 28th May, 2003. Under the Poly HK Old Scheme, the Company could grant options to the directors and the employees of the Company or its subsidiaries to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted. Options proposed to be granted had to be accepted within 30 days from the date of offer. The granted options are exercisable during the period commencing on the date one year after the date of grant and expiring on the date ten years after the date of grant.

## 38. Share option schemes (Continued)

### (a) Poly HK Old Scheme (Continued)

The exercise price was determined by the directors of the Company, and shall not be less than the higher of the nominal value of the Company's shares on the date of grant, and 80% of the average closing price of the shares for the five business days immediately preceding the date of offer.

Upon termination of the Poly HK Old Scheme, no further options may be offered thereunder. However, in respect of the outstanding options, the provisions of the Poly HK Old Scheme shall remain in force. The outstanding options granted under the Poly HK Old Scheme shall continue to be subject to the provisions of the Poly HK Old Scheme.

At 31st December, 2010, all options granted under the Poly HK Old Scheme were either exercised or lapsed (2009: the number of shares in respect of which options had been granted under the Poly HK Old Scheme and remained outstanding was approximately 0.3% of the shares of the Company in issue at that date).

The following table discloses details of the Company's options under the Poly HK Old-scheme held by employees (including directors) and movement in such holdings during each of the two years ended 31st December, 2010:–

Date of grant	Exercise price Per share HK\$	Exercisable period	Outstanding at	Exercised during the year	Lapsed during the year	Outstanding at	
			1.1.2009 and 31.12.2009				31.12.2010
Category 1: Directors							
He Ping <i>(note)</i>	30.11.2000	0.740	30.11.2001 – 29.11.2010	5,000,000	(5,000,000)	–	–
Category 2: Employees							
	30.11.2000	0.740	30.11.2001 – 29.11.2010	3,000,000	–	(3,000,000)	–
Total all categories				8,000,000	(5,000,000)	(3,000,000)	–

Note:–

Mr. He Ping resigned as chairman and director of the Company with effect from 29th April, 2010.

The share options under the Poly HK Old Scheme were vested at the grant date.

In respect of the share options exercised during the year ended 31st December, 2010, the weighted average closing price of the shares immediately before the dates of exercise was HK\$7.48 (No share option was exercised during the year ended 31st December, 2009).

The closing price of the Company's share immediately before the dates in which the options were exercised was HK\$7.48 for the year ended 31st December, 2010.



## 38. Share option schemes (Continued)

### (b) Poly HK New Scheme

As approved by the shareholders of the Company at the annual general meeting held on 28th May, 2003, the Company has terminated the Poly HK Old Scheme and adopted the Poly HK New Scheme, which is in accordance with the revised Chapter 17 of the Listing Rules effective on 1st September, 2001.

The purpose of the Poly HK New Scheme is to provide incentives to eligible participants, and will expire on 27th May, 2013. According to the Poly HK New Scheme, the Board of Directors of the Company may grant options to (i) any director and employee of the Company or subsidiaries, or an entity in which the Group holds an interest ("Affiliate"); (ii) any customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; (iii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; or (iv) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, shareholder, adviser of or contractor to the Group or an Affiliate to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted.

Share option granted should be accepted within 28 days from the date of grant. The Board of Directors may at its absolute discretion determine the period during which a share option may be exercised, such period should expire no later than 10 years from the date of grant of the relevant option. The Board of Directors may also provide restrictions on the exercise of a share option during the period a share option may be exercised.

The exercise price is determined by the Board of Directors of the Company, and shall not be less than the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Poly HK New Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of shares in issue.

The total number of shares issued and to be issued upon exercise of the options granted to each individual under the Poly HK New Scheme and any other share option schemes of the Company (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

## 38. Share option schemes (Continued)

### (b) Poly HK New Scheme (Continued)

Pursuant to a resolution passed at the annual general meeting of the Company held on 29th May, 2008, a refreshment of the Poly HK New Scheme mandate was approved. The total number of shares to be allotted and issued pursuant to the grant or exercise of the options under Poly HK New Scheme shall not exceed 10% of the total number of shares in issue as at 29th May, 2008.

At 31st December, 2010, the number of shares in respect of which options had been granted under the Poly HK New Scheme and remained outstanding was approximately 1.5% (2009: 1.8%) of the Company in issue at that date.

The following table discloses details of the Company's options under the Poly HK New Scheme held by employees (including directors) and movement in such holdings during each of the two years ended 31st December, 2010:–

	Date of grant	Exercise price per share HK\$	Exercisable period	Outstanding at 1.1.2009	Exercised during 2009	Outstanding at 1.1.2010	Exercised during 2010	Outstanding at 31.12.2010
Category 1: Directors								
He Ping <i>(note)</i>	14.7.2005	1.270	14.7.2005 – 13.7.2015	8,900,000	–	8,900,000	–	8,900,000
	29.4.2008	4.790	29.4.2008 – 28.4.2013	4,500,000	–	4,500,000	–	4,500,000
Chen Hong Sheng	14.7.2005	1.270	14.7.2005 – 13.7.2015	8,000,000	–	8,000,000	–	8,000,000
	29.4.2008	4.790	29.4.2008 – 28.4.2013	3,500,000	–	3,500,000	–	3,500,000
Wang Xu	29.4.2008	4.790	29.4.2009 – 28.4.2013	3,000,000	–	3,000,000	–	3,000,000
Xue Ming	29.4.2008	4.790	29.4.2009 – 28.4.2013	2,650,000	–	2,650,000	–	2,650,000
Han Qing Tao	29.4.2008	4.790	29.4.2009 – 28.4.2013	1,600,000	–	1,600,000	–	1,600,000
Ye Li Wen	29.4.2008	4.790	29.4.2008 – 28.4.2013	1,600,000	–	1,600,000	–	1,600,000
Chan Tak Chi, William	29.4.2008	4.790	29.4.2008 – 28.4.2013	300,000	–	300,000	(300,000)	–
Ip Chun Chung, Robert	29.4.2008	4.790	29.4.2008 – 28.4.2013	300,000	(300,000)	–	–	–
Yao Kang, J.P.	29.4.2008	4.790	29.4.2008 – 28.4.2013	500,000	–	500,000	–	500,000
Lam Tak Shing, Harry	29.4.2008	4.790	29.4.2008 – 28.4.2013	300,000	–	300,000	(300,000)	–
Choy Shu Kwan	14.7.2005	1.270	14.7.2005 – 13.7.2015	300,000	–	300,000	–	300,000
	29.4.2008	4.790	29.4.2008 – 28.4.2013	300,000	–	300,000	–	300,000
				35,750,000	(300,000)	35,450,000	(600,000)	34,850,000
Category 2: Employees	29.4.2008	4.790	29.4.2008 – 28.4.2013	3,500,000	–	3,500,000	–	3,500,000
	29.4.2008	4.790	29.4.2008 – 28.4.2013	14,750,000	–	14,750,000	–	14,750,000
Total all categories				54,000,000	(300,000)	53,700,000	(600,000)	53,100,000

*Note:*

Mr. He Ping resigned as chairman and director of the Company with effect from 29th April, 2010.

### 38. Share option schemes (Continued)

#### (b) Poly HK New Scheme (Continued)

The share options under the Poly HK New Scheme granted on 29th April, 2008 vested at the grant date for those directors or employees who have completed 4 years of services with the Company. For those directors or employees who have not completed 4 years of services with the Company, the share options granted will become exercisable on the date upon which the directors or employees have completed 4 years of services with the Company or on the date one year after the date on which the share options are issued, whichever is earlier.

In respect of the share options exercised during the year ended 31st December, 2010, the weighted average closing price of the shares immediately before the dates of exercise was HK\$9.07 (2009: HK\$5.95).

The closing price of the Company's shares immediately before the dates in which the options were exercised ranged from HK\$8.94 to HK\$9.20 for the year ended 31st December, 2010 (2009: HK\$5.95).

For the year ended 31st December, 2009, total equity-settled share-based payment expenses recognised was as follows:–

	HK\$'000
Total equity-settled share-based payment expenses	39,614
Amortisation for the year 2008	(32,554)
Amortisation for the year 2009	<u>(7,060)</u>
At 31st December, 2009	<u>–</u>

**39. Reserves**

	<b>Share premium</b>	<b>Share option reserve</b>	<b>Capital redemption reserve</b>	<b>Accumulated profits</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>The Company</b>					
At 1st January, 2009	3,392,844	35,894	23,917	116,599	3,569,254
Placements of shares	3,945,100	–	–	–	3,945,100
Premium arising on shares issued for acquisition of Big Support Group and Golden Huge Group <i>(note 42(b))</i>	3,378,183	–	–	–	3,378,183
Recognition of equity-settled share-based payment expenses	–	7,060	–	–	7,060
Exercise of share options	1,547	(260)	–	–	1,287
Share issue expenses	(129,956)	–	–	–	(129,956)
Profit for the year	–	–	–	77,091	77,091
Dividends paid <i>(note 15)</i>	–	–	–	(38,221)	(38,221)
At 31st December, 2009 and 1st January, 2010	10,587,718	42,694	23,917	155,469	10,809,798
Placements of shares	3,320,000	–	–	–	3,320,000
Premium arising on shares issued for acquisition of Rapid Bloom Group <i>(note 42(a))</i>	1,801,103	–	–	–	1,801,103
Exercise of share options	4,291	(517)	–	–	3,774
Share issue expenses	(91,548)	–	–	–	(91,548)
Profit for the year	–	–	–	718,269	718,269
Dividends paid <i>(note 15)</i>	–	–	–	(140,938)	(140,938)
<b>At 31st December, 2010</b>	<b><u>15,621,564</u></b>	<b><u>42,177</u></b>	<b><u>23,917</u></b>	<b><u>732,800</u></b>	<b><u>16,420,458</u></b>

### 39. Reserves (Continued)

Notes:–

- (a) As at 31st December, 2010, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK\$732,800,000 (2009: HK\$155,469,000).
- (b) The consolidated profit attributable to owners of the Company includes a profit of HK\$536,130,000 (2009: a loss of HK\$42,909,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Amount of consolidated profit attributable to owners dealt with in the Company's financial statements	<b>536,130</b>	(42,909)
Interim dividend from subsidiaries attributable to the profits of the previous financial years, approved and paid during the year	<b>182,139</b>	120,000
Company's profit for the year	<b>718,269</b>	77,091

### 40. Loan from a fellow subsidiary

The amount represents loan from a subsidiary of the ultimate holding company. The amount is unsecured, interest-free and repayable upon expiration of the joint venture term of Poly Plaza Limited ("PPL"), a subsidiary of the Company.

The fair value of the loan at initial recognition has been determined based on the present value of the estimated future cash flows discounted using the prevailing market rate of 6% on the date the loan was granted. The loan is then carried at amortised cost in subsequent periods of effective interest rate of 6%.

### 41. Acquisition of additional interests in subsidiaries

During the year ended 31st December, 2010, the Group acquired additional interests in certain subsidiaries at a total consideration of RMB147,967,000 (equivalent to HK\$174,079,000) (2009: HK\$24,478,000). These transactions were accounted for as transactions with equity shareholders in their capacity as owners and therefore an amount of HK\$74,496,000 was reflected as a movement in the consolidated statement of changes in equity. (2009: The amount of goodwill arising as a result of the acquisitions was HK\$16,157,000 of which HK\$1,666,000 was impaired and charged to the profit or loss as administrative expenses during the year).

## 42. Acquisition of subsidiaries

- (a) On 15th April, 2010, the Group completed the acquisition of the entire interest in Rapid Bloom Limited and shareholder's loan of HK\$3,983,754,000 with Cedar Key Limited (a wholly-owned subsidiary of Poly Holdings, which is a wholly-owned subsidiary of China Poly, the ultimate holding company of the Company) at a total consideration which was determined at after arm's length negotiations. The consideration of HK\$3,902,027,000 was satisfied by offsetting an amount due to an intermediate holding company of HK\$1,991,501,000 and issuing 218,846,000 shares of the Company to Poly Holdings at HK\$8.73 per share, representing the market price of the Company's share at the date of completion. Details of the acquisition were set out in a circular of the Company dated 26th March, 2010. The acquisition was approved by the shareholders of the Company in the extraordinary general meeting held on 15th April, 2010.

On 5th January, 2010, the Group entered into two sale and purchase agreements to acquire 35% and 20% interest of 武漢眾和置業有限公司, which is engaged in property development business. The acquisition was completed on 5th January, 2010 and the aggregate consideration was HK\$52,092,000.

On 7th December, 2010, the Group entered a sale and purchase agreement to acquire 65% interest of 惠州市中信建業房地產有限公司, which is engaged in property development business. The acquisition was completed on 7th December, 2010 and the aggregate cash consideration was HK\$765,000.

The directors believe that through the acquisition of these subsidiaries, it should further strengthens the Group's position as one of the leading real estate developers in the PRC.

## 42. Acquisition of subsidiaries (Continued)

### (a) (Continued)

The net assets acquired in above acquisition are as follows:–

	Rapid Bloom Group HK\$'000	武漢翠和置業 有限公司 HK\$'000	惠州市 中信建業 房地產 有限公司 HK\$'000	Fair value adjustments HK\$'000	Sub-total HK\$'000	2010 Total HK\$'000
Net assets acquired:–						
Investment properties	-	8,832	-	9,328	<b>18,160</b>	<b>18,160</b>
Property, plant and equipment	-	8	-	-	<b>8</b>	<b>8</b>
Deposits paid for acquisition of subsidiaries	<b>1,316,211</b>	-	-	-	-	<b>1,316,211</b>
Deposits paid for acquisition of land use rights	<b>2,666,627</b>	-	-	-	-	<b>2,666,627</b>
Properties under development	-	88,336	63,371	26,168	<b>177,875</b>	<b>177,875</b>
Properties held for sale	-	1,051	-	-	<b>1,051</b>	<b>1,051</b>
Other receivables	-	2	-	-	<b>2</b>	<b>2</b>
Short term loan receivable	-	-	58,824	-	<b>58,824</b>	<b>58,824</b>
Bank balances, deposits and cash	<b>299</b>	500	1	-	<b>501</b>	<b>800</b>
Other payables	-	(26,757)	(58,824)	-	<b>(85,581)</b>	<b>(85,581)</b>
Pre-sale deposits	-	(1,115)	-	-	<b>(1,115)</b>	<b>(1,115)</b>
Amount due to non-controlling shareholder of a subsidiary	-	-	(64,665)	-	<b>(64,665)</b>	<b>(64,665)</b>
Deferred tax liabilities	-	-	-	(8,874)	<b>(8,874)</b>	<b>(8,874)</b>
	<b>3,983,137</b>	70,857	(1,293)	26,622	<b>96,186</b>	<b>4,079,323</b>
Non-controlling interests	-	(31,885)	452	(11,703)	<b>(43,136)</b>	<b>(43,136)</b>
	<b>3,983,137</b>	38,972	(841)	14,919	<b>53,050</b>	<b>4,036,187</b>
Discount on acquisition of interests in subsidiaries	<b>(81,110)</b>				<b>(193)</b>	<b>(81,303)</b>
Total consideration	<b>3,902,027</b>				<b>52,857</b>	<b>3,954,884</b>
Total consideration satisfied by:–						
218,846,000 consideration shares issued upon completion	<b>1,910,526</b>				-	<b>1,910,526</b>
Amount due to an immediate holding company	<b>1,991,501</b>				-	<b>1,991,501</b>
Cash consideration	-				<b>52,092</b>	<b>52,092</b>
Other payable	-				<b>765</b>	<b>765</b>
Total consideration	<b>3,902,027</b>				<b>52,857</b>	<b>3,954,884</b>
Net cash outflow arising on acquisition:–						
Cash consideration paid	-				<b>(52,092)</b>	<b>(52,092)</b>
Bank balances, deposits and cash acquired	<b>299</b>				<b>501</b>	<b>800</b>
	<b>299</b>				<b>(51,591)</b>	<b>(51,292)</b>



## 42. Acquisition of subsidiaries (Continued)

(a) (Continued)

The newly acquired subsidiaries contributed HK\$1,878,000 and a profit of HK\$85,438,000 to the Group's revenue and profit for the year ended 31st December, 2010, respectively, for the period between the date of acquisition and the end of the reporting period.

Had the acquisition been completed on 1st January, 2010, total Group's revenue and profit for the year ended 31st December, 2010 would be HK\$8,514,136,000 and HK\$2,120,612,000 respectively. This proforma information was for illustrative purposes only and was not necessarily an indication of the turnover and results of the Group that would actually have been impacted had the acquisition been completed on 1st January, 2010, nor was it intended to be a projection of future results.

Acquisition related costs incurred during the year for this acquisition amounting HK\$2,379,000 was included in administrative expenses in the Group's consolidated income statement.

The non-controlling interests arising from acquisition of above, subsidiaries is measured at non-controlling interests' proportionate share of the fair value of subsidiaries' net identifiable assets at the date of acquisition.

In the opinion of directors of the Company, the discount on acquisition of interests in subsidiaries during the year ended 31st December, 2010 was mainly attributable to the decrease in market price of the Company's share during the period between the time of conclusion of total consideration and the acquisition date, representing the date of control obtained by the Group for accounting purpose.

- (b) On 13th October, 2009, the Group completed the acquisition of the entire interest in Big Support Group and Golden Huge Group with Cedar Key Limited (a wholly-owned subsidiary of Poly Holdings which is a wholly-owned subsidiary of China Poly, the ultimate holding company of the Company) at a total consideration which was determined at after arm's length negotiations. The consideration was satisfied by issuing 402,644,000 shares of the Company to Poly Holdings at HK\$8.89 per share, representing the market price of the share at the date of completion. Details of the acquisition were set out in a circular of the Company dated 25th September, 2009. The acquisition was approved by the shareholders of the Company in the extraordinary general meeting held on 13th October, 2009.

**42. Acquisition of subsidiaries (Continued)**

(b) (Continued)

The net assets acquired in above acquisition are as follows:–

	<b>Big Support Group</b> HK\$'000	<b>Golden Huge Group</b> HK\$'000	<b>Sub-total</b> HK\$'000	<b>Fair value adjustments</b> HK\$'000	<b>2009 Total</b> HK\$'000
Net assets acquired:–					
Investment properties	–	942,000	942,000	9,081	951,081
Deposits paid for acquisition of subsidiaries	715,544	–	715,544	–	715,544
Deposits paid for acquisition of land use rights	1,472,460	–	1,472,460	–	1,472,460
Trade and other receivables	5,864	563	6,427	–	6,427
Amount due from a related company	–	12,225	12,225	–	12,225
Taxation recoverable	–	445	445	–	445
Bank balances, deposits and cash	100,000	770	100,770	–	100,770
Trade and other payables	–	(12,912)	(12,912)	–	(12,912)
Loan from non-controlling shareholders	–	(72,974)	(72,974)	–	(72,974)
Deferred tax liabilities	–	(97,488)	(97,488)	(2,270)	(99,758)
	<u>2,293,868</u>	<u>772,629</u>	<u>3,066,497</u>	<u>6,811</u>	<u>3,073,308</u>
Non-controlling interests	<u>2</u>	<u>(265,267)</u>	<u>(265,265)</u>	<u>(2,724)</u>	<u>(267,989)</u>
	<u>2,293,870</u>	<u>507,362</u>	<u>2,801,232</u>	<u>4,087</u>	<u>2,805,319</u>
Goodwill arising on acquisition of interests in subsidiaries					<u>776,225</u>
Total consideration					<u>3,581,544</u>
Total consideration satisfied by:–					
402,644,000 consideration shares issued upon completion					3,579,505
Direct expenses incurred					<u>2,039</u>
Total consideration					<u>3,581,544</u>
Net inflow of cash arising on acquisition:–					
Bank balances, deposits and cash acquired					100,770
Direct expenses incurred					<u>(2,039)</u>
					<u>98,731</u>

## 42. Acquisition of subsidiaries (Continued)

(b) (Continued)

The newly acquired subsidiaries contributed HK\$17,730,000 and HK\$11,840,000 to the Group's revenue and profit for the year ended 31st December, 2009, respectively, for the period between the date of acquisition and the end of the reporting period.

Had the acquisition been completed on 1st January, 2009, total Group's revenue and profit for the year ended 31st December, 2009 would be HK\$7,247,240,000 and HK\$862,704,000 respectively. This proforma information was for illustrative purposes only and was not necessarily an indication of the turnover and results of the Group that would actually have been impacted had the acquisition been completed on 1st January, 2009, nor was it intended to be a projection of future results.

## 43. Major non-cash transactions

- (a) On 15th April, 2010, the Group completed the acquisition of the entire interest in Rapid Bloom Group at a total consideration of HK\$3,902,027,000 by issuing 218,846,000 shares of the Company Poly Holdings at HK\$8.73 per share, representing the market price of the share at the date of completion and HK\$1,991,501,000 was set off with the current account with Poly Holdings. Details of the acquisition are stated in the note 42(a).
- (b) On 13th October, 2009, the Group completed the acquisition of the entire interest in Big Support Group and Golden Huge Group at a total consideration by issuing 402,644,000 shares of the Company to Poly Holdings at HK\$8.89 per share, representing the market price of the share at the date of completion. Details of the acquisition are stated in note 42(b).

## 44. Disposal of subsidiaries

- (a) On 3rd March, 2010, the Group entered into a sale and purchase agreement to dispose of its 51% equity interest of 深圳市祥瑞實業發展有限公司, which is engaged in property development business. The disposal was completed on 9th April, 2010.

On 28th June, 2010, the Group entered into a sale and purchase agreement to dispose of its entire interest of Starry Joy Properties Investment Ltd., which owned 49% equity interest in Tung Sun. The disposal was completed on 28th June, 2010.

## 44. Disposal of subsidiaries

(a) (Continued)

The net assets of subsidiaries at the date of disposal were as follows:–

	深圳市 祥瑞實業發展 有限公司 HK\$'000	<b>Starry Joy Properties Investment Ltd.</b> HK\$'000	<b>2010</b> HK\$'000
Net assets disposed of:–			
Property, plant and equipment	27	–	27
Interest in Tong Sun	–	–	–
Deferred tax assets	37	–	37
Properties held for sale	11,966	–	11,966
Trade and other receivables	5,514	–	5,514
Short-term loan receivables	–	180,703	180,703
Provision for short-term loan receivables	–	(180,703)	(180,703)
Amounts due from fellow subsidiaries	12,354	–	12,354
Amount due from a non-controlling shareholder of a subsidiary	4,979	–	4,979
Bank balances, deposits and cash	7,984	–	7,984
Trade and other payables	(6,166)	–	(6,166)
Taxation payable	(12,536)	–	(12,536)
	24,159	–	24,159
Non-controlling interests	(11,838)	–	(11,838)
Net assets disposed of	12,321	–	12,321
Translation reserve realised on disposal	(1,428)	–	(1,428)
Gain on disposal of interests in subsidiaries	1,461	350,888	352,349
Total consideration	12,354	350,888	363,242
Total consideration satisfied by:–			
Cash consideration	–	350,888	350,888
Other receivables	12,354	–	12,354
	12,354	350,888	363,242
Net cash inflow arising on disposal:–			
Cash consideration	–	350,888	350,888
Bank balances, deposits and cash disposed of	(7,984)	–	(7,984)
	(7,984)	350,888	342,904

**44. Disposal of subsidiaries** (Continued)

- (b) On 2nd December, 2009, the Group entered into a sale and purchase agreement to dispose of its 50% equity interest of 上海盛奕, which is engaged in property development business. Upon the completion of disposal on 15th December, 2009, 上海盛奕 became an associate of the Group.

The net assets of 上海盛奕 at the date of disposal were as follows:–

	<b>2009</b>
	HK\$'000
Net assets disposed of:–	
Properties under development	176,682
Bank balances and cash	59,598
Accruals	(16,784)
Amounts due to fellow subsidiaries	<u>(11,406)</u>
	208,090
Less: 50% equity interest of net assets transferred to interests in associates <i>(note 22)</i>	<u>(104,045)</u>
50% equity interest of net assets disposed of	104,045
Gain on disposal of interest in a subsidiary	<u>196,797</u>
Total consideration	<u>300,842</u>
Total consideration satisfied by:–	
Cash	210,399
Bills receivable <i>(note 28)</i>	<u>90,443</u>
	<u>300,842</u>
Net cash inflow arising on disposal:–	
Cash consideration	210,399
Bank balances and cash disposed of	<u>(59,598)</u>
	<u>150,801</u>

## 45. Deferred tax assets/liabilities

The deferred tax assets/liabilities recognised by the Group and the movements thereon during the current and prior years are as follows:–

	Tax losses HK\$'000	Expenses recognised in profit or loss but deductible in subsequent period HK\$'000	Others HK\$'000	Total HK\$'000	
<b>Deferred tax assets</b>					
At 1st January, 2009	54,552	72,525	21,572	148,649	
Charge to consolidated income statement for the year	(40,632)	(12,406)	(2,608)	(55,646)	
At 31st December, 2009 and 1st January, 2010	13,920	60,119	18,964	93,003	
Exchange adjustments	875	2,528	695	4,098	
Disposal of subsidiaries (note 44(a))	–	–	(37)	(37)	
Credit to consolidated income statement for the year					
– current year	27,185	21,259	4,183	52,627	
– under-provision in prior year	6,793	1,517	–	8,310	
<b>At 31st December, 2010</b>	<b>48,773</b>	<b>85,423</b>	<b>23,805</b>	<b>158,001</b>	
<b>Revaluation of properties</b>					
	Investment properties HK\$'000	Hotel properties HK\$'000	Properties under development HK\$'000	Others HK\$'000	Total HK\$'000
<b>Deferred tax liabilities</b>					
At 1st January, 2009	389,835	43,402	139,076	8,945	581,258
Credit to other comprehensive income for the year	–	(21,600)	–	–	(21,600)
Charge (credit) to consolidated income statement for the year	14,350	–	(22,817)	(6,722)	(15,189)
Acquisition of subsidiaries (note 42(b))	99,758	–	–	–	99,758
At 31st December, 2009 and 1st January, 2010	503,943	21,802	116,259	2,223	644,227
Exchange adjustments	14,264	744	3,951	136	19,095
Charge to other comprehensive income for the year	5,216	24,293	–	–	29,509
Charge (credit) to consolidated income statement for the year	35,619	–	(12,566)	5,129	28,182
Acquisition of subsidiaries (note 42(a))	2,332	–	6,542	–	8,874
<b>At 31st December, 2010</b>	<b>561,374</b>	<b>46,839</b>	<b>114,186</b>	<b>7,488</b>	<b>729,887</b>

## 45. Deferred tax assets/liabilities (Continued)

At 31st December, 2010, the Group other than its subsidiaries in the PRC had unused tax losses of approximately HK\$184,374,000 (2009: HK\$149,700,000) for offset against future assessable profits. Such unused tax losses may be carried forward indefinitely.

In addition, at 31st December, 2010, the Group's PRC subsidiaries had unused tax losses of approximately HK\$254,879,000 (2009: HK\$193,072,000) other than those unused tax losses for which deferred tax has been provided for, for offset against future assessable profits. The maximum benefit from unutilised tax losses can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits.

The deferred tax assets arising from the above unused tax losses have not been recognised in the consolidated financial statements due to the unpredictability of future profit streams.

## 46. Operating leases

The Group as lessee:–

	<b>The Group</b>	
	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Minimum lease payments paid under operating leases during the year:–		
– office and factory premises	<b>11,907</b>	8,136
– equipment	<b>1,163</b>	1,138
	<b>13,070</b>	9,274



**46. Operating leases** (Continued)

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

	<b>The Group</b>			
	<b>Office and factory premises</b>		<b>Equipment</b>	
	<b>2010 HK\$'000</b>	2009 HK\$'000	<b>2010 HK\$'000</b>	2009 HK\$'000
Within one year	<b>5,164</b>	5,802	<b>1,162</b>	1,138
In the second to fifth year inclusive	<b>11,527</b>	14,295	–	853
Over five years	<b>20,184</b>	19,613	–	–
	<b>36,875</b>	39,710	<b>1,162</b>	1,991

The Group as lessor:–

	<b>The Group</b>	
	<b>2010 HK\$'000</b>	2009 HK\$'000
Income from operating lease arrangements in respect of office and management service	<b>443,243</b>	339,371

## 46. Operating leases (Continued)

At the end of the reporting period, the Group had contracted with tenants for the following future minimal lease payments:–

	<b>The Group</b>			
	<b>Office and shop</b>		<b>Management fee income</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Within one year	<b>246,857</b>	232,908	<b>24,098</b>	30,717
In the second to fifth year inclusive	<b>442,172</b>	405,726	<b>65,479</b>	69,358
Over five years	<b>398,011</b>	476,474	<b>63,821</b>	88,675
	<b>1,087,040</b>	1,115,108	<b>153,398</b>	188,750

Significant leases are negotiated for a lease term of 1 to 20 years (2009: 1 to 20 years). Certain leases contain a contingent rental element.

## 47. Capital commitments

	<b>The Group</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– property development expenditures	<b>5,768,531</b>	2,578,937
– acquisition of land use rights	<b>2,448,512</b>	5,663,074
– acquisition of interests in subsidiaries	–	748,751
– acquisition of property development projects	<b>98,244</b>	204,778
	<b>8,315,287</b>	9,195,540
Capital expenditure authorised but not contracted for in the consolidated financial statements in respect of		
– acquisition of land use rights	–	2,025,028
– acquisition of interests in subsidiaries	–	77,543
	–	2,102,571

## 48. Contingent liabilities

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amounted to HK\$8,306,183,000 as at 31st December, 2010 (2009: HK\$6,075,008,000). Such guarantees terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

At 31st December, 2010, the Company had given guarantees to certain banks and a fellow subsidiary in respect of credit facilities granted to certain subsidiaries of the Company. The amounts that could be required to be paid if the guarantees were called upon in entirety amounted to HK\$6,181,000,000 (2009: HK\$131,000,000). HK\$6,181,000,000 (2009: HK\$131,000,000) had been utilised by subsidiaries.

## 49. Pledge of assets

At the end of the reporting period, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:–

	<b>The Group</b>	
	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Investment properties	<b>1,462,914</b>	1,744,683
Hotel properties	<b>642,353</b>	621,160
Buildings	<b>574,413</b>	219,198
Prepaid lease payments	<b>333,389</b>	361,165
Properties under development	<b>10,969,486</b>	4,288,045
Bank deposits	<b>181,864</b>	263,548
Properties held for sales	<b>1,976,672</b>	470,369
	<b><u>16,141,091</u></b>	<u>7,968,168</u>

## 49. Pledge of assets (Continued)

In addition to above pledge of assets, at 31st December, 2010 and 2009, the Group's interests in certain subsidiaries was pledged to secure credit facilities granted to the Group. The details of net assets value of subsidiaries are as follows:–

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Total assets	<b>12,834,134</b>	1,150,461
Total liabilities	<b>(10,613,520)</b>	(285,044)
	<b><u>2,220,614</u></b>	<u>865,417</u>

## 50. Government grants

During the year ended 31st December, 2008, the Group received government grant of HK\$112,077,000 for one specific properties development project of which the development plan of the project was changed during the year ended 31st December, 2009, and the whole amount was refunded to the government during the year ended 31st December, 2010.

Apart from the above mentioned government grant, at 31st December, 2010, an amount of HK\$20,388,000 (2009: HK\$23,053,000) remained to be amortised and the amounts of HK\$971,000 (2009: HK\$Nil) and HK\$3,321,000 (2009: HK\$Nil) were deducted from the prepaid lease payments and investment properties respectively during the year ended 31st December, 2010.

## 51. Retirement benefit schemes

The Company and its subsidiaries in Hong Kong operate a defined contribution retirement benefit scheme for their qualified employees pursuant to the Occupational Retirement Schemes Ordinance. The assets of the scheme are held separately in a fund which is under the control of an independent trustee. The retirement benefit scheme contributions charged to the consolidated statement of comprehensive income represent the contributions payable by the Group to the fund at rates specified in the rules of the scheme. When there are employees who leave the scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

## 51. Retirement benefit schemes (Continued)

To comply with the Mandatory Provident Fund Schemes Ordinance (the "MPFO"), the Group also participates in a Mandatory Provident Fund scheme ("MPF Scheme") for its qualified employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the MPFO. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

The employees in the subsidiaries in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefit. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

At the end of the reporting period, there was no significant forfeited contributions, which arose upon employees leaving the retirement benefit scheme, available to reduce the contribution payable in the future years.

The total cost charged to consolidated income statement of approximately HK\$28,403,000 (2009: HK\$20,743,000) represents contributions payable to the schemes by the Group during the year.

## 52. Connected and related party transactions and balances

During the year, the Group had significant transactions and balances with related companies, some of which are also deemed to be connected persons pursuant to the Listing Rules. The significant transactions with these companies during the year, and significant balances with them at the end of the reporting period, are as follows:–

### (I) Connected Persons

#### (A) Transactions and balances with China Poly Group

(a) Continuing connected transactions as defined in Chapter 14A of Listing Rules which are subject to annual cap approved by independent shareholders of the Company

	<b>The Group</b>	
	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Transactions:–		
Construction services fee paid or payable (note i)	<b>2,655,230</b>	1,185,437
Balances:–		
Bank balances and deposits (note ii)	<b>777,539</b>	1,669,469

Notes:–

- (i) Construction services fee paid or payable to Poly Construction Developments Company ("Poly Construction") with the annual cap amount of RMB2,700,000,000 (equivalent to approximately HK\$3,139,535,000, translated at average rate). The pricing policy of the construction services fee is determined at the state-prescribed prices or where there is no state-prescribed prices, on prices no less favourable than those offered by Poly Construction to independent third parties or those charged by other independent third parties to the Group.
- (ii) Deposits placed with Poly Finance Company Limited with a cap amount on maximum daily balance of RMB1,870,000,000 (equivalent to approximately HK\$2,200,000,000, translated at closing rate).

## 52. Connected and related party transactions and balances (Continued)

### (I) Connected Persons (Continued)

#### (A) Transactions and balances with China Poly Group (Continued)

##### (b) Others

	<b>The Group</b>	
	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Transactions:–		
Property rental income <i>(note i)</i>	<b>13,782</b>	10,651
Imputed interest expenses <i>(note 40)</i>	<b>10,544</b>	9,732
Interest expenses paid <i>(note ii)</i>	<b>99,775</b>	172,973
Property leasing commission and management fees paid	<b>37</b>	93
Guarantee charges <i>(note iii)</i>	<b>6,977</b>	6,036
Theatre operating expenses <i>(note iv)</i>	<b>16,093</b>	16,846
Acquisition of subsidiaries <i>(note v)</i>	<b>3,902,027</b>	3,579,505
Purchases	–	14,396
Management fee income	<b>865</b>	846
Rental expenses paid	<b>729</b>	689
Balances:–		
Amounts due from fellow subsidiaries <i>(note vi)</i>	<b>34,015</b>	28,138
Amount due to the ultimate holding company <i>(note vi)</i>	<b>98,635</b>	992,315
Amount due to an intermediate holding company <i>(note vi)</i>	<b>2,625,820</b>	886,192
Amounts due to fellow subsidiaries <i>(note vi)</i>	<b>1,407,760</b>	388,584
Loan from a fellow subsidiary <i>(note 40)</i>	<b>188,470</b>	171,936
Bank and other borrowings <i>(note vii)</i>	<b>582,353</b>	910,125



## 52. Connected and related party transactions and balances (Continued)

### (I) Connected Persons (Continued)

#### (A) Transactions and balances with China Poly Group (Continued)

##### (b) Others (Continued)

Notes:-

- (i) The amount represented rental income received for the theatres which made with reference to market price.
- (ii) The interest expenses derived from the loans advanced from an intermediate holding company, fellow subsidiaries and the ultimate holding company, which carried interest from benchmark rate in the PRC to benchmark rate in the PRC plus 1% (2009: 4.1% to benchmark rate in the PRC plus 1%).
- (iii) The guarantee charges paid to a subsidiary of the ultimate holding company for acting as a guarantor of bank loans borrowed by subsidiaries of the Group and it was charged at 1% on the maximum guarantee amount.
- (iv) The theatre operating expenses were paid to a jointly controlled entity and a fellow subsidiary for the operation and management of a theatre.
- (v) Details of the transaction are set out in note 42.
- (vi) Details of terms are set out in note 33(a).
- (vii) The amount of HK\$582,353,000 (2009: HK\$910,125,000) represented loan from a fellow subsidiary. The balance was unsecured, carried interest ranging from 90% of benchmark rate in the PRC to 105% of benchmark rate in the PRC (2009: 90% of benchmark rate in the PRC to 110% of benchmark rate in the PRC) and repayable within two (2009: three) years.

In addition, on 26th January, 2000, the Group and China Poly Group entered into an agreement (the "2000 Supplemental Agreement") supplemental to the management agreement dated 11th June, 1997 (the "Management Agreement") between the same parties. Pursuant to the 2000 Supplemental Agreement, the profit guarantee for the operation of Poly Plaza provided by China Poly Group under the Management Agreement would be suspended for the two years ended 31st December, 2001, but would be extended to cover the two years following its expiry on 31st December, 2008 such that it will end on 31st December, 2009, based on the mechanism provided in the Management Agreement. The 2000 Supplement Agreement was approved by shareholders in an extraordinary general meeting on 17th March, 2000.

Furthermore, on 31st December, 2002, the Group and China Poly Group entered into an agreement (the "2002 Supplemental Agreement") supplemental to the Management Agreement and the 2000 Supplemental Agreement (hereafter collectively "Agreements") between the same parties. Pursuant to the 2002 Supplemental Agreement, the profit guarantee for the operation of Poly Plaza provided by China Poly Group under the Agreements would be suspended for the year ended 31st December, 2003, but would be extended to cover the next year following its expiry on 31st December, 2009 such that it will end on 31st December, 2010, based on the mechanism provided in the Agreements. The 2002 Supplement Agreement was approved by shareholders in an extraordinary general meeting on 30th December, 2002.

For the year ended 31st December, 2009 and 31st December 2010, no compensation for guarantee profit is received by the Group from China Poly Group.

## 52. Connected and related party transactions and balances (Continued)

### (I) Connected Persons (Continued)

#### (B) Transactions and balances with non-controlling shareholders of subsidiaries

	<b>The Group</b>	
	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Transaction:–		
Interest expenses paid <i>(note i)</i>	<b>52,290</b>	75,295
Balances:–		
Amounts due from non-controlling shareholders of subsidiaries <i>(note i)</i>	<b>189,012</b>	144,252
Amounts due to non-controlling shareholders of subsidiaries <i>(note i)</i>	<b>1,018,110</b>	749,955

*Note:–*

- (i) Details of terms are set out in note 33(b).

## 52. Connected and related party transactions and balances

(Continued)

### (II) Related parties, other than connected persons

Related party	Nature of transactions	The Group	
		2010 HK\$'000	2009 HK\$'000
上海盛奕	Amount due from an associate ( <i>note i</i> )	-	62,571
上海盛奕	Amount due to an associate ( <i>note i</i> )	-	51,164
重慶綠地	Amount due to an associate ( <i>note i</i> )	<b>70,588</b>	34,130
深圳市保利劇院	Amount due from a jointly controlled entity ( <i>note ii</i> )	<b>2,582</b>	2,275
廣東保利投資有限公司	Amount due from a related company ( <i>note iii</i> )	<b>7,059</b>	6,826
Kumagai SMC Development (Guangzhou) Ltd	Amount due from a related company ( <i>note iii</i> )	<b>10,372</b>	4,604

Notes:-

- (i) Details of terms are set out in note 22.
- (ii) Details of terms are set out in note 23.
- (iii) Details of terms are set out in note 33(c).

### The Company

Apart from the transactions as disclosed in notes 33(a) and 33(d) to the consolidated financial statements, the Company had no other transaction with its related parties during the year.

## 52. Connected and related party transactions and balances

(Continued)

### (III) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:–

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Short-term benefits	<b>20,371</b>	15,495
Post-employment benefits	<b>283</b>	224
Equity-settled share based payment expense	<b>–</b>	2,085
	<b>20,654</b>	17,804

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

## 53. Material transactions and balances with other state-controlled entities

Part of the Group's operations is carried out in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under China Poly which is controlled by the PRC government. Apart from the transactions with the PRC government, China Poly, other connected persons and related parties disclosed in notes 50 and 52, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other state-controlled entities, the Group does not differentiate whether the counter-party is a state-controlled entity or not.

### 53. Material transactions and balances with other state-controlled entities (Continued)

Material transactions/balances with other state-controlled entities are as follows:–

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Transactions:–		
Trade sales	<b>53,436</b>	33,932
Trade purchases	<b>9,978</b>	4,651
Balances:–		
Amounts due from other state-controlled entities	<b>7,032</b>	4,926
Amounts due to other state-controlled entities	<b>–</b>	2,870

In view of the nature of the Group's hotel operating business, the directors are of the opinion that, except as disclosed above, it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions were with other state-controlled entities.

In addition, the Group has entered into various transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

## 54. Principal subsidiaries

Details of the Company's principal subsidiaries at 31st December, 2010 are as follows:–

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up share capital/ registered capital	Attributable portion of nominal value of issued share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
Bassington Investments Limited	Hong Kong	HK\$2	–	100%	Property investment
Big Support Limited	British Virgin Islands	US\$1	–	100%	Investment holding
China Dynasty Development Ltd.	British Virgin Islands	US\$1,000	–	60%	Property investment
CMIC Finance Limited	Hong Kong	HK\$2	100%	–	Financial services
CMIC Management Services Limited	Hong Kong	HK\$100	100%	–	Management services
Fainland Limited	Hong Kong	HK\$2	–	100%	Property investment
First Great Investments Limited	Hong Kong	HK\$2	–	100%	Investment holding
Geldy Limited	Hong Kong	HK\$10,000	–	100%	Property investment
Golden Huge Limited	British Virgin Islands	US\$1	–	100%	Investment holding
Grandful International Limited	Hong Kong	HK\$2	–	100%	Investment holding
High Wealth International Limited	Hong Kong	HK\$2	–	100%	Property investment
Honorlink Investments Limited	Hong Kong	HK\$2	–	100%	Property investment
Hubei White Rose Hotel Company Limited ("Hubei White Rose") <i>(note i)</i>	PRC	RMB62,000,000	–	100%	Hotel operations
Johnsbury Limited	British Virgin Islands	US\$9,600,000	100%	–	Investment holding
Poly Plaza Limited ("PPL") <i>(note ii)</i>	PRC	US\$10,000,000	–	75%	Investment, management and operation of a hotel complex
Polystar Digidisc Co., Ltd. ("Polystar") <i>(note iii)</i>	PRC	RMB9,000,000	–	66%	Manufacturing and wholesaling of compact discs, video compact discs and digital video discs

**54. Principal subsidiaries** (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up share capital/ registered capital	Attributable portion of nominal value of issued share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
Poly (Hong Kong) Property Developments Limited	Hong Kong	HK\$1	–	100%	Investment holding
Poly (Hong Kong) Real Estate Limited	Hong Kong	HK\$1	–	100%	Investment holding
Poly Shanghai (note i)	PRC	RMB2,200,000,000	–	100%	Investment holding
Power Jade Holdings Limited	British Virgin Islands	US\$1	–	100%	Securities investment
Prime Brilliant Limited	Hong Kong	HK\$2	–	100%	Property investment
Propwood Limited	Hong Kong	HK\$2	–	100%	Property investment
Rapid Bloom Limited (note i)	British Virgin Islands	US\$1	–	100%	Investment holding
Saneble Limited	Hong Kong	HK\$2	–	100%	Property investment
Shanghai Puly Real Estate (note i)	PRC	US\$24,000,000	–	100%	Property investment
Smart Best Investments Limited	Hong Kong	HK\$1	–	100%	Investment holding
Upperace Developments Ltd.	British Virgin Islands	US\$1	100%	–	Securities investment
Volgala International Ltd.	British Virgin Islands	US\$1	–	100%	Securities investment
萬寧騰遠發展有限公司 (note i)	PRC	US\$14,000,000	–	100%	Property development
海南帝港置業有限公司 (note i)	PRC	HK\$62,250,000	–	100%	Property development
上海忻利房地產發展有限公司 (note iv)	PRC	RMB15,000,000	–	100%	Property development
上海夢苑房地產有限公司 (note iv)	PRC	RMB5,000,000	–	100%	Property development
上海保利欣房地產有限公司 (note iv)	PRC	RMB150,000,000	–	90%	Property development
上海保利金鵬置業有限公司 (note iv)	PRC	RMB20,000,000	–	50.1%	Property development
上海保利佳房地產有限公司 (note iv)	PRC	RMB150,000,000	–	100%	Property development
上海保利花木有限公司 (note iv)	PRC	RMB1,000,000	–	100%	Property development
上海保利物業酒店管理有限責任公司 (note iv)	PRC	RMB43,000,000	–	100%	Property management
保利(蘇州)置業有限公司 (note iv)	PRC	RMB800,000,000	–	100%	Property development
湖北保利置業有限公司 (note iv)	PRC	RMB100,000,000	–	100%	Property development



**54. Principal subsidiaries** (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up share capital/ registered capital	Attributable portion of nominal value of issued share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
湖北保利建設有限公司 <i>(note iv)</i>	PRC	RMB50,000,000	–	100%	Property development
重慶保利小泉實業有限公司 <i>(note iv)</i>	PRC	RMB80,000,000	–	51%	Property development
北京花園別墅有限公司 <i>(note iv)</i>	PRC	RMB91,656,147	–	51%	Property investment
上海保金置業有限公司 <i>(note iv)</i>	PRC	RMB15,000,000	–	50.1%	Property development
上海瑞中置業有限公司 <i>(note iv)</i>	PRC	RMB8,000,000	–	50.1%	Property development
上海盛盈房地產有限公司 <i>(note iv)</i>	PRC	RMB211,705,038	–	90%	Property development
上海保鑫置業有限公司 <i>(note iv)</i>	PRC	RMB15,000,000	–	50.1%	Property development
上海保金房地產經紀有限公司 <i>(note iv)</i>	PRC	RMB1,000,000	–	50.1%	Property trading
上海保利銳馳房地產經紀有限公司 <i>(note iv)</i>	PRC	RMB5,000,000	–	100%	Property trading
上海賢豐房地產開發有限責任公司 <i>(note iv)</i>	PRC	RMB10,000,000	–	100%	Property development
貴陽保利海明房地產開發有限公司 <i>(note iv)</i>	PRC	RMB50,000,000	–	100%	Property development
湖北保利投資有限公司 <i>(note iv)</i>	PRC	RMB100,000,000	–	100%	Property development
武漢聯業科技開發有限責任公司 <i>(note iv)</i>	PRC	RMB100,000	–	100%	Property investment
山東保利嘉園置業有限公司 <i>(note iv)</i>	PRC	RMB50,000,000	–	80%	Property development
廣東保利置業有限公司 <i>(note iv)</i>	PRC	RMB300,000,000	–	100%	Property development
深圳市保利文化廣場有限公司 <i>(note iv)</i>	PRC	RMB150,000,000	–	100%	Property investment and management
深圳市保利商業經營管理有限公司 <i>(note iv)</i>	PRC	RMB3,000,000	–	70%	Property management
廣州保利置業有限公司 <i>(note iv)</i>	PRC	RMB101,800,000	–	51%	Property development

**54. Principal subsidiaries** (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up share capital/ registered capital	Attributable portion of nominal value of issued share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
廣州保利物業管理有限公司 <i>(note iv)</i>	PRC	RMB3,100,000	–	51%	Property management
廣西保利房地產有限責任公司 <i>(note iv)</i>	PRC	RMB150,000,000	–	100%	Property development
廣西保利物業服務有限公司 <i>(note iv)</i>	PRC	RMB5,000,000	–	100%	Property management
南寧新滙公河房地產有限公司 <i>(note iv)</i>	PRC	RMB10,000,000	–	100%	Property development
南寧市新保越房地產有限公司 <i>(note iv)</i>	PRC	RMB10,000,000	–	100%	Property development
保利貴州房地產開發有限公司 <i>(note iv)</i>	PRC	RMB100,000,000	–	66.5%	Property development
保利貴州物業管理有限公司 <i>(note iv)</i>	PRC	RMB5,000,000	–	66.5%	Property management
保利貴州溫泉經營管理有限公司 <i>(note iv)</i>	PRC	RMB3,000,000	–	66.5%	Hot spring operation
貴陽保利房地產開發有限公司 <i>(note iv)</i>	PRC	RMB50,000,000	–	66.5%	Property development
貴陽保利投資有限公司 <i>(note iv)</i>	PRC	RMB20,000,000	–	70%	Property development
哈爾濱保利房地產綜合開發 有限責任公司 <i>(note iv)</i>	PRC	RMB50,000,000	–	51%	Property development
黑龍江保利澳娛房地產開發有限公司 <i>(note v)</i>	PRC	RMB100,000,000	–	58%	Property development
保利山東置業有限公司 <i>(note iv)</i>	PRC	RMB300,000,000	–	100%	Investment holding
山東保利花園房地產開發有限公司 <i>(note iv)</i>	PRC	RMB10,000,000	–	100%	Property development
山東保利物業管理有限公司 <i>(note iv)</i>	PRC	RMB3,000,000	–	100%	Property management
山東保利芙蓉房地產開發有限公司 <i>(note iv)</i>	PRC	RMB10,000,000	–	100%	Property development
保利雲南房地產開發有限公司 <i>(note iv)</i>	PRC	RMB100,000,000	–	80%	Investment holding

**54. Principal subsidiaries (Continued)**

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up share capital/ registered capital	Attributable portion of nominal value of issued share capital/ registered capital/ held by the Company		Principal activity
			Directly	Indirectly	
安寧保利房地產開發有限公司 <i>(note iv)</i>	PRC	RMB10,000,000	–	80%	Property development
雲南保利物業服務管理有限公司 <i>(note iv)</i>	PRC	RMB1,000,000	–	80%	Property management
惠州保利龍勝房地產開發有限公司 <i>(note iv)</i>	PRC	RMB100,000,000	–	80%	Property development
上海盛鉅資產經營管理有限公司 <i>(note iv)</i>	PRC	RMB116,000,000	–	90%	Property development
佛山市保利置業有限公司 <i>(note iv)</i>	PRC	RMB30,000,000	–	100%	Property development
廣州保利南方置業有限公司 <i>(note iv)</i>	PRC	RMB20,000,000	–	100%	Property development
佛山市盈奧投資有限公司 <i>(note iv)</i>	PRC	RMB30,000,000	–	100%	Property development
廣州保盈置業有限公司 <i>(note iv)</i>	PRC	RMB50,000,000	–	100%	Property development
廣西保利置業集團有限公司 <i>(note iv)</i>	PRC	RMB100,000,000	–	100%	Investment holding
廣西保利龍湖藍灣發展有限公司 <i>(note iv)</i>	PRC	RMB50,000,000	–	100%	Property development
柳州保利置業有限公司 <i>(note iv)</i>	PRC	RMB100,000,000	–	100%	Property development
保利雲南置業有限公司 <i>(note iv)</i>	PRC	RMB100,000,000	–	100%	Property development
保利貴州置業有限公司 <i>(note iv)</i>	PRC	RMB200,000,000	–	100%	Investment holding
貴陽保利龍谷房地產開發有限公司 <i>(note iv)</i>	PRC	RMB50,000,000	–	66.5%	Property development
深圳市保利房地產開發有限公司 <i>(note iv)</i>	PRC	RMB100,000,000	–	100%	Investment holding
蘇州保利房地產開發有限公司 <i>(note i)</i>	PRC	RMB1,200,000,000	–	100%	Property development
上海保利茂佳房地產開發有限公司 <i>(note iv)</i>	PRC	RMB50,000,000	–	100%	Property development

**54. Principal subsidiaries** (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up share capital/ registered capital	Attributable portion of nominal value of issued share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
上海保利和佳房地產開發有限公司 <i>(note iv)</i>	PRC	RMB50,000,000	–	100%	Property development
上海保利隆佳房地產開發有限公司 <i>(note iv)</i>	PRC	RMB50,000,000	–	100%	Property development
上海保利翔佳房地產開發有限公司 <i>(note iv)</i>	PRC	RMB50,000,000	–	100%	Property development
上海保利盛茂置業有限公司 <i>(note iv)</i>	PRC	RMB50,000,000	–	100%	Property development
上海保利物產經營管理有限公司 <i>(note iv)</i>	PRC	RMB208,170,000	–	100%	Property investment
德清保利置業有限公司 <i>(note ij)</i>	PRC	RMB262,665,000	–	100%	Property development
武漢保利廣場商業管理有限公司 <i>(note iv)</i>	PRC	RMB30,000,000	–	100%	Property investment
湖北保利普提金置業有限公司 <i>(note iv)</i>	PRC	RMB50,000,000	–	68%	Property development
惠州市中信建業房地產有限公司 <i>(note iv)</i>	PRC	RMB1,000,000	–	65%	Property development
貴陽保利鐵投房地產開發有限公司 <i>(note iv)</i>	PRC	RMB50,000,000	–	51%	Property development
濟南保利置業有限公司 <i>(note iv)</i>	PRC	RMB50,000,000	–	100%	Property development
濟南保利房地產開發有限公司 <i>(note iv)</i>	PRC	RMB10,000,000	–	85%	Property development
昆明保利房地產開發有限公司 <i>(note iv)</i>	PRC	RMB100,000,000	–	73%	Property development
海南保利置業有限公司 <i>(note iv)</i>	PRC	RMB50,000,000	–	100%	Property development
蘇州保利隆威置業有限公司 <i>(note ij)</i>	PRC	RMB328,623,800	–	100%	Property development
蘇州保利隆勝置業有限公司 <i>(note ij)</i>	PRC	RMB329,108,480	–	100%	Property development
四川保利置業有限公司 <i>(note iv)</i>	PRC	RMB50,000,000	–	100%	Property development
深圳市雅豪園投資有限公司 <i>(note iv)</i>	PRC	RMB200,000,000	–	100%	Property development
寧波保利置業有限公司 <i>(note ij)</i>	PRC	HK\$890,000,000	–	100%	Property development
保利隆茂置業有限公司 <i>(note ij)</i>	PRC	HK\$232,000,000	–	100%	Property development

## 54. Principal subsidiaries (Continued)

Notes:–

- (i) These companies are a wholly foreign owned enterprise.
- (ii) PPL is a sino-foreign joint venture company established in the PRC for a renewal term of 50 years commencing 9th July, 2003.
- (iii) Polystar is a sino-foreign joint venture company established in the PRC for a term of 20 years commencing 18th December, 2000.
- (iv) These companies are limited liability companies.
- (v) The company is a sino-foreign joint venture company established in the PRC for a term of 20 years commencing 29th December, 2004.

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

## 55. Segment and entity-wide information

### Reportable segments

For management purposes, the Group is organised into four operating divisions. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:–

Property development business	–	property development
Property investment and management	–	property investment and management
Hotel operations	–	hotel and restaurant business and its related services
Other operations	–	manufacturing and sales of digital discs and others

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, intangible assets and current assets with the exception of interests in associates and jointly controlled entities, deferred tax assets and other corporate assets. Segment liabilities include trade payable, accruals and deposits received except of other corporate liabilities attributable to the individual segments and other 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.

## 55. Segment and entity-wide information (Continued)

### Reportable segments (Continued)

The measure used for reporting segment result is “adjusted EBIT” i.e. adjusted earnings before interest and taxes. To arrive at adjusted EBIT, the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as share of results of associates and jointly controlled entities, gain on disposal of interest in a subsidiary, discount on acquisition of interests in subsidiaries, directors’ and auditors’ remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBIT, 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, impairment losses and additions to non-current segment assets used by the segments in their operations.

Information about these segments is presented below:–

For the year ended 31st December, 2010

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Total HK\$'000
REVENUE						
External revenue	7,806,224	443,243	146,885	117,784	-	8,514,136
Inter-segment revenue*	1,492	25,760	-	474,482	(501,734)	-
Total revenue	<u>7,807,716</u>	<u>469,003</u>	<u>146,885</u>	<u>592,266</u>	<u>(501,734)</u>	<u>8,514,136</u>
SEGMENT RESULT	<u>2,335,868</u>	<u>272,264</u>	<u>(74)</u>	<u>38,575</u>	<u>-</u>	<u>2,646,633</u>
Unallocated income						343,000
Unallocated expenses						(89,794)
Gain on disposal of interests in subsidiaries	352,349	-	-	-	-	352,349
Gain on disposal of interest in an associate	98,060	-	-	-	-	98,060
Finance costs						(257,316)
Discount on acquisition of interests in subsidiaries	81,303	-	-	-	-	81,303
Share of results of associates	19,428	-	-	-	-	19,428
Share of results of jointly controlled entities	-	-	-	(7,818)	-	(7,818)
Profit before taxation						3,185,845
Income tax expense						(1,049,392)
Profit for the year						<u>2,136,453</u>

\* Inter-segment revenue were charged with reference to prices charged to external parties for similar services or products.

**55. Segment and entity-wide information** (Continued)**Assets and liabilities**

At 31st December, 2010

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Total HK\$'000
<b>ASSETS</b>					
Segment assets	<b>49,736,330</b>	<b>5,445,348</b>	<b>1,565,773</b>	<b>556,747</b>	<b>57,304,198</b>
Interests in associates	<b>135,480</b>	-	-	-	<b>135,480</b>
Interests in jointly controlled entities	-	-	-	<b>1,515</b>	<b>1,515</b>
Unallocated corporate assets					<b>16,420,170</b>
Total assets					<b>73,861,363</b>
<b>LIABILITIES</b>					
Segment liabilities	<b>(17,492,214)</b>	<b>(448,919)</b>	<b>(187,392)</b>	<b>(49,776)</b>	<b>(18,178,301)</b>
Unallocated corporate liabilities					<b>(31,853,566)</b>
Total liabilities					<b>(50,031,867)</b>
<b>OTHER INFORMATION</b>					
Capital expenditure	<b>330,956</b>	<b>33,617</b>	<b>18,065</b>	<b>9,925</b>	<b>392,563</b>
Depreciation	<b>18,452</b>	<b>22,199</b>	<b>29,509</b>	<b>12,870</b>	<b>83,030</b>
Impairment loss on trade receivables	<b>362</b>	<b>38</b>	<b>26</b>	<b>1,593</b>	<b>2,019</b>
Impairment loss on other receivables	<b>8,474</b>	<b>33,227</b>	<b>30</b>	<b>545</b>	<b>42,276</b>
Impairment loss on goodwill	<b>5,417</b>	-	-	-	<b>5,417</b>
Amortisation of prepaid lease payments	<b>1,183</b>	<b>1,063</b>	<b>6,688</b>	<b>138</b>	<b>9,072</b>

An analysis of the Group's revenue by geographical location of its customers is presented below:-

	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000
REVENUE	<b>4,764</b>	<b>8,509,372</b>	<b>8,514,136</b>

## 55. Segment and entity-wide information (Continued)

The following is an analysis of the carrying amount of segment assets and capital expenditure analysed by the geographical area in which the assets are located.

	<b>Hong Kong HK\$'000</b>	<b>The PRC HK\$'000</b>	<b>Total HK\$'000</b>
ASSETS			
Carrying amount of segment assets	<b><u>5,123,133</u></b>	<b><u>68,601,235</u></b>	<b><u>73,724,368</u></b>
Capital expenditure	<b><u>1,945</u></b>	<b><u>390,618</u></b>	<b><u>392,563</u></b>

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue.

*For the year ended 31st December, 2009*

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Total HK\$'000
REVENUE						
External revenue	6,642,225	339,371	90,072	125,230	–	7,196,898
Inter-segment revenue*	<u>–</u>	<u>33,847</u>	<u>–</u>	<u>98,611</u>	<u>(132,458)</u>	<u>–</u>
Total revenue	<u>6,642,225</u>	<u>373,218</u>	<u>90,072</u>	<u>223,841</u>	<u>(132,458)</u>	<u>7,196,898</u>
SEGMENT RESULT	<u>883,526</u>	<u>146,230</u>	<u>(11,985)</u>	<u>29,728</u>	<u>–</u>	<u>1,047,499</u>
Unallocated income						48,018
Unallocated expenses						(61,360)
Gain on disposal of interest in a subsidiary	196,797	–	–	–	–	196,797
Finance costs						(86,327)
Share of results of associates	(6,834)	–	–	–	–	(6,834)
Share of results of jointly controlled entities	–	–	–	(7,506)	–	<u>(7,506)</u>
Profit before taxation						1,130,287
Income tax expense						<u>(314,127)</u>
Profit for the year						<u>816,160</u>

\* Inter-segment revenue were charged with reference to prices charged to external parties for similar services or products.



**55. Segment and entity-wide information** (Continued)**Assets and liabilities***At 31st December, 2009*

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Total HK\$'000
<b>ASSETS</b>					
Segment assets	21,310,216	4,889,250	957,578	479,732	27,636,776
Interests in associates	164,025	–	–	–	164,025
Interests in jointly controlled entities	–	–	–	1,630	1,630
Unallocated corporate assets					<u>10,562,739</u>
Total assets					<u>38,365,170</u>
<b>LIABILITIES</b>					
Segment liabilities	(9,485,073)	(453,650)	(168,471)	(63,212)	(10,170,406)
Unallocated corporate liabilities					<u>(12,055,864)</u>
Total liabilities					<u>(22,226,270)</u>
<b>OTHER INFORMATION</b>					
Capital expenditure	113,295	238,500	60,259	8,876	420,930
Depreciation	11,467	11,434	25,672	13,992	62,565
Impairment loss on trade receivables	2,709	195	41	415	3,360
Write-down of properties held for sale	13,083	–	–	–	13,083
Impairment loss on goodwill	–	1,666	–	–	1,666
Amortisation of prepaid lease payments	858	3,345	5,872	135	10,210

## 55. Segment and entity-wide information (Continued)

An analysis of the Group's revenue by geographical location of its customers is presented below:–

	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000
REVENUE	7,611	7,189,287	7,196,898

The following is an analysis of the carrying amount of segment assets and capital expenditure analysed by the geographical area in which the assets are located.

	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000
ASSETS			
Carrying amount of segment assets	3,130,072	35,069,443	38,199,515
Capital expenditure	177	420,753	420,930

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue.

## 56. Non-adjusting post balance sheet events

After the end of the reporting period, the board of directors proposed a final dividend. Further details are disclosed in note 15.

## 57. Comparative figures

As a result of the application of amendments to HKAS17, certain comparative figures have been restated to conform to current years' presentation. Further details of these developments are disclosed in note 3(a) to the consolidated financial statements.

	Year ended 31st December,				2010 HK\$'000
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	
<b>RESULTS</b>					
<b>Continuing operations</b>					
Revenue	453,443	973,860	3,324,368	7,196,898	<b>8,514,136</b>
Profit before taxation	192,945	383,824	349,104	1,130,287	<b>3,185,845</b>
Income tax expense	(35,191)	(165,134)	(74,590)	(314,127)	<b>(1,049,392)</b>
Profit for the year from continuing operations	157,754	218,690	274,514	816,160	<b>2,136,453</b>
<b>Discontinued operations</b>					
Profit for the year from discontinued operations	17,949	207,864	–	–	<b>–</b>
Profit for the year	175,703	426,554	274,514	816,160	<b>2,136,453</b>
Attributable to:					
Owners of the Company	189,387	401,196	222,994	662,114	<b>1,838,367</b>
Non-controlling interests	(13,684)	25,358	51,520	154,046	<b>298,086</b>
Profit for the year	175,703	426,554	274,514	816,160	<b>2,136,453</b>

	At 31st December,				2010 HK\$'000
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	
<b>ASSETS AND LIABILITIES</b>					
Total assets	8,740,235	10,209,047	22,316,136	38,365,170	<b>73,861,363</b>
Total liabilities	(4,207,603)	(5,222,301)	(15,159,092)	(22,226,270)	<b>(50,031,867)</b>
	4,532,632	4,986,746	7,157,044	16,138,900	<b>23,829,496</b>
Equity attributable to owners of the Company	3,664,592	4,669,181	6,080,061	14,619,950	<b>22,010,167</b>
Non-controlling interests	868,040	317,565	1,076,983	1,518,950	<b>1,819,329</b>
	4,532,632	4,986,746	7,157,044	16,138,900	<b>23,829,496</b>

## Summary of Properties Held for Investment Purposes

At 31st December, 2010

Details of the Group's properties held for investment purpose at 31st December, 2010 are as follows:–

<b>Location</b>	<b>Term of lease</b>	<b>Type of use</b>	<b>Group's interest</b>
<i>INVESTMENT PROPERTIES:</i>			
Room 2502A, 2502B, 2502C and Room 2508 of 25th Floor Admiralty Centre Tower I 18 Harcourt Road Hong Kong	Long lease	Commercial	100%
4 apartments of Legend Garden Villas 89 Capital Airport Road, Beijing The People's Republic of China	Held under a land use right for a term expiring on 31st December, 2042	Residential	100%
Portions of Basements 1, 2 and 3, Portions of 1st Floor, N02, N03 & N04, 11th Floor, North Tower, N02, N03 & N04, 12th Floor, North Tower, Whole of 14th, 15th, 16th, 17th and 18th Floors, South Tower, N04, N05 & N06, 16th floor of North Tower, N07, 19th Floor, North Tower, S01, S02, S03, S04, S07, S08 & S09, 20th Floor, South Tower, N02, N03, N06, N07, N08, N09, 20th Floor, North Tower, Whole of 21st, 22nd, 23rd, 24th, 25th and 27th Floors, South Tower and North Tower, Whole of 26th Floor, North Tower, Shanghai Stock Exchange Building, No. 528 Pudong Road South, Lujiazui, Pudong, Shanghai, The People's Republic of China	Held under a land use right for a term expiring on 14th November, 2043	Commercial	100%

<b>Location</b>	<b>Term of lease</b>	<b>Type of use</b>	<b>Group's interest</b>
<i>INVESTMENT PROPERTIES: (Continued)</i>			
6 houses, 18 apartments, a commercial center, a club house, a kindergarten and an extension Legend Garden Villas, 89 Capital Airport Road, Beijing, The People's Republic of China	Held under a land use right for a term expiring on 31st December, 2042	Commercial/ Residential	51%
Office Tower of Poly Plaza, No. 14 Dongzhimen Nandajie, Dong Cheng District, Beijing, The People's Republic of China	The land use right for the property has been granted for a term of 50 years commencing on 27th October, 2003	Commercial	75%
Commercial/Office buildings at No. 465 Luo Shi Lu, Hong Shan District, Wuhan, Hubei Province, The People's Republic of China	Held under a land use right for a term expiring on 12th May, 2047	Commercial	100%
3 residential units and 5 commercial units at Zhuo Dao Quan Bei Lu, Hong Shan District, Wuhan, Hubei Province, The People's Republic of China	Held under a land use right for a term expiring on 16th January, 2075	Commercial/ Residential	100%
Various commercial units, cultural centre, exhibition centre, theatre, museum, cinemas and car parking spaces, Poly Cultural Centre, Hou Hai Bin Lu, Nan Shan District, Shenzhen, Guangdong Province, The People's Republic of China	Held under a land use right for a term expiring on 15th January, 2054	Commercial	100%

<b>Location</b>	<b>Term of lease</b>	<b>Type of use</b>	<b>Group's interest</b>
<i>INVESTMENT PROPERTIES: (Continued)</i>			
Various office units in CITIC Plaza, No. 233 Tianhe Bei Road, Tianhe District, Guangzhou, Guangdong Province, The People's Republic of China	Held under a land use right for a term expiring on 30th September, 2044	Commercial	60%
Golf training center together with its ancillary accommodations and an adjoining piece of land, 89 Capital Airport Road, Beijing, The People's Republic of China	Held under a long lease for a term expiring on 30th September, 2026	Commercial	40%
Various commercial and office units, Poly Mingmen, China Asean International Business District, Nanning, Guangxi Province, The People's Republic of China	Held under a land use right for a term expiring on 22nd January, 2076	Commercial	100%
Various office units, Shanghai Poly Plaza, No. 18 Dong Fang Lu, Pudong New District, Shanghai, The People's Republic of China	Held under a land use right for a term expiring on 21st July, 2055	Commercial	90%
Various commercial units at No. 8 Dong Wu Da Dao Te, Dong Xi Hu District, Wuhau, Hubei Province, The People Republic's of China	Held under a land use right for a term expiring on 23rd April, 2042	Commercial	55%

## Summary of Properties Held for Development

At 31st December, 2010

Details of the Group's properties held for development at 31st December, 2010 are as follows:–

<b>Location</b>	<b>Stage of completion</b>	<b>Expected completion date</b>	<b>Site area/ Gross floor area</b>	<b>Type of use</b>	<b>Group's interest</b>
<i>PROPERTIES HELD FOR DEVELOPMENT:</i>					
A parcel of land on No. 788 Wuchang Minzhu Road, Wu Chang District, Wuhan, Hubei Province, The People's Republic of China	Under construction	December 2012	12,000 sq.m./ 143,000 sq.m.	Commercial/ Office	100%
A parcel of land in He Ping Xiang, Chai Lin Tou Village, Hong Shan District, Wuhan, Hubei Province, The People's Republic of China	Held for future development	N/A	30,000 sq.m./ 84,000 sq.m.	Industrial	51%
A parcel of land in No. 90 Xiao Quan, Nan Quan Village, Ba Nan District, Chongqing, Sichuan Province, The People's Republic of China	Under construction	March 2011 (Phase III)	210,000 sq.m./ 58,000 sq.m.	Residential	51%
A parcel of land in Zong Fang Cun, Ma Lu Zhen, Jiading District, Shanghai, The People's Republic of China	Under construction	December 2012 (Phase III and IV)	169,000 sq.m./ 408,000 sq.m.	Commercial/ Residential	100%
A parcel of land on No. 2 Guo Quan Bei Lu 7 Long, Yang Pu District, Shanghai, The People's Republic of China	Under construction	March 2011	12,000 sq.m./ 16,000 sq.m.	Residential	100%

<b>Location</b>	<b>Stage of completion</b>	<b>Expected completion date</b>	<b>Site area/ Gross floor area</b>	<b>Type of use</b>	<b>Group's interest</b>
<i>PROPERTIES HELD FOR DEVELOPMENT: (Continued)</i>					
A parcel of land on Dong Hu Kai Fa Qu Shang Ma Zhunag, Wuhan, Hubei Province, The People's Republic of China	Under construction	November 2011 (Phase III)	199,000 sq.m./ 640,000 sq.m.	Residential	100%
A parcel of land at No. 148 Shi Bei Lu, Yun Yan District, Guiyang, Guizhou Province, The People's Republic of China	Under construction	November 2012 (Phase II)	156,000 sq.m./ 649,000 sq.m.	Residential	100%
A parcel of land at north west of Xing Cun Li Jiao, Pan Zhuang Cun, Gang Gou Zhen, Li Cheng District, Jinan, Shandong Province, The People's Republic of China	Under construction	December 2011	83,000 sq.m./ 265,000 sq.m.	Residential	100%
A parcel of land at East of Hua Gang Da Dao, Xin Hua Zhen, Hua Du District, Guangzhou, Guangdong Province, The People's Republic of China	Under construction	August 2011 (Phase II)	249,000 sq.m./ 538,000 sq.m.	Commercial/ Residential	51%
A parcel of land on Wen Quan Lu, Ye Jia Zhuang, Wu Dang District, Guiyang, Guizhou Province, The People's Republic of China	Under construction	December 2011 (Phase III)	482,000 sq.m./ 1,052,000 sq.m.	Residential	66.5%



<b>Location</b>	<b>Stage of completion</b>	<b>Expected completion date</b>	<b>Site area/ Gross floor area</b>	<b>Type of use</b>	<b>Group's interest</b>
<i>PROPERTIES HELD FOR DEVELOPMENT: (Continued)</i>					
A parcel of land on Shi Nan Lu, Nan Ming District, Guiyang, Guizhou Province, The People's Republic of China	Under construction	August 2012	21,000 sq.m./ 242,000 sq.m.	Commercial/ Residential	66.5%
A parcel of land on No. 20 Yong Wu Lu, Xing Ning District, Nanning, Guangxi Province, The People's Republic of China	Under construction	December 2013	465,000 sq.m./ 527,000 sq.m.	Residential	100%
A parcel of land on San Huan Lu, Song Bei District, Harbin, Heilongjiang Province, The People's Republic of China	Under construction	December 2011 (Phase III)	567,000 sq.m./ 632,000 sq.m.	Residential	58%
A parcel of land in Zi Xing Jie, Gong Dian Lu, Nan Gang District, Harbin, Heilongjiang Province, The People's Republic of China	Under planning	December 2012	78,000 sq.m./ 361,000 sq.m.	Residential	51%
A parcel of land in Song Bei Zhen, Song Bei District, Harbin, Heilongjiang Province, The People's Republic of China	Under construction	December 2011 (Phase II)	172,000 sq.m./ 281,000 sq.m.	Residential	51%
A parcel of land in Da Tun Xin Qu, Lian Ran Zhen, An Ning County, Kunming Yunnan Province, The People's Republic of China	Under construction	June 2011	160,000 sq.m./ 315,000 sq.m.	Residential	80%

<b>Location</b>	<b>Stage of completion</b>	<b>Expected completion date</b>	<b>Site area/ Gross floor area</b>	<b>Type of use</b>	<b>Group's interest</b>
<i>PROPERTIES HELD FOR DEVELOPMENT: (Continued)</i>					
Four parcels of land in Luo Yang Zhen, Boluo County, Huizhou, Guangdong Province, The People's Republic of China	Under construction	December 2011 (Phase I)	358,000 sq.m./ 513,000 sq.m.	Commercial/ Residential	80%
A parcel of land in Ma Lu Zhen, Jiading District, Shanghai, The People's Republic of China	Under construction	December 2011 (Phase II)	119,000 sq.m./ 284,000 sq.m.	Residential	100%
A parcel of land in Tang On Lu, Tangzhen, Pudong New District, Shanghai, The People's Republic of China	Under construction	December 2011 (Phase I)	120,000 sq.m./ 242,000 sq.m.	Commercial/ Residential	50.1%
A parcel of land in the North of Jing Yi Lu, Li Xia District, Jinan, Shandong Province, The People's Republic of China	Under construction	December 2012	80,000 sq.m./ 224,000 sq.m.	Commercial/ Residential	80%
A parcel of land on Donghua Road, Longjiang, Shunde District, Foshan City, Guangdong Province, The People's Republic of China	Under construction	February 2014	95,000 sq.m./ 434,000 sq.m.	Commercial/ Residential	100%
A parcel of land on Lu Jing 2 Lu, Chan Cheng District, Foshan City, Guangdong Province, The People's Republic of China	Under construction	May 2013	49,000 sq.m./ 172,000 sq.m.	Commercial/ Residential	100%
A parcel of land on Shui Dong Lu, Wu Dang District, Guiyang, Guizhou Province, The People's Republic of China	Under construction	December 2011 (Phase I)	428,000 sq.m./ 676,000 sq.m.	Commercial/ Residential	66.5%

<b>Location</b>	<b>Stage of completion</b>	<b>Expected completion date</b>	<b>Site area/ Gross floor area</b>	<b>Type of use</b>	<b>Group's interest</b>
<i>PROPERTIES HELD FOR DEVELOPMENT: (Continued)</i>					
A parcel of land in the West of Fenglin Lu, Fengling North, Nanning, Guangxi Province, The People's Republic of China	Under planning	June 2012	35,000 sq.m./ 177,000 sq.m.	Residential	100%
Two parcels of land on Wuyi Xi Lu, Jiangnan District, Nanning, Guangxi Province, The People's Republic of China	Under planning	June 2013	66,000 sq.m./ 344,000 sq.m.	Residential	100%
Two parcels of land in the Northwest of Yongwu Overpass, Nanning, Guangxi Province, The People's Republic of China	Under planning	June 2013	74,000 sq.m./ 368,000 sq.m.	Office/ Commercial/ Residential	100%
A parcel of land on No.2 Baisha Lu, Liuzhou, Guangxi Province, The People's Republic of China	Under construction	December 2014	169,000 sq.m./ 887,000 sq.m.	Office/ Commercial/ Residential	100%
A parcel of land in Wu Dang pasture, Wu Dang District, Guiyang, Guizhou Province, The People's Republic of China	Under planning	July 2016	2,261,000 sq.m./ 1,642,000 sq.m.	Commercial/ Residential	70%
A parcel of land in the South of Zhu Shun Lu, Li Cheng District, Jinan, Shandong Province, The People's Republic of China	Under construction	March 2015	171,000 sq.m./ 442,000 sq.m.	Residential	100%

<b>Location</b>	<b>Stage of completion</b>	<b>Expected completion date</b>	<b>Site area/ Gross floor area</b>	<b>Type of use</b>	<b>Group's interest</b>
<i>PROPERTIES HELD FOR DEVELOPMENT: (Continued)</i>					
A parcel of land in Ling Hu Xin Cheng, An Ning County, Kuming, Yunnan Province, The People's Republic of China	Under planning	December 2012	13,000 sq.m./ 70,000 sq.m.	Residential	100%
Two parcels of land at junction of Shen Hui Da Dao and Yi Cui Lu, Ai Lian Gang Bei, Longguan District, Shenzhen, Guangdong Province, The People's Republic of China	Under construction	December 2014	70,000 sq.m./ 354,000 sq.m.	Residential	100%
Five parcels of land in Dong Ao Zhen, Shenzhou Peninsula, Wanning City, Hainan Province, The People's Republic of China	Under planning	December 2015	418,000 sq.m./ 457,000 sq.m.	Commercial/ Residential	100%
Three parcels of land at junction of Guo Xiang Bei Lu and Yin Shan Lake Lu, Suzhou Wuzhong Economic Development Zone, Suzhou City, Jiangsu Province, The People's Republic of China	Under construction	June 2014	369,000 sq.m./ 1,040,000 sq.m.	Residential	100%
A parcel of land at Dong Fang Da Dao and Dushu Lake Da Dao, Suzhou Wuzhong Economic Development Zone, Suzhou City, Jiangsu Province, The People's Republic of China	Under construction	November 2014	293,000 sq.m./ 264,000 sq.m.	Residential	100%

<b>Location</b>	<b>Stage of completion</b>	<b>Expected completion date</b>	<b>Site area/ Gross floor area</b>	<b>Type of use</b>	<b>Group's interest</b>
<i>PROPERTIES HELD FOR DEVELOPMENT: (Continued)</i>					
Two parcels of land known as C10-6, C14-2 located in Jiading New City, Jiading District, Shanghai, The People's Republic of China	Under planning	March 2014	93,000 sq.m./ 163,000 sq.m.	Commercial/ Residential	100%
Two parcels of land known as A04-1, A04-2 located in Jiading New City, Jiading District, Shanghai, The People's Republic of China	Under planning	March 2014	73,000 sq.m./ 157,000 sq.m.	Commercial/ Residential	100%
Five parcels of land in Jiading New City, Jiading District, Shanghai, The People's Republic of China	Under construction	June 2014	205,000 sq.m./ 477,000 sq.m.	Commercial/ Residential	100%
A parcel of land on Chang Jiang Xi Lu, Song Nan Zhen, Bao Shan District, Shanghai, The People's Republic of China	Under construction	March 2013	43,000 sq.m./ 94,000 sq.m.	Commercial/ Residential	100%
A parcel of land in Wu Kang Zhen, Huzhou District, De Qing County, Zhe Jiang Province, The People's Republic of China	Under construction	March 2013	165,000 sq.m./ 497,000 sq.m.	Commercial/ Residential	100%
A parcel of land in Zhenhai New City, Ning Bo City, The People's Republic of China	Under planning	N/A	326,000 sq.m./ 860,000 sq.m.	Commercial/ Residential	100%
A parcel of land in Ma Xi Village, Hua Dou District, Guangzhou, The People's Republic of China	Under construction	June 2014	232,000 sq.m./ 381,000 sq.m.	Commercial/ Residential	100%
A parcel of land in Hua Dou District, Guangzhou, The People's Republic of China	Under planning	July 2014	254,000 sq.m./ 483,000 sq.m.	Commercial/ Residential	100%

Summary of Properties Held for Development

At 31st December, 2010

<b>Location</b>	<b>Stage of completion</b>	<b>Expected completion date</b>	<b>Site area/ Gross floor area</b>	<b>Type of use</b>	<b>Group's interest</b>
<i>PROPERTIES HELD FOR DEVELOPMENT: (Continued)</i>					
A parcel of land in You Yi Da Dao, Hong Shan District, Wuhan, The People's Republic of China	Under construction	June 2014	40,000 sq.m./ 145,000 sq.m.	Commercial/ Residential	100%
A parcel of land in Tie Ji Village, Hong Shan District, Wuhan, The People's Republic of China	Under planning	November 2016	336,000 sq.m./ 1,276,000 sq.m.	Commercial/ Residential	68%

## Summary of Properties Held for Sale

At 31st December, 2010

Details of the Group's properties held for sale at 31st December, 2010 are as follows:-

<b>Location</b>	<b>Gross floor area</b>	<b>Type of use</b>	<b>Group's interest</b>
<i>PROPERTIES HELD FOR SALE:</i>			
53 carparking spaces, Poly Xing Yuan, Nos. 1-5, Lane 28, Bin Yang Lu, Xu Hui District, Shanghai, The People's Republic of China	N/A	Residential	100%
160 carparking spaces, Poly Garden, Gao Xin District, Suzhou, Jiangsu Province, The People's Republic of China	N/A	Residential	100%
Various houses of Chongqing Poly Spring Villa No. 90 Xiao Quan, Nan Quan Village, Ba Nan District, Chongqing, Sichuan Province, The People's Republic of China	3,070 sq.m.	Residential	51%
Various commercial units and carparking spaces, Shanghai Tan Dynasty Garden, Tangzhen, Pudong New District, Shanghai, The People's Republic of China	916 sq.m.	Commercial	50.1%
Various carparking spaces, Yi He Homeland Southern District, Gong Dian Lu, Nan Gang District, Harbin, Heilongjiang Province, The People's Republic of China	N/A	Residential	51%

<b>Location</b>	<b>Gross floor area</b>	<b>Type of use</b>	<b>Group's interest</b>
<i>PROPERTIES HELD FOR SALE: (Continued)</i>			
A commercial unit, carparking spaces and amenity facilities, Poly Phoenixia Garden, Feng Xiang Lu, Nanning, Guangxi Province, The People's Republic of China	428 sq.m.	Commercial	100%
Various commercial units and carparking spaces, Nanning Poly Upper House, Zhu Jin Lu, China Asean International Business District, Nanning, Guangxi Province, The People's Republic of China	1,491 sq.m.	Commercial	100%
Various residential units and commercial units, Harbin Poly The Water's Fragrant Dike, San Huan Lu, Song Bei District, Harbin, Heilongjiang Province, The People's Republic of China	23,413 sq.m.	Commercial/ Residential	58%
Various commercial units and carparking spaces, Nanning Poly Century, China Asean International Business District, Nanning, Guangxi Province, The People's Republic of China	2,252 sq.m.	Commercial	100%
Various residential units and commercial units, Poly Harbin Contemporary No. 9 Park Life, Song Bei Zhen, Song Bei District, Harbin, Heilongjiang Province, The People's Republic of China	2,636 sq.m.	Commercial/ Residential	51%



<b>Location</b>	<b>Gross floor area</b>	<b>Type of use</b>	<b>Group's interest</b>
<i>PROPERTIES HELD FOR SALE: (Continued)</i>			
Various residential units, commercial units and carparking spaces, Guiyang Poly Hot Spring Newisland, Wen Quan Lu, Ye Jia Zhuang, Wu Dang District, Guiyang, Guizhou Province, The People's Republic of China	25,382 sq.m.	Commercial/ Residential	66.5%
Various residential units, commercial units and carparking spaces, Kunming Sunny Lake & Splendid Life, Da Tun Yin Qu, Lian Ran Zhen, An Ning County, Kunming, Yunnan Province, The People's Republic of China	50,119 sq.m.	Commercial/ Residential	80%
Various residential units and commercial units, Shanghai Poly Noble Duke, Tangzhen, Pudong New District, Shanghai, The People's Republic of China	13,766 sq.m.	Commercial/ Residential	50.1%
Various residential units, commercial units and a business centre, Wuhan Poly Royal Palace, Dong Hu Kai Fa Qu Shang Ma Zhuang, Wuhan, Hubei Province, The People's Republic of China	142,422 sq.m.	Commercial/ Residential	100%
Various villas and apartment units Shanghai Poly Town, Zong Fang Cun, Ma Lu Zhen, Jiading District, Shanghai, The People's Republic of China	87,964 sq.m.	Residential	100%

<b>Location</b>	<b>Gross floor area</b>	<b>Type of use</b>	<b>Group's interest</b>
<i>PROPERTIES HELD FOR SALE: (Continued)</i>			
Various residential units, commercial units and carparking spaces, Nanning Poly Landscape, Jing Guan Da Dao, West of Zhu Gan Dao, Dong Gou Ling, Xingning District, Nanning, Guangxi Province, The People's Republic of China	123,329 sq.m.	Commercial/ Residential	100%
Various residential units, commercial units and carparking spaces, Guiyang Poly Clouds Hill International, No. 148 Shi Bei Lu, Yun Yan District, Guiyang, Guizhou Province, The People's Republic of China	35,920 sq.m.	Commercial/ Residential	100%
Various residential units, commercial units and carparking spaces, Jinan Poly Lotus, North of Jing Yi Lu, Li Xia District, Jinan, Shandong Province, The People's Republic of China	25,299 sq.m.	Commercial/ Residential	100%
Various commercial units and carparking spaces/ office building, Shanghai Poly Plaza, No.18 Dong Fang Lu, Pudong New District, Shanghai, The People's Republic of China	76,482 sq.m	Commercial	90%
Various residential units, Shanghai Poly Lakeside Garden, Ma Lu Zhen, Jiading District, Shanghai, The People's Republic of China	15,774 sq.m	Residential	100%
Various commercial units and carparking spaces, Guangzhou City of Poly, East of Hua Gang Da Dao, Xin Hua Zhen, Hua Du District, Guangzhou, Guangdong Province, The People's Republic of China	983 sq.m	Commercial	51%