



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



Annual
Report 2009

Stock Code: 119



Unlocking the Door of Culture





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.

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Board of directors

Executive directors

HE Ping (*Chairman*)
CHEN Hong Sheng (*Vice-Chairman*)
WANG Xu
XUE Ming (*Managing Director*)
HAN Qing Tao
YE Li Wen
CHAN Tak Chi, William

Non-executive director

IP Chun Chung, Robert*

Independent non-executive directors

YAO Kang, J.P.*
LAM Tak Shing, Harry*
CHOY Shu Kwan*

* 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

CITIC Ka Wah Bank Limited
Industrial and Commercial Bank of China Limited
China Construction Bank Corporation
Bank of China Limited
Agricultural Bank of China Limited
Bank of Communications Co., Ltd.
Bank of East Asia, Limited
China Minsheng Banking Corp., Ltd.
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
www.irasia.com/listco/hk/polyhk



Philosophy

Dedication with integrity

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 Queensway & Victoria Room, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on 12th April, 2010 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, 2009.
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.
5. To consider as special business and, if thought fit, pass with or without amendments the following resolutions as Ordinary Resolutions:

(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).”

(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.”

(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.”

By Order of the Board

TAI Kar Lei

Company Secretary

Hong Kong, 8th March, 2010

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 and 5 was sent to the shareholders together with 2009 Annual Report.

Shanghai Poly Square

Located in the center of Lujiazui financial center in Pudong, Shanghai Poly Square boasts a rare 180-degree view of Huangpu River and is opposite to the central business district in the North Bund. It is a comprehensive complex housing commercial establishments, offices and recreational facilities.

The development is formed by twin towers and four standalone diamond-shaped office buildings. Between the buildings is a large-scale shopping mall. They are independent yet well connected with one another. Shanghai Poly Square offers customers comprehensive facilities.





Chairman's Statement

“

I hereby announce that the revenue of the Group for the financial year ended 2009 amounted to HK\$7,196,898,000, representing an increase of 116% compared with 2008.”



Chairman

He Ping



Results of 2009

I hereby announce that the revenue of the Group for the financial year ended 2009 amounted to HK\$7,196,898,000, representing an increase of 116% compared with 2008.

The profit attributable to shareholders amounted to HK\$662,114,000, representing an increase of 197% compared with 2008.

Earnings per share amounted to HK\$0.3, representing an increase of 145% compared with 2008.

A final dividend of HK4.4 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 PRC. The principal businesses of China Poly Group include real estate, trading, resource 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 2009.

As the overseas-listed flagship of China Poly Group, the Group endeavors to develop quality real estate projects by capitalizing on the opportunities arising from economic development of the PRC. Owing to the experience accumulated over the years and generous injection of quality assets by the parent company, the national strategic layout planning of the Group's real estate development business has gradually evolved into a medium real estate listed company with property development, property investment and property management as its core businesses.



Business review

During the period, the Group has been closely monitoring the macroeconomic changes and endeavored to follow the economic development in order to capture opportunities. Following the Group's adoption of multiple strategic and forward-looking deployments with an aim to ensure stable development, the Group achieved satisfactory results in various aspects of operation and presented new development prospects.

Rapid expansion as a whole. As at the end of 2009, the Group's total assets amounted to HK\$38,365,170,000, representing an increase of HK\$16,049,034,000 or 72% compared with HK\$22,316,136,000 as at the end of 2008. Net asset amounted to HK\$14,619,950,000, representing an increase of HK\$8,539,889,000 or 140% compared with HK\$6,080,061,000 as at the end of 2008. Gearing ratio decreased by 10 percentage points compared with the end of 2008, while balance of cash and cash equivalents of the Group improved significantly to HK\$10,363,977,000 compared with 2008. During the period, there were three successful placings with a proceeds of HK\$4,280,100,000 which further enhanced the Group's development potential.

A year-on-year growth of over 100% in sales of real estate. In 2009, sales contract signed amounted to RMB8 billion while contracted area amounted to 1,200,000 square meters, representing a year-on-year increase of over 100%. During the period, the Group has launched the sales of 4 new projects with favorable sales, while satisfactory sales were recorded for the 14 projects for continuous launch located in Shanghai, Nanning, Wuhan, Harbin, Jinan and Guiyang.

Rapid growth of principal operations. As at the end of 2009, the Group has 20 projects under construction with an area under construction of 3,358,000 square meters. During the period, the Group expanded its land reserves proactively with reasonable cost through various channels in order to maintain the momentum of project development in the next three to five years. As at the end of 2009, the Group has projects in 15 cities, with over 40 projects under construction and land reserves. The aggregate gross floor area of projects under construction and land reserves was approximately 12,405,000 square meters, of which the share of projects under construction and land reserves located in areas such as Yangtze River Delta and Zhujiang River Delta increased from 22% to 40%. The Group has attained a more reasonable structure of land distribution with two or more projects under construction and reserve projects in most areas except cities where the Group has newly entered. As such, the Company's capability of sustainable development was enhanced significantly.

Continuous injection of quality assets by the parent company. On 17th September, 2009, development projects in Shanghai, Shenzhen, Suzhou, Foshan and Hainan and certain office area at Citic Plaza, Tianhe District, Guangzhou City were injected into the Group by the parent company, increasing the Group's land reserves and investment properties by 2,140,000 square meters and 38,000 square meters respectively. With further expansion in share capital and project development capability, the Group's position as one of the leading real estate developers in the PRC was strengthened.

Maintaining sound financial structure. During the period, the Group has explored various finance channels, including the Strategic Co-operation Agreement totaled RMB20 billion entered into by the Group and China Huarong Asset Management Corporation in October, 2009. The RMB1 billion trust financing of Shanghai Poly Square has expanded the Group's finance channels, as well as enhanced the Group's capability to control finance costs and to obtain projects.

Concluding the year 2009, on the basis of safeguarding the overall capital chain, the Group has achieved relatively significant progress in project sales and further expansion in project scale during the period by adopting a series of measures and paced up expansion in a proactive and appropriate manner. The investment properties of the Group in the first-tier cities have also laid solid foundation for the Group's future development through provision of stable cash flow.

The strategy of development

The impact of the international financial crisis on the PRC economy and real estate market will continue in 2010, bringing more uncertainties to the domestic real estate market. The Group expects that various policies may be issued by the PRC government with a view to prevent overheating of real estate market and international economic recovery may be disappointing, resulting in complicated market situation. In view of the complicated and changing market, the Group will proactively engage possible short term volatilities and partial adjustments in the PRC real estate market through close attention on the PRC government's stance on market development and trend of real estate market in addition to careful choice of measures. Future development strategies of the Group include:

- Regarding our core business, the Group will focus on Yangtze River Delta, Zhujiang River Delta and areas where we already established our presence. We will further increase our investment and business ration on such areas, adhere to the focus of medium and high-end residential products and gradually expand into a dynamic portfolio of residential, commercial and office buildings, while continue to investigate and discuss the feasibility of further injection of quality assets with its parent company.
- Regarding our management strategies, the Group will continue to strengthen and upgrade its management to professional standard, strive to save cost while increasing efficiency and maximize profitability of the projects. The Group will continue to improve the efficiency of capital application and manage its liability position to a reasonable level, while enlarge its efforts on training and manpower recruitment in order to foster and establish a top-class professional team.

- Regarding the development of our projects, the Group will adhere to its principles of providing high quality products and services and continue to provide branded products with high cost performance. The Group believes that the corporate brand name, quality of products and cost performance will become the choosing indicators for the customers under the uncertain real estate market. In 2010, the Group will strive for offering products with cultural characteristics of Poly and consolidating its competitiveness by insisting on higher project quality and capitalizing on product edges.
- Regarding project sales, the Group will accelerate the sales of projects located in the city centre and medium and high-end ordinary commodity housings by capturing every opportunity and speeding up its construction progress, and adopting flexible sales models and different measures for its products, marketing, pricing and customer sources. The Group will launch its projects in a timely manner to minimize its exposure to market changes.
- Regarding projects expansion, the Group will obtain land with competitive price in a flexible and diversified manner, including seeking further injection from the parent company, developing culture theme property and utilizing channels such as acquisitions and mergers. The Group endeavors to increase its land reserves by 3,000,000 to 5,000,000 square meters throughout the year, seek further development opportunities in areas such as Yangtze River Delta and Zhujiang River Delta and maintain its market development effort in central and south-western areas of the PRC, so as to take the Group's national market layout to the next level.

Company prospect

Following the sustained recovery of the PRC real estate market in 2009, a number of real estate adjustment measures were implemented by the state, the surfacing adjustment effects of which will result in inevitable volatility in real estate market for a period of time in the future. However, the Group believes that there is enormous development potential in the PRC real estate market in the long term owing to steady development of the PRC economy, accelerating process of urbanization and ever higher standard for living quality and environment of the PRC citizens. As a result, the Group maintains a positive outlook on the long term prosperity and stability of the PRC real estate market.

As the Group marches on its path to become one of leading real estate developers with dominance position in the PRC, we expect the coming two to three years to be crucial period of leaping development of the Group. In 2010, the Group will newly offer 7 new projects and 15 projects for continuous launch, while operating revenue and profit of the Group are expected to grow steadily. As the sole overseas-listed flagship of the China Poly Group, the Group is confident about its future prospects of development and believes that the Group will receive continual attention and support from the parent company. Looking forward, the Group will strive to grasp rare opportunities under the ever changing circumstances and continuously solidify its leading position in the market, in order to maintain a constant and healthy development for the Group and in turn create fruitful returns for our shareholders.

Appreciation

In the past year, with all employees' devoted efforts and cooperation, the Group was able to achieve satisfactory results and obtain expected increase in sales and land reserves. On behalf of the Board and the Shareholders, I would like to express my deepest gratitude to all of our dedicated employees.

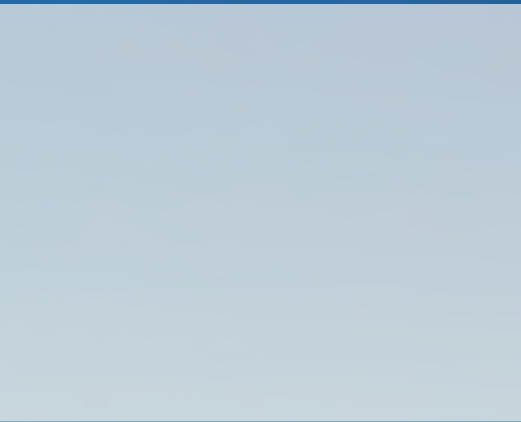
He Ping

Chairman

Guiyang Poly Newisland

Guiyang Poly Newisland is situated in Wudang District in Guiyang. It is a large-scale villa and residential project featuring a grade 4A spa and sight-seeing area, clubhouse, hotel and commercial street. The project is marked by clear planning of its various functions and an environmental protection-oriented design. All the elements of the project are nicely integrated with the surrounding nature.





Overall operating conditions

In 2009, the Group recorded a turnover of HK\$7,196,898,000 (corresponding period in 2008: HK\$3,324,368,000), representing an increase of 116% as compared with the corresponding period last year. Profit attributable to shareholders amounted to HK\$662,114,000 (corresponding period in 2008: HK\$222,994,000), representing an increase of 197% as compared with the corresponding period last year. Basic earnings per share was HK30.00 cents (corresponding period in 2008: HK12.22 cents), while diluted earnings per share was HK29.67 cents (corresponding period in 2008: HK12.07 cents), representing an increase of 145% and 146% respectively as compared with the corresponding period last year.

As at 31st December, 2009, total owners' equity of the Group amounted to HK\$14,619,950,000 (31st December, 2008: HK\$6,080,061,000) and net book asset value per share was HK\$4.90 (31st December, 2008: HK\$3.18).

Continuous assets injection by parent company

On 17th September, 2009, the Group was injected assets by our parent company in respect of development projects located in Shanghai, Shenzhen, Suzhou, Foshan and Hainan, as well as certain areas in the office buildings of CITIC Plaza in Tianhe District, Guangzhou. The consideration was settled by the Group by issuing approximately 403,000,000 consideration shares. The transaction was completed on 13th October, 2009. This assets injection is another significant move by our parent company following its injection of Shanghai Poly Real Estate Limited (上海保利置業集團有限公司) and Shenzhen Poly Investments Co., Limited (深圳保利投資有限公司), demonstrating our parent company's strong support to the Group's property development for further strengthening the Group's position as one of the leading property developers in the PRC.

Real estate development business

During the period, 13 new projects with a gross floor area of approximately 1,800,000 square meters commenced construction works. 14 projects were launched continuously and 4 projects were launched with a pre-sale and sale area of approximately 1,200,000 square meters. 11 projects with a gross floor area of approximately 1,730,000 square meters were completed and delivered. As at 31st December, 2009, the Group had over 40 projects under construction and land reserves under different development stages with a gross floor area of approximately 12,400,000 square meters.

Sales

After the PRC government issued series of positive policies for stimulating economy and easing credit in early 2009, China's real estate market rebounded from a dip in 2009. As the Group studied the policy changes seriously and seized opportunities in a timely manner, our projects recorded satisfactory sales performance. During the period, the pre-sale and sale areas of the 18 projects totaled 1,200,000 square meters, representing a surge of 627,000 square meters or 109% as compared with 573,000 square meters in 2008 and exceeding our target of an adjusted sale area of 1,000,000 square meters for the year. The pre-sale and sale amount totaled RMB8 billion, representing an increase of 427,000 square meters or 114% as compared with RMB3.73 billion in 2008 and beyond our target of 50% or above set early in the year:

1. Sales in the Yangtze River Delta and Pearl River Delta regions were satisfactory. 70 villas in the Guangzhou City of Poly Phase 1 launched sales in July achieved a subscription rate of 88% on the debut day. 97% of the high-rise apartments in the Shanghai Poly Town Phase 3 comprising 228 units launched in October were sold within the first half of the debut day. 144 residential units of the Shanghai Poly Lakeside Garden released for sales in November were snapped up soon after launch;
2. Projects in central and southwestern regions, including provincial capitals such as Wuhan, Nanning and Guiyang recorded relatively high sales performance. Nanning Poly Century was persistently popular among property buyers and the residential units of the entire project were nearly sold out by June. Guiyang Poly Clouds Hill International launched totally 150 residential units in June and the subscription rate of its first trading day reached 92%. In August, Nanning Poly Upper House launched 134 shops which were sold out within two hours after launch. In September, Wuhan Poly Royal Palace Phase 2 launched 136 residential units, all of which were snapped up within three hours after launch;
3. Real estate markets in other regions, such as provincial capitals including Jinan and Harbin, have also met the expected sales target. Jinan Poly Garden, the Group's second real estate development project in Jinan launched 600 residential units and the subscription rate reached 86% on the first trading day in early June. Two projects in Harbin, namely Poly Harbin Contemporary No. 9 Park Life and Harbin Poly The Water's Fragrant Dike recorded satisfactory sales performance. Contracted sales amount totaled approximately RMB1 billion during the year.

Sales in 2009/Estimated areas available for sales in 2010 (Projects obtained for the year ended 2009)

Project	Contracted sales/ Pre-sales in 2009 (‘000 square meters)	Estimated saleable area in 2010 (‘000 square meters)
1. Shanghai Poly Town	83	102
2. Shanghai Poly Lakeside Garden	12	32
3. Shanghai Poly Noble Duke	79	-
4. Guangzhou City of Poly	128	128
5. Shenzhen Sea Songs Garden	7	-
6. Wuhan Poly Royal Palace	163	166
7. Chongqing Poly Spring Villa	4	17
8. Guiyang Poly Newisland	125	196
9. Guiyang Poly Clouds Hill International	108	177
10. Nanning Poly Phoenixia Garden	2	-
11. Nanning Poly Upper House	12	15
12. Nanning Poly Century	116	7
13. Nanning Poly Shan Shui Yi Cheng	0	195
14. Kunming Sunny Lake & Splendid Life	70	110
15. Harbin Poly Yi He Homeland Southern District	3	-
16. Harbin Poly The Water’s Fragrant Dike	72	73
17. Poly Harbin Contemporary No. 9 Park Life	119	41
18. Jinan Poly Garden	94	103
19. Jinan Poly Lotus	7	12
Subtotal	<u>1,204</u>	
Newly launched project in 2010		
1. Shanghai Poly Yu Zun Yuan		63
2. Shanghai Poly Villa Garden		11
3. Huizhou Poly Shan Shui Cheng		98
4. Nanning Poly Long Hu Lan Wan		40
5. Guiyang Poly International Plaza		57
6. Guiyang Poly Spring Boulevard		79
7. Harbin Poly Yi He Homeland Northern District		<u>172</u>
Total:		<u>1,894</u>

Note: Share-participation projects are not included in the above sales data.

Completed projects

In 2009, among the Group's under development projects, 11 were completed and delivered with a completed area of approximately 1,732,000 square meters. They include Shanghai Poly Town Phase 1, Shanghai Poly Noble Duke Phase 1, Shenzhen Sea Songs Garden, Nanning Poly Upper House, Nanning Poly Century Phase 1, Guiyang Poly Newisland Phase 1 and Phase 2, Wuhan Poly Royal Palace Phase 1, Kunming Sunny Lake & Splendid Life Phase 1, Poly Harbin Contemporary No. 9 Park Life Phase 1, Harbin Poly The Water's Fragrant Dike Phase 1 and Jinan Poly Garden Phase 1.

List of Completed Projects in 2009

Project(s)	Aggregate Gross Floor Area ('000 square meters)	Group's Interests
Yangtze River Delta and Pearl River Delta Regions		
Shenzhen Sea Songs Garden	91	51%
Shanghai Poly Town Phase 1	113	100%
Shanghai Poly Noble Duke Phase 1	111	50.1%
Central and Southwestern Regions		
Wuhan Poly Royal Palace Phase 1	208	100%
Guiyang Poly Newisland Phase 1 and Phase 2	411	66.5%
Nanning Poly Upper House	127	75%
Nanning Poly Century	190	75%
Kunming Sunny Lake & Splendid Life Phase 1	110	80%
Other Regions and Cities		
Harbin Poly The Water's Fragrant Dike Phase 1	97	58%
Harbin Contemporary No. 9 Park Life Phase 1	142	51%
Jinan Poly Garden Phase 1	132	100%
Total:	1,732	

Projects under construction

Currently, the Group has 20 projects under construction with an aggregate gross floor area under construction of approximately 3,360,000 square meters, of which approximately 39% are located in the Yangtze River Delta and Pearl River Delta regions and approximately 61% in other cities.

Projects under construction as at 31st December, 2009:

Project	Aggregate Site Area (‘000 square meters)	Aggregate Gross Floor Area (‘000 square meters)	Group’s Interest	Expected Year of Completion
Yangtze River Delta and Pearl River Delta Regions				
Shanghai Poly Square	27	102	90%	2010
Shanghai Poly Town Phases 2, 3 and 4	128	295	100%	2010 (Phase 2)
Shanghai Poly Villa Garden	12	16	100%	2010
Shanghai Poly Lakeside Garden Phases 1 and 2	119	284	100%	2010 (Phase 1)
Shanghai Poly Noble Duke Phase 2	18	35	50.1%	2010
Shanghai Poly Yu Zun Yuan Phase 1	25	52	50.1%	2011
Guangzhou City of Poly Phases 1 and 2	187	382	51%	2010 (Phase 1)
Huizhou Poly Shan Shui Cheng Phase 1	137	130	80%	2011
Central and Southwestern Regions				
Wuhan Poly Cultural Plaza	12	143	100%	2012
Wuhan Poly Royal Palace Phase 2	47	114	100%	2010 (Phase 2)
Chongqing Poly Spring Villa Phases 2 and 3	91	19	51%	2010
Chongqing Emerald Valley Phases 3 and 4	290	314	30%	2010
Guiyang Poly Newisland Phase 3	85	360	66.5%	2011
Guiyang Clouds Hill International Phase 1	66	297	100%	2010
Guiyang Poly International Plaza Phase 1	8	97	66.5%	2012
Nanning Shan Shui Yi Cheng	67	271	75%	2010
Kunming Sunny Lake & Splendid Life Phase 2	45	146	80%	2010
Other Regions and Cities				
Harbin Poly The Water’s Fragrant Dike Phase 2	100	84	58%	2010
Jinan Poly Garden Phase 2	34	133	100%	2010
Jinan Poly Lotus	26	84	100%	2010
Total:	1,524	3,358		

Land reserves

In 2009, the Group acquired 9 land parcels situated in Shanghai, Guangzhou, Foshan, Guiyang, Jinan and Liuzhou with a total site area of approximately 1,640,000 square meters and a planned total gross floor area of approximately 3,460,000 square meters. Our land costs amounted to approximately RMB8.3 billion.

Land Parcel/Project	Usage	Total site area ('000 square meters)	Planned gross floor area ('000 square meters)
Shanghai Jiading Xincheng (C10-6, C14-2)	Commercial, office and residential complex	93	163
Shanghai Jiading Xincheng (A04-1, A04-2)	Residential	123	157
Guangzhou Ma Xi Cun	Commercial and residential	232	381
Guangzhou Nanfang Flower Market	Residential	254	443
Foshan Chan Cheng Ou	Commercial, office, cultural (and residential)	49	172
Huizhou Poly Shan Shui Cheng	Residential	128	154
Guiyang Poly Spring Boulevard	Commercial and residential	448	775
Liuzhou Bai Sha Lu	Commercial and residential	169	775
Jinan Li Cheng Ou Zhu Shun Lu	Residential	142	442
Total:		1,638	3,462

In addition, our parent company injected land reserves of a constructible gross floor area of approximately 2,140,000 square meters in various regions such as Shanghai, Shenzhen, Suzhou, Foshan and Hainan in September, 2009.

Land Parcel/Project	Usage	Total site area (‘000 square meters)	Planned gross floor area (‘000 square meters)
1. Shanghai Jiading Xincheng (C13)	Residential, commercial and hotel	74	168
2. Suzhou Dushu Lake	Residential	293	264
3. Shenzhen Buji	Residential and commercial	330	825
4. Foshan Shunde Ou	Residential and commercial	95	424
5. Hainan Shenzhou Peninsula	Residential, commercial and yacht wharf	418	457
Total:		1,210	2,138

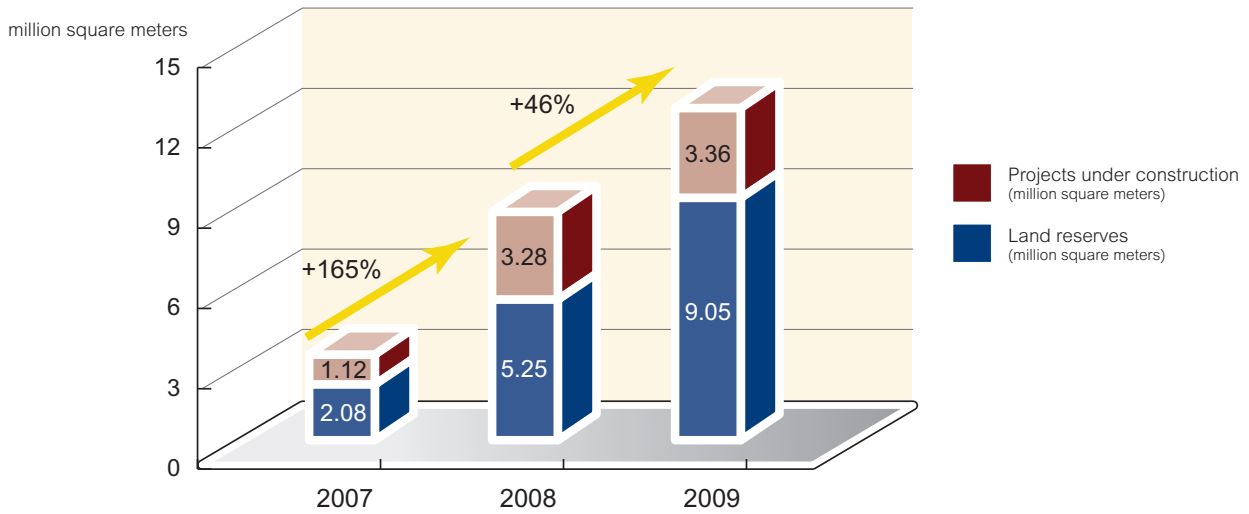
As at 31st December, 2009, the Group possesses parcels in 15 cities with a total area of approximately 4,652,000 square meters and a planned gross floor area of approximately 9,047,000 square meters.

Land reserves as at 31st December, 2009:

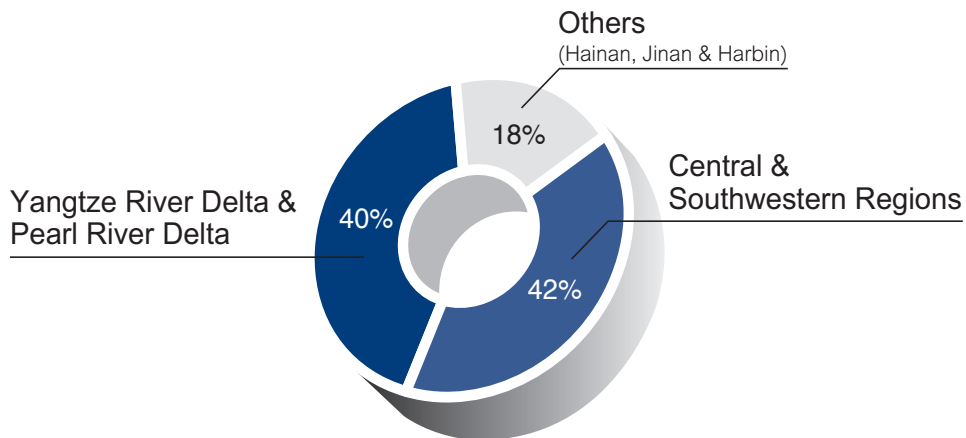
Project	Total site area (‘000 square meters)	Aggregate gross floor area (‘000 square meters)	Group’s interests	Estimated date of commencement
Yangtze River Delta and Pearl River Delta Regions				
Shanghai Poly Yu Zun Yuan Phases 2, 3 and 4	95	190	50.1%	First half of 2010
Shanghai Jiading Xin Cheng (C13) *	74	168	100%	2011
Shanghai Jiading Xin Cheng (C10-6, C14-2)	93	163	100%	2011
Shanghai Jiading Xin Cheng (A04-1, A04-2)	123	157	100%	2011
Suzhou Dushu Lake *	293	264	100%	Second half of 2010 (Phase 1)
Shenzhen Buji *	330	825	70%	2011
Huizhou Poly Shan Shui Cheng Phase 2	221	337	80%	Second half of 2010 (Phase 2)
Guangzhou City of Poly Phase 3	62	156	51%	First half of 2010 (Phase 3)
Guangzhou Ma Xi Cun	232	381	51%	Second half of 2010 (Phase 1)
Guangzhou Nanfang Flower Market	254	443	100%	2011
Foshan Chan Cheng Ou	49	172	51%	Second half of 2010
Shunde Longgang Project *	95	424	100%	First half of 2010 (Phase 1)
Central and Southwestern Regions				
Wuhan Poly Royal Palace Phase 3	87	318	100%	First half of 2010
Wuhan Yangyuan	30	84	51%	First half of 2010
Wuhan Jin Yin Tan	122	153	100%	2011
Guiyang Poly Newisland Phase 4	100	231	66.5%	Second half of 2010
Guiyang Poly Clouds Hill International Phase 2	90	376	100%	First half of 2010
Guiyang Poly International Plaza Phase 2	13	145	66.5%	2011
Guiyang Poly Spring Boulevard	448	775	66.5%	First half of 2010 (Phase 1)
Kunming Sunny Lake & Splendid Life Phase 3	30	43	80%	Second half of 2010
Chongqing Poly Spring Villa Phase 4	52	19	51%	First half of 2010
Nanning Poly Long Hu Lan Wan	568	527	75%	First half of 2010 (Phase 1)
Liuzhou Bai Sha Lu	169	775	100%	First half of 2010 (Phase 1)
Other Regions and Cities				
Harbin Poly The Water’s Fragrant Dike Phases 3 and 4	345	522	58%	Second half of 2010 (Phase 3)
Poly Harbin Contemporary No. 9 Park Life Phase 2	39	139	51%	First half of 2010 (Phase 2)
Harbin Poly Yi He Homeland Northern District Phases 1 and 2	78	361	51%	First half of 2010 (Phase 1)
Jinan Li Cheng Ou Zhu Shun Lu	142	442	100%	Second half of 2010 (Phase 1)
Hainan Shenzhou Peninsula *	418	457	100%	Second half of 2010 (Phase 1)
Total:	4,652	9,047		

* Assets injection by our parent company in September 2009

The Group's Total Gross Floor Area of Projects under Construction and Land Reserves Increased Continuously during the period 2007-2009



Percentage of the Total Gross Floor Area of the Projects (Projects under Construction and Land Reserves) in Various Regions in 2009



Land Reserves Acquired in 2010

During January and February 2010, the Group further acquired three land parcels, of which two are located in Shanghai and one in Jinan, expanding the Group's land reserves by approximately 754,000 square meters.

Land parcel/Project	Usage	Total site area (‘000 square meters)	Planned gross floor area (‘000 square meters)	Group's interests
Shanghai Jiading Xin Cheng (C8-1, C8-2, C11-1, D10-2, D10-15)	Commercial, office, residential, and cultural and recreational	205	430	100%
Shanghai Bao Shan Ou	Residential, commercial and business office	43	100	100%
Jinan Poly Da Ming Hu	Residential	80	224	80%
Total:		328	754	

Review of property investment business

The Group holds a number of investment properties in Shanghai, Beijing, Guangzhou, Wuhan, Shenzhen and Hong Kong. In 2009, under the influence of poor economic conditions and stagnant market, the overall performance of property leasing market faltered, affecting the Group's rental properties. By adopting various effective measures such as improving our management, enhancing competitiveness of our services, reducing our operating costs and minimizing risks, the Group's rental properties maintained a relatively high occupancy rate during the period.

As at 31st December, 2009, the Group held investment properties with a gross floor area of approximately 322,000 square meters. In 2009, the Group had accumulated operating revenue of RMB296,470,000. Investment properties generated a long-term and steady source of income for the Group.

List of Investment Properties

List of Major Investment Properties and Hotels as at 31st December, 2009

Location	Project	Gross floor area		Category
		Gross floor area ('000 square meters)	attributable to the Group (%)	
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	33	100%	Hotel
	Total:	436		



Crossing the Passage of Civilization



Review of property management business

The Group holds various property management companies principally engaged in the management of hotels and high-end properties. Over the years, the company has won numerous awards and honors including the honorary titles of being the model unit of quality, service, and integrity.

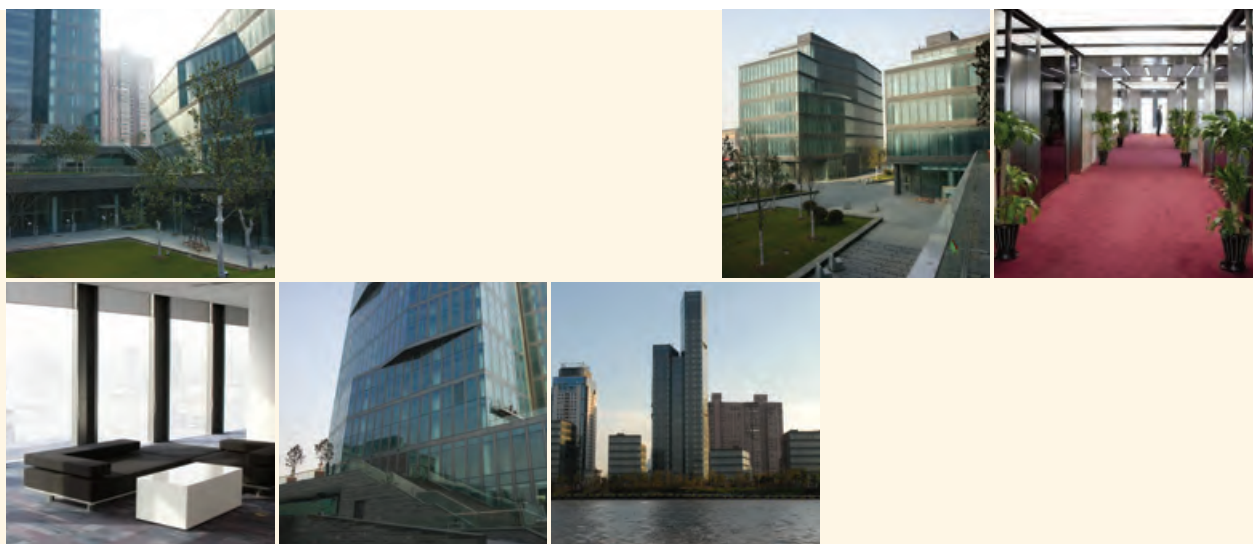
In 2009, the property company realized an income of RMB81,010,000 and managed 54 property projects with an aggregate gross floor area of 6,300,000 square meters, covering categories such as office buildings, hotels, shopping malls, villas and residences.

Summary for projects under construction

1. Shanghai Poly Square

Shanghai Poly Square is situated in the Huangpu River in Lujiazui, Putong, Shanghai, enjoying the rare and panoramic view of the Huangpu River and district resources in the financial centre. The project, which has a site area of 27,000 square meters and an aggregate gross floor area of approximately 102,000 square meters, will comprise a block of high-rise Grade A office, 4 multi-storey buildings of offices and shopping malls. The Group holds 90% interests in the project.

The project is under construction and is expected to be completed in the first half of 2010.



2. Shanghai Poly Town (Phases 2, 3 and 4)

Shanghai Poly Town is situated in the core zone of Jiading New City, Jiading District, Shanghai and is divided into 4 phases for development with a site area of approximately 169,000 square meters. The residential area, which has an aggregate gross floor area of approximately 408,000 square meters, comprises an apartment area integrating commercial and residential premises and town houses. The Group holds 100% interests in the project.

Phase 1 of the project has an aggregate gross floor area of approximately 113,000 square meters and was completed in 2009. Phases 2, 3 and 4 of the project have an aggregate gross floor area of 295,000 square meters. The project is under construction and is expected to be completed in phases from 2010 to early 2012. As at 31st December, 2009, the accumulated contracted sales of villas and residential units for the year amounted to a gross floor area of approximately 83,000 square meters.

3. Shanghai Poly Villa Garden

Shanghai Poly Villa Garden is situated in the Yangpu District, Shanghai, which is adjacent to the sub-civic centre of the city. It occupies a site area of approximately 12,000 square meters and an aggregate gross floor area of approximately 16,000 square meters. The project comprises 6 blocks of multi-storey residential houses with lifts and gardens, and is planned to be a Jiangnan small town oozing with Scandinavian style of architecture. The Group holds 100% interests in the project.

The project is now under construction. The project is scheduled to commence pre-sales in the first quarter of 2010 and is expected to be completed and delivered in the same year.



4. Shanghai Poly Lakeside Garden (Phases 1 and 2)

Shanghai Poly Lakeside Garden is situated in the core zone of Jiading New City, Jiading District, Shanghai and is within the educational area with comprehensive facilities in Jiading New City. By linking the urban areas with the Shanghai Lightrail Line 11 which is being constructed, this project is conveniently located and will become an important residential area of Jiading. The project occupies a site area of approximately 119,000 square meters and an aggregate gross floor area of approximately 284,000 square meters. The Group holds 100% interests in the project.

The project is divided into two phases and both Phases 1 and 2 are now under construction. Phase 1 has an aggregate gross floor area of approximately 58,000 square meters and is expected to be completed in 2010 and Phase 2 in 2011. The pre-sales of Phase 1 began in November, 2009. As at 31st December, 2009, the accumulated contracted sale of residence for the year amounted to a gross floor area of approximately 12,000 square meters.

5. Shanghai Poly Noble Duke (Phase 2)

Shanghai Poly Noble Duke is situated in the center of “new town”, which is the focus of reconstruction under “the Eleventh Five-Year Plan” in Tangzheng of Pudong New Area. Adjacent to Zhangjiang High-tech Industrial Park (張江高科技園區), the project is located near the extension lot of the Tangzheng station of Subway Link No. 2 and is easily accessible. The project, which has a site area of approximately 75,000 square meters and an aggregate gross floor area of approximately 146,000 square meters, will be constructed into a medium and high-end residential area. The Group holds 50.1% interests in the project.

Phase 1 of the project has an aggregate gross floor area of approximately 111,000 square meters and was completed in 2009; Phase 2 is now under construction and is expected to be completed by the end of 2010. As at 31st December, 2009, the accumulated contracted sale of high-rise residential premises for the year amounted to a gross floor area of approximately 79,000 square meters.



6. Shanghai Poly Yu Zun Yuan (Phase 1)

Shanghai Poly Yu Zun Yuan is situated in Tangzhen, Pudong New District, Shanghai, a new town which will undergo major development in the next five years. It occupies a site area of approximately 120,000 square meters and an aggregate gross floor area of approximately 242,000 square meters. It is planned to be a residential area comprising villas, apartments and commercial buildings. The Group holds 50.1% interests in the project.

The project is divided into four phases. Phase 1 has an aggregate gross floor area of 52,000 square meters and is currently under construction. It is expected to commence sales in 2010 and will be completed and delivered in the same year.

7. Guangzhou City of Poly (Phases 1 and 2)

Guangzhou City of Poly is situated in the automobile manufacturing base of Huadou District, Guangzhou and is adjacent to the commercial and administration centre of the district. The project has a total site area of approximately 249,000 square meters and an aggregate gross floor area of approximately 538,000 square meters. It will be developed into a residential complex comprising villas, condominiums and high-rise apartments. The Group holds 51% interests in the project.

The entire project is divided into three phases. Phases 1 and 2 of the project occupy a gross floor area of approximately 382,000 square meters and are both under construction. Phase 1 has a gross floor area of approximately 223,000 square meters, of which high-rise residential premises of approximately 178,000 square meters was completed and delivered, and villas are expected to be completed by 2010. The gross floor area of Phase 2 is approximately 159,000 square meters and it is scheduled to be launched by 2010 and is expected to be completed by 2011. As at 31st December, 2009, the accumulated contracted sales of high-rise residential premises and villas for the year amounted to a gross floor area of approximately 128,000 square meters.



8. Huizhou Poly Shan Shui Cheng (Phase 1)

Huizhou Poly Shan Shui Cheng is situated in Huizhou, Guangdong, approximately 10 minutes ride from the city centre of Huizhou. The project features exquisite natural landscape with a site area of approximately 358,000 square meters and an aggregate gross floor area of approximately 467,000 square meters. It is a large residential area integrating villas, condominiums, high-rise apartments and commercial streets. The Group holds 80% interests in the project.

The project is divided into four phases. Phase 1 has a gross floor area of approximately 130,000 square meters and has commenced construction in August 2009. It is expected to commence sales in 2010 and be completed in 2011.

9. Wuhan Poly Cultural Plaza

Wuhan Poly Cultural Plaza is located at an intersection of Zhongnan Road and Mingzhu Road in Wuchang, Wuhan (at the centre of the Hong Shan Plaza), which is opposite to the Hubei Provincial Government, close to Inner Ring Road of the city and will connect to Subway Line no. 2 and 4. The project has a site area of approximately 12,000 square meters and an aggregate gross floor area of approximately 143,000 square meters. The project will be developed into a landmark commercial and office complex in Wuchang. The Group holds 100% interests in the project.

The project is under construction and is expected to be completed in 2012.



10. Wuhan Poly Royal Palace (Phase 2)

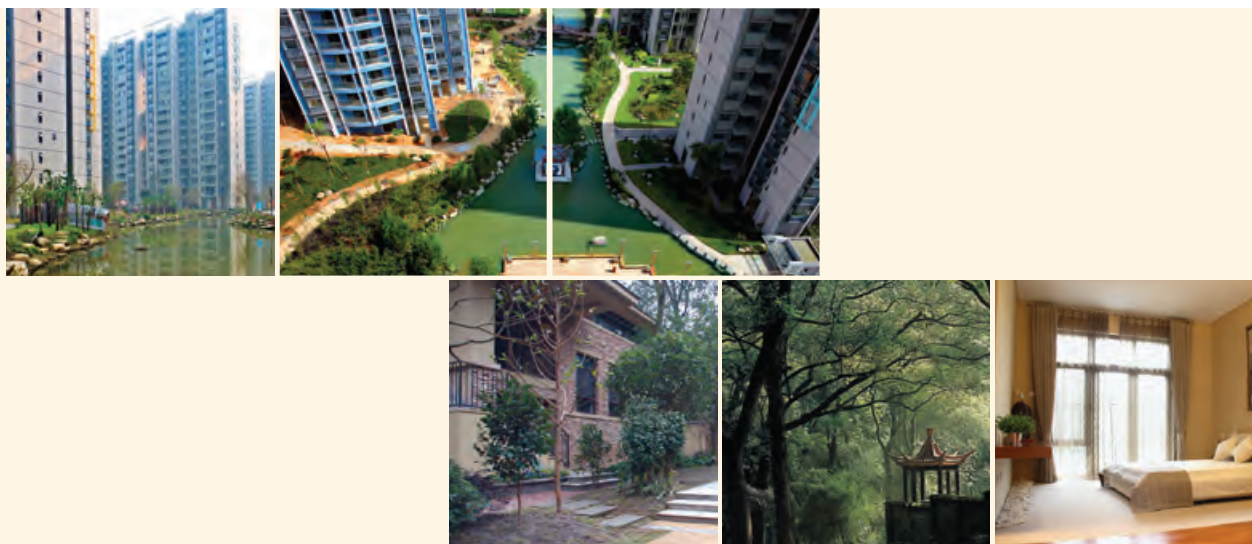
Situated at the core area of Guanggu in the Donghu New Technology Development Zone (東湖新技術開發區), Wuhan, Wuhan Poly Royal Palace is adjacent to the city metro and commands a panorama view of the renowned Donghu scenic area on its north and the immense South Lake on its south. The project has a site area of approximately 199,000 square meters and an aggregate gross floor area of approximately 640,000 square meters. It will be constructed into a medium and high-end residential area. The Group holds 100% interests in the project.

The project is divided into 3 phases. Phase 1 of the project has an aggregate gross floor area of 208,000 square meters and was completed in 2009. Phase 2 of the project has an aggregate gross floor area of 114,000 square meters. It is now under construction and is expected to be completed in 2010. Residential premises of Phase 1 have been sold out. The pre-sales of Phase 2 commenced in September, 2009. As at 31st December, 2009, the accumulated contracted sales of residential premises for the year amounted to a gross floor area of approximately 163,000 square meters.

11. Chongqing Poly Spring Villa (Phases 2 and 3)

Chongqing Poly Spring Villa is situated in the South Hot Spring Scenic Area, one of Chongqing's top ten scenic spots. The project occupies a site area of approximately 210,000 square meters and an aggregate gross floor area of approximately 58,000 square meters. It is a high-end, separate hot spring villa resort in which the Group holds 51% interests.

Phase 1 was completed in 2008. Phases II and III have an aggregate gross floor area of approximately 19,000 square meters and are now under construction. They are expected to commence sales in 2010 and be completed in the same year.



12. Chongqing Emerald Valley (Phases 3 and 4)

Chongqing Emerald Valley is situated in the North New District of Chongqing, which commands a remarkable view of surrounding hills in the district. The project has a site area of approximately 523,000 square meters and an aggregate gross floor area of approximately 483,000 square meters. The project comprises medium and high-end residential development of town houses and residential houses with gardens, and will become a small residential district in French style. The Group holds 30% interests in the project.

Phase 1 of the project occupies an area of approximately 108,000 square meters and was completed at the end of 2007. Phase 2 of the project, which covers an area of approximately 62,000 square meters, was completed in 2008. Phases 3 and 4 of the project are now under construction and are expected to be completed in 2010 and 2011 respectively. As at 31st December, 2009, the accumulated contracted sales of residential units for the year amounted to a gross floor area of approximately 80,000 square meters.

13. Guiyang Poly Newisland (Phase 3)

Located in Wudang District, Guiyang, Guizhou Province, Guiyang Poly Newisland has a site area of 482,000 square meters and an aggregate gross floor area of 1,005,000 square meters. It is a large-scale hot spring cultural residential project, in which the Group holds 66.5% interests.

Phases 1 and 2 of the project cover a gross floor area of 411,000 square meters and were completed in 2009. Phase 3 has a gross floor area of 360,000 square meters and is now under construction. Its sales is scheduled to be commenced in 2010 and be completed in 2011.

As at 31st December, 2009, the accumulated contracted sales of Phases 1 and 2 for the year amounted to a gross floor area of approximately 125,000 square meters.



14. Guiyang Clouds Hill International (Phase 1)

Located at the north-east side of Qianling Park of Guiyang and opposite to the Xiaoguan Lake, Guiyang Clouds Hill International is adjacent to the provincial government and will be developed into a recreational and cultural residential zone. The project has a site area of approximately 156,000 square meters and an aggregate gross floor area of approximately 673,000 square meters. The Group holds 100% interests in the project.

Phase 1 of the project has a gross floor area of approximately 297,000 square meters. It is now under construction and is expected to be completed in 2010. As at 31st December, 2009, the accumulated contracted sales of residential premises for the year amounted to a gross floor area of approximately 108,000 square meters.

15. Guiyang Poly International Plaza (Phase 1)

Guiyang Poly International Plaza is situated on the bank of Nanming River, Nanming, Guiyang. With a shoreline of nearly 300 meters, the project adjoins the Guiyang Grand Theatre and faces the Provincial Guanzhou Hotel across the river. This project covers a site area of approximately 21,000 square meters and an aggregate gross floor area of approximately 242,000 square meters. It is a diversified and integrated development project featuring residential premises, shopping malls, office towers and art galleries. The Group holds 66.5% interests in the project.

The project is divided into two phases. Phase 1 has an aggregate gross floor area of approximately 97,000 square meters and is now under construction. It is expected to be completed in 2012 and the entire project in 2013.



16. Nanning Shan Shui Yi Cheng

Located in the Dong Gou Ling New District, Xingning District, Nanning, Nanning Shan Shui Yi Cheng is adjacent to the Xingning District Government. The project has a site area of approximately 67,000 square meters and an aggregate gross floor area of approximately 271,000 square meters. It is planned to become a high-rise residential area with several buildings. The Group holds 75% interests in the project.

The project commenced in early 2009 and the pre-sales commenced in November 2009. The project is expected to be completed in 2010.

17. Kunming Sunny Lake & Splendid Life (Phase 2)

The project is located in Anning of Kunming, Yunnan. It has a site area of approximately 160,000 square meters and an aggregate gross floor area of approximately 279,000 square meters. It is planned to become an integrated, high-end residential and commercial area. The Group holds 80% interests in the project.

The project is divided into three phases. Phase 1 of the project has a gross floor area of approximately 110,000 square meters and was completed in 2009. Phase 2 has a gross floor area of approximately 146,000 square meters. It is now under construction and is expected to be completed in 2010. The pre-sales of Phase 1 began in April, 2009. As at 31st December, 2009, the accumulated contracted sales of residential units and villas for the year amounted to a gross floor area of approximately 70,000 square meters.



18. Harbin Poly The Water's Fragrant Dike (Phase 2)

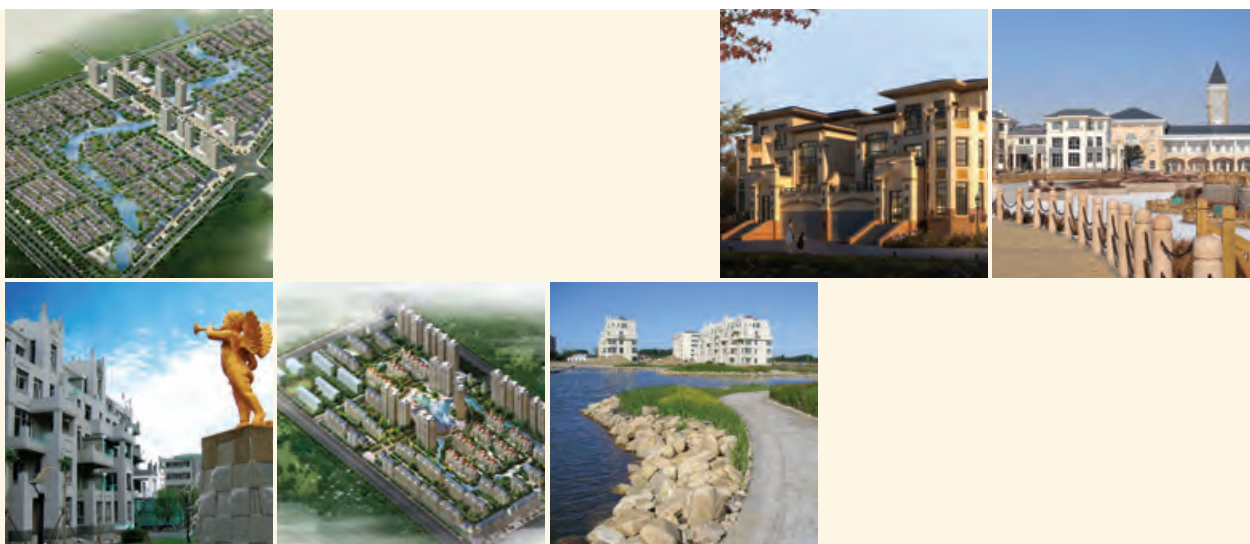
Harbin Poly The Water's Fragrant Dike is adjacent to the Harbin municipal government offices and is ringed by a financial and business service centre, the Dragon Culture Theme Park and the Songbei University Town. The entire project has a site area of approximately 567,000 square meters and an aggregate gross floor area of approximately 703,000 square meters. It is planned to develop into a large-scale, low density and high-end residential area comprising villas mainly. The Group holds 58% interests in the project.

Phase 1 of the project has a gross floor area of approximately 97,000 square meters. Its construction was completed in 2009. Phase 2 has a gross floor area of approximately 84,000 square meters. The construction of Phase 2 commenced in the second half of 2009. The sales of Phase 2 is expected to commence in 2010 and the construction to be completed in the same year. As at 31st December, 2009, the accumulated contracted sales of villas for the year amounted to a gross floor area of approximately 72,000 square meters.

19. Poly Harbin Contemporary No. 9 Park Life (Phase 1)

Located in Songbei District, Poly Harbin Contemporary No. 9 Park Life is closely adjacent to the Songbei Commercial Central District, the Convention and Exhibition Centre and the Oumeiya Science Park District. The whole project has a site area of approximately 172,000 square meters and an aggregate gross floor area of approximately 281,000 square meters. It is planned to develop into a high quality residential community. The Group holds 51% interests in the project.

The project is divided into two phases. Phase 1 of the project has a gross floor area of approximately 142,000 square meters. The construction of the project was completed in the second half of 2009. Phase 2 is expected to be commenced in 2010. As at 31st December, 2009, the accumulated contracted sales of residential units for the year amounted to a gross floor area of approximately 119,000 square meters.



20. Jinan Poly Garden (Phase 2)

Jinan Poly Garden is situated at the eastern part of the Jinan High-tech Development Zone. With a site area of approximately 83,000 square meters and an aggregate gross floor area of approximately 265,000 square meters, the project will be developed into a high-end residential area. The Group holds 100% interests in the project.

The project is divided into two phases. Phase 1 of the project has an aggregate gross floor area of approximately 132,000 square meters and was completed by the end of 2009. Phase 2 of the project has an aggregate gross floor area of approximately 133,000 square meters. It is now under construction and is expected to be completed in 2010. The pre-sales of Phase 1 commenced in June, 2009. As at 31st December, 2009, the accumulated contracted sales of residential units amounted to a gross floor area of approximately 94,000 square meters.

21. Jinan Poly Lotus

Located in the Lixia District of Jinan, Jinan Poly Lotus is adjacent to Daming Lake. The project has a site area of approximately 26,000 square meters and an aggregate gross floor area of approximately 84,000 square meters. It is planned to be a residential project comprising apartments. The Group holds 100% interests in the project.

Three residential buildings of the project was completed and delivered for use, the remaining 11 buildings are currently under construction and are expected to be completed in 2010. The pre-sales of the project commenced in October 2008 and the residence has been sold out already. As at 31st December, 2009, the accumulated contracted sales of residential premises for the year amounted to an area of approximately 7,000 square meters.



Summary of investment properties

1. Shanghai Stock Exchange Building

Shanghai Stock Exchange Building is situated in the financial district in Lujiazui, Pudong District, Shanghai, which houses the Shanghai Stock Exchange. The Group holds a gross floor area of approximately 48,000 square meters of the building, approximately 2,000 square meters of which is for its own use and approximately 46,000 square meters is for leasing purpose.

For the year ended 31st December, 2009, the rental income amounted to RMB76,070,000. The average occupancy rate for the year was at 83% and the average rental rate was RMB6.0/square meter/day, representing a decrease of approximately 3% as compared with the average rental rate of RMB6.2/square meter/day in the corresponding period last year. Although the rental rate went up slightly in 2009, the occupancy rate climbed back to 98% at the end of the year. It is expected that the overall rental rate will remain steady in 2010.



2. Beijing Poly Plaza

Beijing Poly Plaza is located in a prime site adjacent to the embassies of various countries in China and the Central Business District. Beijing Poly Plaza is a composite architecture comprising of a four-star hotel, offices with an area of 20,000 square meters and a theatre.

For the year ended 31st December, 2009, the annual turnover amounted to approximately RMB109,000,000, representing a decrease of 17% as compared with RMB131,000,000 in the corresponding period last year. The hotel room occupancy rate maintained at approximately 60% or above and the average room rate was RMB602/day/room, representing a decrease of approximately 27% as compared with RMB825 in the corresponding period last year. Meanwhile, the occupancy rate of office buildings remained high and stood at 97%. The average rental rate was RMB6.4/square meter/day, representing an increase of 2% as compared with RMB6.3/square/meter/day in the corresponding period last year.

3. Beijing Legend Garden Villas

Beijing Legend Garden Villas is situated in the Tianzhu high-end villa district next to the capital airport. The villa is the first high-end, foreigner-oriented real estate project in Beijing with only 15 minutes ride from the Yansha Commercial Area. It is surrounded by an exquisite natural environment and is easily accessible. The Group holds this project for investment property purpose.

The Group holds residential units and commercial properties with an area of approximately 5,800 square meters and approximately 6,300 square meters respectively. For the year ended 31st December, 2009, the income for the year amounted to RMB12,250,000.



4. Guangzhou Citic Plaza

Guangzhou Citic Plaza is situated at Tianhe Bei Lu, Guangzhou. It has a site area of 22,000 square meters and a gross floor area of 322,000 square meters. It is a prime building with commercial offices and residence within the area, comprising a main building of 80 stories, a shopping mall of 5 stories and two sub-buildings of 38 stories each. The Group holds 60% interests of the 38,000 square meters office area of the Citic Plaza. For the year ended 31st December, 2009, the income after acquisition amounted to RMB14,790,000.

5. Shenzhen Poly Cultural Plaza

Shenzhen Poly Cultural Plaza is situated in the core area of Nanshan Commercial and Cultural Centre in Shenzhen. The Plaza, which has an aggregate gross floor area of over 148,000 square meters (of which a mall area of approximately 13,000 square meters was sold), is a large-scale cultural and commercial project with functions such as catering, shopping, theatre, convention and exhibition, cinema, museum and recreation. In 2009, the occupancy rate of the Plaza was over 85% and the rental income amounted to RMB40,760,000, representing an increase of RMB8,460,000 or 26% as compared to RMB32,300,000 in the corresponding period last year. The Group holds approximately 91% interests of the project, equivalent to 135,000 square meters.

6. Hubei Poly White Rose Hotel

Hubei Poly White Rose Hotel is situated in Wuhan, Hubei Province and is in close proximity to Hong Shan Plaza in town centre. It has a gross floor area of approximately 33,000 square meters. Hubei Poly resumed operation in the second half of 2009 after renovation, which upgraded its rating from four-star to five-star. It has 320 suites and is equipped with catering and entertainment facilities. For the year ended 31st December, 2009, the revenue for the year amounted to RMB17,380,000.

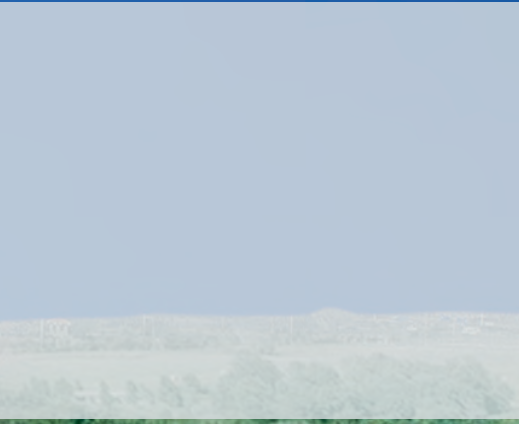


Shenzhen Poly Cultural Plaza

Shenzhen Poly Cultural Plaza is located in the Nanshan District Commercial and Cultural Center in Shenzhen. The Western Channel is adjacent to Shenzhen City and connected to Hong Kong. The plaza is linked to Houhai metro station with superior geographical advantages.

The property is consisted of a theatre and a shopping mall. The exterior of the theatre features a sleek oval shape. It is the only theatre that is up to international standard and first-class standard of China in the whole of Shenzhen. It has more than 1,500 seats and it plays a key role in the cultural scene in Shenzhen.





This corporate governance report ("CG Report") presents the corporate governance matters during the period covering the financial period ended 31st December, 2009 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 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.

Board of directors

For the year ended 31st December, 2009, 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 change of auditor and to revise the terms of reference of the Audit Committee.

For the year ended 31st December, 2009, the composition of the Board, and the respective attendances of the Directors at the above Directors' meetings are presented as follows:

Director	Board capacity	Attendance Full Board meetings
Mr. He Ping	ED & Chairman	4/4
Mr. Chen Hong Sheng	ED & Vice-Chairman	4/4
Mr. Wang Xu	ED	4/4
Mr. Xue Ming	ED & Managing Director	4/4
Mr. Han Qing Tao	ED	4/4
Mr. Ye Li Wen	ED	4/4
Mr. Chan Tak Chi, William	ED	4/4
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	INED	4/4
Mr. Choy Shu Kwan	INED	4/4

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:

Member	Board capacity
Mr. Yao Kang, <i>J.P.</i>	INED
Mr. Lam Tak Shing, Harry	INED
Mr. Choy Shu Kwan	INED
Mr. He Ping	Chairman of the Board
Mr. Wang Xu	Executive Director

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 did not hold any meeting 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 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:

Member	Board capacity	Attendance
Mr. Yao Kang, <i>J.P.</i>	INED	4/4
Mr. Lam Tak Shing, Harry	INED	4/4
Mr. Choy Shu Kwan	INED	4/4
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:

	Fee amount
	HK\$'000
Audit services	4,200
Non-audit services	—
	<hr/>
Total	<u>4,200</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

Managing Director

22nd February, 2010

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;
- recommended to the Board for the approval of the changes of auditor; 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)*

LAM Tak Shing, Harry

CHOY Shu Kwan

IP Chun Chung, Robert

Hong Kong, 22nd February, 2010

Shanghai Poly Town

Shanghai Poly Town is located in the heart of Jiading New Town in Shanghai. It is a “family oriented” residential community housing joint villas with courtyards, apartments, commercial and cultural facilities.





Executive directors

HE Ping, aged 64, has joined the Board since February 1993. He was appointed as the Chairman of the Company in October 2007. He graduated from Harbin Engineering Institute in the People's Republic of China (the "PRC") and had previously worked for the Embassy of the PRC to the United States of America. Mr. He is currently the Chairman of China Poly Group Corporation ("China Poly") and Poly (Hong Kong) Holdings Limited ("Poly Holdings"), controlling shareholders of the Company.

CHEN Hong Sheng, aged 60, has joined the Board since January 2004. He was appointed as the Vice-Chairman of the Company in October 2007. He graduated from Beijing Aviation Institute in the PRC. Mr. Chen has been a Director of China Poly since 1993. He is also the General Manager of China Poly and the Deputy Chairman and Manager of Poly Holdings. He is very experienced in management and trading.

WANG Xu, aged 50, had been the Managing Director of the Company during the period from October 2007 to July 2009. He is a Director and the Deputy General Manager of China Poly and is the Managing Director of Poly Holdings, both are substantial shareholders of the Company. Mr. Wang had been the Chairman of Poly Southern Group Corporation ("Poly Southern", a wholly-owned subsidiary of China Poly) during the period from March 2003 to September 2007.

XUE Ming, aged 48, was appointed as a Director of the Company in April 2006 and was appointed as the Managing Director of the Company in July 2009. He holds a master's degree in Economics from Renmin University of China in the PRC. He is a senior economist with over 29 years' experience in management. He was the Deputy General Manager, the General Manager of Poly Shanghai Group (now known as Poly Property Group Co., Ltd. ("Poly Shanghai")) for the period from 2003 to 2005 and was the General Manager of Poly Shanghai in 2006. Mr. Xue is the Chairman of Poly Shanghai. He is also the Deputy General Manager of China Poly and a Director and Deputy General Manager of Poly Holdings.

HAN Qing Tao, aged 49, 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 15 years' experience in finance and management. Mr. Han had been a Managing Director of Poly Southern during the period from December 2005 to September 2007.

YE Li Wen, aged 39, 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 as Manager in the Investments Department of the Company since 2001 and is the Deputy General Manager of the Company.

CHAN Tak Chi, William, aged 61, has joined the Board since March 2003. He holds a Bachelor of Business Administration from Asia International Open University, Macau. He is the Senior Consultant of CITIC United Asia Investments Ltd., a wholly-owned subsidiary of China International Trust and Investment Corporation. Mr. Chan has over 19 years' experience in investment management.

Non-executive director

IP Chun Chung, Robert, aged 53, has joined the Board since January 2001 and is a member of the Audit Committee of the Company. Mr. Ip is a practising solicitor.

Independent non-executive directors

YAO Kang, J.P., aged 85, 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.

LAM Tak Shing, Harry, aged 49, has joined the Board since January 2001 and is a member of the Audit Committee of the Company. Mr. Lam holds a Bachelor's Degree and a Master's Degree in Business Administration. Mr. Lam has over 29 years' experience in accounting and finance field with wide exposure in different nature of business. Mr. Lam is also an Independent Non-Executive Director of Datronix Holdings Limited. He is also the Chairman and CEO of Far City Mining Limited, the shares of which are listed in Canadian National Stock Exchange in Toronto, Canada.

CHOY Shu Kwan, aged 55, holds a Master degree in Business Administration and has over 31 years' extensive experience in financial business and investment management. Mr. Choy is also an Independent Non-Executive Director of Skyfame Realty (Holdings) Limited (Provisional Liquidator Appointed).

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, 2009.

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, 2009 are set out in the consolidated income statement on page 65 of the annual report.

No interim dividend was paid during the year. The directors recommend the payment of a final dividend of HK\$0.044 per share to the shareholders on 11th June, 2010.

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, 2009, 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\$4,476,339,000.

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, 2009 represented the accumulated profits of HK\$155,469,000.

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*)
Chen Hong Sheng (*Vice-Chairman*)
Wang Xu
Xue Ming (*Managing Director*)
Han Qing Tao
Ye Li Wen
Chan Tak Chi, William

Non-executive director:

Ip Chun Chung, Robert

Independent non-executive directors:

Yao Kang, *J.P.*
Lam Tak Shing, Harry
Choy Shu Kwan

In accordance with Article 116 of the Company's Articles of Association, Messrs. Xue Ming, Ye Li Wen, Chan Tak Chi, William and Choy Shu Kwan will retire and being eligible, offer themselves for re-election.

The term of office of the non-executive director and each independent non-executive director is three years from 6th October, 2008, 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, 2009, 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

Mr. He Ping is holding 4,500,000 shares (0.15%) in the issued share capital of the Company.

Share options of the Company

Name of director	Capacity	Number of options held	Number of underlying shares
He Ping	Beneficial owner	18,400,000	18,400,000
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
Chan Tak Chi, William	Beneficial owner	300,000	300,000
Yao Kang, J.P.	Beneficial owner	500,000	500,000
Lam Tak Shing, Harry	Beneficial owner	300,000	300,000
Choy Shu Kwan	Beneficial owner	600,000	600,000
		40,450,000	40,450,000

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, 2009.

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, 2009, 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)			
Long position						
Congratulations Company Ltd.	819,129,080	–	–	–	819,129,080	27.45%
Source Holdings Limited	228,398,760	–	100,086,800	–	328,485,560 <i>(Note 1)</i>	11.01%
Ting Shing Holdings Limited	–	–	1,147,614,640 <i>(Note 2)</i>	–	1,147,614,640	38.46%
Poly (Hong Kong) Holdings Limited	111,446,476	–	1,147,614,640 <i>(Note 3)</i>	–	1,259,061,116	42.19%
Poly Southern Group Limited	253,788,246	–	–	–	253,788,246	8.50%
China Poly Group Corporation	–	–	1,512,849,362 <i>(Note 4)</i>	–	1,512,849,362	50.70%
JPMorgan Chase & Co.	1,540,000	231,502,000	–	69,802,690	302,844,690	10.15%
Royson Lyman <i>(Note 5)</i>	–	–	159,478,000	–	159,478,000	5.34%
Elke Lu <i>(Note 5)</i>	–	–	159,478,000	–	159,478,000	5.34%
Delta Venture Holdings Limited <i>(Note 5)</i>	–	–	159,478,000	–	159,478,000	5.34%
Lending pool						
JPMorgan Chase & Co.	–	–	–	69,802,690	69,802,690	2.34%

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 1,147,614,640 shares as a result of its indirect holding of 1,147,614,640 shares through its subsidiaries, Source Holdings Limited and Congratulations Company Ltd. of 328,485,560 shares and 819,129,080 shares, respectively.
3. Poly (Hong Kong) Holdings Limited is deemed by the SFO to be interested in 1,259,061,116 shares as a result of its direct holding of 111,446,476 shares and indirect holding of 1,147,614,640 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.
5. Delta Venture Holdings Limited is owned as to 50% by Mr. Royson Lyman and 50% by Mr. Elke Lu.

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, 2009.

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 to the consolidated financial statements and in their opinion:

1. the on-going connected transactions were entered into in the ordinary and usual course of business of the Group;
2. the on-going connected transactions were conducted on normal commercial terms; and
3. the on-going connected 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.

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, 2009.

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.

On behalf of the Board

XUE Ming

MANAGING DIRECTOR

Hong Kong, 22nd February, 2010



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

保利(香港)投資有限公司

(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 65 to 173, which comprise the consolidated and the Company statements of financial position as at 31st December, 2009, 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 notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements 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, 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PKF

Certified Public Accountants

Hong Kong
22nd February, 2010

Consolidated Income Statement

For the year ended 31st December, 2009

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
Revenue	8	7,196,898	3,324,368
Cost of sales		(5,518,651)	(2,520,748)
Gross profit		1,678,247	803,620
Net increase in fair value of investment properties	17	49,885	28,676
Other income	9	82,823	136,077
Selling expenses		(243,521)	(169,838)
Administrative expenses		(509,033)	(385,426)
Net decrease in fair value of held-for-trading investments		(741)	(37,499)
Equity-settled share-based payment expenses	38(b)	(7,060)	(32,554)
Gain on disposal of interest in a subsidiary	44	196,797	–
Discount on acquisition of interests in subsidiaries	42(b)	–	241,488
Impairment loss on available-for-sale investments	30(a)	–	(141,437)
Write-down of properties held for sale		(13,083)	(4,042)
Impairment loss on short-term loan receivables	29	–	(5,959)
Impairment loss on trade receivables	28	(3,360)	(4,609)
Finance costs	10	(86,327)	(75,831)
Share of results of associates	22	(6,834)	2,120
Share of results of jointly controlled entities	23	(7,506)	(5,682)
Profit before taxation	13	1,130,287	349,104
Income tax expense	14	(314,127)	(74,590)
Profit for the year		816,160	274,514
Attributable to:			
Owners of the Company		662,114	222,994
Non-controlling interests		154,046	51,520
		816,160	274,514
Earnings per share	16		
– basic		30.00 cents	12.22 cents
– diluted		29.67 cents	12.07 cents

The notes on pages 74 to 173 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, 2009

	2009 HK\$'000	2008 HK\$'000
Profit for the year	816,160	274,514
Other comprehensive income		
Exchange differences arising on translation of financial statements of foreign operations	-	243,475
Change in fair value of available-for-sale investments	230,493	(205,526)
(Deficit) surplus arising on revaluation of properties	(86,400)	22,489
Other comprehensive income before tax effect	144,093	60,438
Deferred tax asset (liability) arising on revaluation of properties	21,600	(5,622)
Other comprehensive income for the year, net of tax	165,693	54,816
Total comprehensive income for the year	981,853	329,330
Attributable to:		
Owners of the Company	839,964	244,091
Non-controlling interests	141,889	85,239
	981,853	329,330

The notes on pages 74 to 173 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31st December, 2009

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
NON-CURRENT ASSETS			
Investment properties	17	4,476,339	3,392,821
Property, plant and equipment	18	1,111,026	1,036,814
Prepaid lease payments – non-current portion	19	400,829	347,265
Goodwill	20	790,716	–
Interests in associates	22	164,025	66,815
Interests in jointly controlled entities	23	1,630	1,422
Available-for-sale investments	30	346,340	115,847
Club membership		1,130	1,130
Deposits paid for acquisition of land use rights	24	2,789,257	1,275,637
Deposits paid for acquisition of subsidiaries	25	186,742	–
Deferred tax assets	45	93,003	148,649
		10,361,037	6,386,400
CURRENT ASSETS			
Properties under development	26	14,335,346	11,284,857
Properties held for sale		2,068,511	509,694
Other inventories	27	29,749	28,045
Trade and other receivables	28	623,999	605,924
Prepaid lease payments – current portion	19	10,931	9,222
Short-term loan receivables	29	–	96,013
Held-for-trading investments	31	9,897	16,526
Deposits paid for acquisition of property development projects	32	216,155	45,506
Amount due from an associate	22	62,571	–
Amount due from a jointly controlled entity	23	2,275	2,275
Amounts due from fellow subsidiaries	33(a)	28,138	53,771
Amounts due from non-controlling shareholders of subsidiaries	33(b)	144,252	72,000
Amounts due from related companies	33(c)	11,430	6,826
Taxation recoverable		96,902	35,683
Pledged bank deposits	34	263,548	51,491
Bank balances, deposits and cash	34	10,100,429	3,111,903
		28,004,133	15,929,736
CURRENT LIABILITIES			
Trade and other payables	35	2,276,723	1,625,823
Pre-sale deposits		4,569,206	1,738,770
Property rental deposits		71,589	60,142
Amount due to the ultimate holding company	33(a)	992,315	826,216
Amount due to an intermediate holding company	33(a)	886,192	1,536,464
Amounts due to fellow subsidiaries	33(a)	388,584	201,493
Amounts due to non-controlling shareholders of subsidiaries	33(b)	749,955	920,960
Amounts due to associates	22	85,294	34,130
Taxation payable		663,404	673,457
Bank borrowings – due within one year	36	2,683,635	1,552,831
		13,366,897	9,170,286
NET CURRENT ASSETS		14,637,236	6,759,450
TOTAL ASSETS LESS CURRENT LIABILITIES		24,998,273	13,145,850

As at 31st December, 2009

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
CAPITAL AND RESERVES			
Share capital	37	1,491,996	955,524
Reserves		13,127,954	5,124,537
Equity attributable to owners of the Company		14,619,950	6,080,061
Non-controlling interests		1,518,950	1,076,983
TOTAL EQUITY		16,138,900	7,157,044
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	36	8,043,210	5,245,345
Loan from a fellow subsidiary	40	171,936	162,203
Deferred tax liabilities	45	644,227	581,258
		8,859,373	5,988,806
		24,998,273	13,145,850

The notes on pages 74 to 173 form part of these consolidated financial statements.

The consolidated financial statements on pages 65 to 173 were approved and authorised for issue by the Board of Directors on 22nd February, 2010 and are signed on its behalf by:

HE Ping
Chairman

XUE Ming
Managing Director

Statement of Financial Position

As at 31st December, 2009

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	21	150,056	160,056
Amounts due from subsidiaries	33(d)	10,833,513	5,123,706
Available-for-sale investments	30	32,487	32,487
		11,016,056	5,316,249
CURRENT ASSETS			
Other receivables		8,574	7,314
Bank balances, deposits and cash	34	2,299,927	201,792
		2,308,501	209,106
CURRENT LIABILITIES			
Other payables		5,444	3,226
Amounts due to subsidiaries	33(d)	317,319	297,351
Bank borrowings – due within one year	36	300,000	250,000
		622,763	550,577
NET CURRENT ASSETS (LIABILITIES)		1,685,738	(341,471)
TOTAL ASSETS LESS CURRENT LIABILITIES		12,701,794	4,974,778
CAPITAL AND RESERVES			
Share capital	37	1,491,996	955,524
Reserves	39	10,809,798	3,569,254
		12,301,794	4,524,778
NON-CURRENT LIABILITY			
Bank borrowings – due after one year	36	400,000	450,000
		12,701,794	4,974,778

The notes on pages 74 to 173 form part of these consolidated financial statements.

The consolidated financial statements on pages 65 to 173 were approved and authorised for issue by the Board of Directors on 22nd February, 2010 and are signed on its behalf by:

HE Ping
Chairman

XUE Ming
Managing Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2009

	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	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
At 1st January, 2008	824,379	2,294,201	3,340	74,703	262,755	23,917	23,692	(23,251)	307,485	-	877,960	4,669,181	317,565	4,986,746
Total comprehensive income for the year	-	-	-	8,769	212,056	-	-	(205,526)	-	5,798	222,994	244,091	85,239	329,330
Recognition of equity-settled share-based payment expenses (note 38)	-	-	32,554	-	-	-	-	-	-	-	-	32,554	-	32,554
Exercise of share options	4,250	7,395	-	-	-	-	-	-	-	-	-	11,645	-	11,645
Issue of shares for acquisition of Shenzhen Poly Investment Co., Limited and its subsidiaries ("Shenzhen Poly") (note 42(a))	126,895	1,091,289	-	-	-	-	-	-	-	-	-	1,218,184	-	1,218,184
Share issue expenses	-	(41)	-	-	-	-	-	-	-	-	-	(41)	-	(41)
Transfer	-	-	-	-	-	-	47,867	-	-	-	(47,867)	-	-	-
Dividends paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(1,836)	(1,836)
Dividends paid (note 15)	-	-	-	-	-	-	-	-	-	-	(95,553)	(95,553)	-	(95,553)
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	37,200	37,200
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	638,815	638,815
At 31st December, 2008	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
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(a))	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
At 31st December, 2009	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

Included in other capital reserve at 31st December, 2009 is deemed capital contribution arising on acquisition of subsidiaries of HK\$244,221,000 (2008: HK\$244,221,000) and deemed capital contribution arising from interest-free loans provided by a fellow subsidiary of HK\$62,678,000 (2008: 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.

The notes on pages 74 to 173 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	1,130,287	349,104
Adjustments for:–		
Reversal of impairment loss previously recognised in respect of other receivables	(5,688)	–
Reversal of impairment loss previously recognised in respect of short-term loan receivables	(3,705)	(5,000)
Reversal of impairment loss previously recognised in respect of trade receivables	(3,838)	–
Reversal of other payable overprovided in previous years	–	(29,138)
Impairment loss on short-term loan receivables	–	5,959
Impairment loss on trade receivables	3,360	4,609
Impairment loss on available-for-sale investments	–	141,437
Write-down of properties held for sale	13,083	4,042
Impairment loss on goodwill arising from acquisition of additional interests in subsidiaries	1,666	–
Discount on acquisition of interests in subsidiaries	–	(241,488)
Amortisation of prepaid lease payments	10,210	8,987
Bank interest income	(40,448)	(19,746)
Interest income from entrusted loan to a third party	(1,820)	–
Dividend income from investment in securities	(3,377)	–
Depreciation of property, plant and equipment	62,565	58,275
Finance costs	76,595	66,962
Gain on disposal of investment properties	(1,768)	–
Loss on disposal of property, plant and equipment	9,628	1,460
Gain on disposal of interest in a subsidiary	(196,797)	–
Loss on disposal of held-for-trading investments	1,141	–
Imputed interest expense	9,732	8,869
Net decrease in fair value of held-for-trading investments	741	37,499
Net increase in fair value of investment properties	(49,885)	(28,676)
Share of results of associates	6,834	(2,120)
Share of results of jointly controlled entities	7,506	5,682
Equity-settled share-based payment expenses	7,060	32,554
	<hr/>	<hr/>
Operating cash flows before movements in working capital	1,033,082	399,271
Increase in properties under development and properties held for sale	(1,347,271)	(1,299,187)
Increase in other inventories	(1,704)	(8,368)
Decrease (increase) in trade and other receivables	84,961	(296,598)
Decrease in short-term loan receivables	–	2,222
Increase in deposits paid for acquisition of property development projects	(170,649)	(45,506)
Increase in held-for-trading investments	–	(1,680)
Decrease in trade and other payables	(49,271)	(660,146)
Increase in pre-sale deposits	2,830,436	654,455
Increase in property rental deposits	11,447	17,624
	<hr/>	<hr/>
Net cash generated from (used in) operations	2,391,031	(1,237,913)
PRC income tax paid	(344,497)	(92,071)
Interest paid	(811,963)	(519,845)
	<hr/>	<hr/>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	1,234,571	(1,849,829)

For the year ended 31st December, 2009

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(122,847)	(106,871)
Deposits paid for acquisition of land use rights		(1,815,092)	(561,433)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	42	98,731	848,099
Purchase of held-for-trading investments		(9,433)	–
Acquisition of additional interests in subsidiaries	41	(24,478)	–
Repayments from fellow subsidiaries		25,633	7,355
Purchase of investment properties		(20,582)	(1,852)
Increase in short-term loan receivables		–	(34,129)
Increase in interests in jointly controlled entities		(7,963)	(6,067)
Net proceeds from disposal of a subsidiary	44	150,801	–
Increase in pledged bank deposits		(212,057)	(44,812)
Repayments from related companies		7,621	–
Bank interest income received		40,448	19,746
Interest income received from entrusted loan to a third party		1,820	–
Dividend income received from investment in securities		3,377	–
Repayments from short-term loan receivables		99,718	–
Repayments from an associate		–	34,130
Repayments from a jointly controlled entity		–	1,893
Advances to non-controlling shareholders of subsidiaries		(72,252)	(29,049)
Dividends received from a jointly controlled entity		249	–
Proceeds from disposal of investment properties		13,142	14,564
Proceeds from disposal of property, plant and equipment		27,994	197
Proceeds from disposal of held-for-trading investments		14,180	9,853
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(1,800,990)	151,624
FINANCING ACTIVITIES			
Borrowings raised		8,321,559	4,310,978
Proceeds from issue of shares		4,280,100	–
Repayments to an intermediate holding company		(650,272)	–
Advances from the ultimate holding company		166,099	909
Advances from (repayments to) fellow subsidiaries		187,091	(320,250)
(Repayments to) advances from non-controlling shareholders of subsidiaries		(230,412)	288,964
Proceeds from exercise of share options		1,437	11,645
Capital contribution by non-controlling shareholders		42,947	37,200
Repayments of borrowings		(4,392,890)	(1,352,326)
Dividends paid		(38,221)	(95,553)
Dividends paid to a non-controlling shareholder of a subsidiary		(2,537)	(1,836)
Share issue expenses		(129,956)	(41)
NET CASH FROM FINANCING ACTIVITIES		7,554,945	2,879,690

For the year ended 31st December, 2009

<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,988,526	1,181,485
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	3,111,903	1,823,199
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	<u>–</u>	<u>107,219</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>10,100,429</u>	<u>3,111,903</u>
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS, Represented by:–		
– bank balances, deposits and cash	<u>10,100,429</u>	<u>3,111,903</u>

The notes on pages 74 to 173 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

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, 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 has 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, 2009.

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKRFS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations
HKRFS 7 (Amendments)	Improving Disclosures about Financial Instrument issued in 2008
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers

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 HKAS 1 (Revised), details of changes in equity during the year arising from transactions with owners in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

3. Basis of preparation (Continued)

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

HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's consolidated financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in certain segments aggregated and presented as one segment. Corresponding amounts have been provided on a basis consistent with the revised segment information.

As a result of the adoption of the HKFRS 7 (Amendments), the consolidated financial statements include expanded disclosures about the fair value measurement of the financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

The Improvement to HKFRSs comprise a number of amendments to a range of HKFRSs. Of these, the following amendment has resulted in material changes to the Group's accounting policies:—

- As a result of amendments to HKAS 40 Investment property, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously, such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. As the Group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit or loss for any of the periods presented.

The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in investee, rather than as income. As a result, as from 1st January, 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, an impairment loss would be recognised. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. Basis of preparation (Continued)

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

The following HKFRSs in issue at 31st December, 2009 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, 2009:–

HKFRSs (Amendments)	Amendments to HKFRS 1 and HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRS issued in 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ⁶
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendments)	Classification of Rights Issues ⁴
HKAS 39 (Amendments)	Eligible Hedged Items ¹
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ¹
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transaction ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets) ⁷
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁶
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁵

¹ Effective for annual periods beginning on or after 1st July, 2009

² Effective for annual periods beginning on or after 1st July, 2009 or 1st January, 2010 as appropriate

³ Effective for annual periods beginning on or after 1st January, 2010

⁴ Effective for annual periods beginning on or after 1st February, 2010

⁵ Effective for annual periods beginning on or after 1st July, 2010

⁶ Effective for annual periods beginning on or after 1st January, 2011

⁷ Effective for annual periods beginning on or after 1st January, 2013

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 statement except for the following:–

HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009.

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.

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.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Losses applicable to the non-controlling shareholder in excess of the non-controlling shareholder's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling shareholder has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instrument issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

4. Significant accounting policies (Continued)

Business combinations (Continued)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of non-controlling shareholders in the acquiree is initially measured at the respective proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Acquisition of additional interests in subsidiaries

On acquisition of additional interests in subsidiaries, goodwill was calculated as the difference between the consideration paid for the additional interests and the carrying amount of the net assets of the combining entities attributable to the additional interests acquired. If the additional interests in the net assets of the subsidiaries exceeds the consideration paid for the additional interests, the excess is recognised immediately in the profit or loss.

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity after 1st January, 2001, the Group has discontinued amortisation from 1st January, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

4. Significant accounting policies (Continued)

Goodwill (Continued)

Goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

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 and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. 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 except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate 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.

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.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

4. Significant accounting policies (Continued)

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.
- (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 in 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.

4. Significant accounting policies (Continued)

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.

Property, plant and equipment

Property, plant and equipment including buildings 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.

4. Significant accounting policies (Continued)

Property, plant and equipment (Continued)

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 and after taking into account of their estimated residual values, using the straight-line method.

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.

4. Significant accounting policies (Continued)

Construction contracts (Continued)

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.

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. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

4. Significant accounting policies (Continued)

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.

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.

4. Significant accounting policies (Continued)

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.

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.

4. Significant accounting policies (Continued)

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.

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.

4. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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.

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.

4. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets (Continued)

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.

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.

4. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

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.

4. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

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.

4. Significant accounting policies (Continued)

Financial instruments (Continued)

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 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 costs.

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.

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.

4. Significant accounting policies (Continued)

Equity-settled share-based payment transactions (Continued)

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

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 options 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.

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.

4. Significant accounting policies (Continued)

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

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.

Key sources of estimation uncertainty

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.

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\$14,335,346,000 (2008: HK\$11,284,857,000) and held for sale of HK\$2,068,511,000 (2008: HK\$509,694,000) 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.

5. Key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Estimated net realisable value of properties under development and held for sale (Continued)

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\$13,083,000 (2008: HK\$4,042,000) made for properties held for sale, no write-off was made on properties under development for the years ended 31st December, 2009 and 31st December, 2008.

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, 2009, the carrying amounts of short-term loan receivables and other receivables are HK\$Nil (2008: HK\$96,013,000) (net of allowance for doubtful debts of HK\$207,743,000 (2008: HK\$211,488,000) and HK\$354,980,000 (2008: HK\$220,274,000) (net of allowance for doubtful debts of HK\$32,554,000 (2008: HK\$38,242,000)), respectively.

Estimation of fair value of investment properties

Investment properties were revalued as at 31st December, 2009 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.

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;

5. Key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Estimation of fair value of investment properties (Continued)

- (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, 2009 was HK\$4,476,339,000 (2008: HK\$3,392,821,000).

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, 2009 was HK\$790,716,000 (2008: HK\$Nil). 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.

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.

For the year ended 31st December, 2009

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 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.

During 2009, the Group's strategy, which was unchanged from 2008 and the gearing ratios at 31st December, 2009 and 2008 were as follows:–

	2009 HK\$'000	2008 HK\$'000
Total bank borrowings (<i>note 36</i>)	10,726,845	6,798,176
Less: bank balances, deposits and cash	(10,100,429)	(3,111,903)
Net debt	626,416	3,686,273
Total equity	16,138,900	7,157,044
Total capital	16,765,316	10,843,317
Gearing ratio	4%	34%

7. Financial instruments

(a) Categories of financial instruments

	2009 HK\$'000	2008 HK\$'000
The Group		
Financial assets		
Held-for-trading investments	9,897	16,526
Loans and receivables (including cash and cash equivalents)	11,196,636	3,944,683
Available-for-sale investments	346,340	115,847
Financial liabilities		
Amortised cost	16,097,888	11,859,474
The Company		
Financial assets		
Loans and receivables (including cash and cash equivalents)	13,133,440	5,325,498
Available-for-sale investments	32,487	32,487
Financial liabilities		
Amortised cost	1,017,754	997,783

(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 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 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.

For the year ended 31st December, 2009

7. Financial instruments (Continued)

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

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 dollar. 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.

The following table details the Group's exposure as at 31st December, 2009 that the currency risk arising from recognised assets denominated in a currency other than the functional currency of the entity to which they relate.

	2009 RMB'000	2008 RMB'000
Bank balances, deposits and cash	103,261	22,102
Short-term loans to subsidiaries	2,503,889	892,103
Gross exposure arising from recognised assets	2,607,150	914,205

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, 2009 and 2008.

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.

	2009		2008	
	Increase (decrease) in foreign exchange rate	Increase (decrease) in profit after tax and accumulated profits HK\$'000	Increase (decrease) in foreign exchange rate	Increase (decrease) in profit after tax and accumulated profits HK\$'000
Renminbi	5% (5%)	148,302 (148,302)	5% (5%)	52,003 (52,003)

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.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits and fixed-rate bank 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.

7. Financial instruments (Continued)

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

Market risk (Continued)

(iii) Interest rate risk (Continued)

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 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 fair value 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 HIBOR and benchmark rate in the PRC arising from the Group's Hong Kong 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, 2009 would decrease/increase by HK\$10,131,000 (2008: decrease/increase by HK\$24,126,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank 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, 2009 would increase/decrease by HK\$371,000 (2008: increase/decrease by HK\$620,000) 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\$15,636,000 (2008: increase/decrease HK\$4,111,000) for the Group as a result of the changes in fair value of listed available-for-sale investments.

Credit risk

As at 31st December, 2009, 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\$14,637,236,000 at 31st December, 2009.

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31st December, 2009, the Group has available unutilised bank loan facilities of approximately HK\$2,353,185,000 (2008: HK\$1,226,962,000). 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 31.12.2009 HK\$'000
2009								
Non-derivative financial liabilities								
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 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>

For the year ended 31st December, 2009

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 31.12.2008 HK\$'000
2008								
Non-derivative financial liabilities								
Trade and other payables		845,372	194,227	168,467	103,118	8,506	1,319,690	1,319,690
Property rental deposits		569	1,138	13,997	37,376	7,062	60,142	60,142
Amount due to the ultimate holding company								
– interest-free		159	–	69,152	–	–	69,311	69,311
– variable rate	6.31	–	–	786,744	–	–	786,744	756,905
Amount due to an intermediate holding company								
– interest-free		–	–	68,239	–	–	68,239	68,239
– variable rate	6.25	–	22,990	1,501,947	–	–	1,524,937	1,468,225
Amounts due to fellow subsidiaries								
– interest-free		4,073	35,153	133,029	–	–	172,255	172,255
– variable rate	4.78	–	–	30,111	–	–	30,111	29,238
Amounts due to non-controlling shareholders of subsidiaries								
– interest-free		2,418	52,717	220,773	–	–	275,908	275,908
– fixed rate	6.85	–	–	72,012	–	–	72,012	69,055
– variable rate	6.68	–	–	600,060	–	–	600,060	575,997
Bank loans								
– fixed rate	7.20	–	–	–	490,495	–	490,495	398,180
– variable rate	5.35	210,480	10,560	1,376,907	5,503,385	201,961	7,303,293	6,399,996
Amount due to an associate		–	–	34,130	–	–	34,130	34,130
Loan from a fellow subsidiary	6.00	–	–	–	–	204,778	204,778	162,203
		<u>1,063,071</u>	<u>316,785</u>	<u>5,075,568</u>	<u>6,134,374</u>	<u>422,307</u>	<u>13,012,105</u>	<u>11,859,474</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 31.12.2009 HK\$'000
2009								
Non-derivative financial liabilities								
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

	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 31.12.2008 HK\$'000
2008								
Non-derivative financial liabilities								
Other payables		-	-	107	325	-	432	432
Amounts due to subsidiaries		-	-	297,351	-	-	297,351	297,351
Bank loans								
- variable rate	2.20	-	50,275	202,842	467,331	-	720,448	700,000
		-	50,275	500,300	467,656	-	1,018,231	997,783

For the year ended 31st December, 2009

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, 2009 across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument 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, 2009, the Group had following financial instruments carried at fair value all of which are based on the Level 1 of the fair value hierarchy:-

	HK\$'000
Assets	
Available-for-sale investments – Listed	312,715
Held-for-trading investments – Listed	9,897
	322,612

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

During the year ended 31st December, 2009, 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, 2009 and 2008 except for the loan from a fellow subsidiary of which the carrying amount and fair value were HK\$171,936,000 (2008: HK\$162,203,000) and HK\$172,228,000 (2008: HK\$162,571,000) 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:–

	2009 HK\$'000	2008 HK\$'000
Sales of properties	6,642,225	2,761,165
Rental income and building management service income	339,371	272,924
Income from hotel operations	90,072	90,187
Sales of goods	121,853	117,116
Construction revenue	–	71,020
Dividend income from listed securities	3,158	–
Dividend income from unlisted securities	219	–
Interest income from short-term loan receivables	–	11,956
	<u>7,196,898</u>	<u>3,324,368</u>

For the year ended 31st December, 2009

9. Other income

	2009 HK\$'000	2008 HK\$'000
Reversal of impairment loss previously recognised in respect of short-term loan receivables (<i>note 29</i>)	3,705	5,000
Reversal of impairment loss previously recognised in respect of other receivables	5,688	–
Reversal of impairment loss previously recognised in respect of trade receivables (<i>note 28</i>)	3,838	–
Reversal of other payable overprovided in previous years	–	29,138
Exchange gains	1,773	58,772
Interest income from deposit paid for acquisition of a development project in form of entrusted loan (<i>note 32</i>)	1,820	–
Bank interest income	40,448	19,746
Gain on disposal of investment properties	1,768	–
Others	23,783	23,421
	82,823	136,077

10. Finance costs

	2009 HK\$'000	2008 HK\$'000
Interest on bank and other borrowings:–		
– wholly repayable within five years	766,939	536,690
– not wholly repayable within five years	34,197	711
Imputed interest expense on loan from a fellow subsidiary	9,732	8,869
Total borrowing costs	810,868	546,270
Less: amounts capitalised (<i>note 26</i>)	(724,541)	(470,439)
	86,327	75,831

Borrowing cost capitalised during the year arose from specific borrowings.

For the year ended 31st December, 2009

11. Directors' emoluments

The emoluments paid or payable to each of the eleven (2008: eleven) directors were as follows:–

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

2008	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	-	-	8,991	-	9,011
Chen Hong Sheng	20	-	-	4,339	-	4,359
Wang Xu	-	2,672	-	1,726	12	4,410
Xue Ming	-	1,737	-	1,524	12	3,273
Han Qing Tao	-	1,469	-	920	12	2,401
Ye Li Wen	-	1,483	-	1,381	12	2,876
Chan Tak Chi, William	20	-	-	259	-	279
Ip Chun Chung, Robert	80	-	-	259	-	339
Yao Kang, J.P.	120	-	-	431	-	551
Choy Shu Kwan	80	-	-	372	-	452
Lam Tak Shing, Harry	80	-	-	259	-	339
Total	420	7,361	-	20,461	48	28,290

For the year ended 31st December, 2009

11. Directors' emoluments (Continued)

Note:–

In each of the two years ended 31st December, 2009, 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, 2009.

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 (2008: four) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining one (2008: one) highest paid individuals are as follows:–

	2009 HK\$'000	2008 HK\$'000
Salaries and other benefits	1,483	1,483
Bonuses	290	–
Equity-settled share-based payment expense	–	1,984
Retirement benefits scheme contributions	12	12
	1,785	3,479

The emoluments of the remaining one (2008: one) highest paid individuals were within the following bands:–

	2009 Number of employees	2008 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	–	–
HK\$2,500,001 to HK\$3,000,000	–	–
HK\$3,000,001 to HK\$3,500,000	–	1

For the year ended 31st December, 2009

13. Profit before taxation

	2009 HK\$'000	2008 HK\$'000
Profit before taxation has been arrived at after charging and (crediting):–		
Staff costs		
– directors' emoluments (<i>note 11</i>)	11,364	28,290
– other staff costs	186,887	107,556
– other staff equity-settled share-based payment expenses	4,975	12,093
– other staff's retirement benefit scheme contributions	20,695	20,139
	223,921	168,078
Amortisation of prepaid lease payments (included in administrative expenses)	10,210	8,987
Depreciation of property, plant and equipment	62,565	58,275
Total depreciation and amortisation	72,775	67,262
Auditor's remuneration		
– current year	4,200	3,200
– under-provision in prior year	1,377	195
Cost of inventories recognised as expenses	5,321,851	2,367,768
Operating lease rentals in respect of		
– rented premises	8,136	6,517
– equipment	1,138	1,143
Impairment loss on goodwill arising from acquisition of additional interests in subsidiaries (including in administrative expenses) (<i>note 20</i>)	1,666	–
Share of tax of associates (included in share of results of associates)	4,372	4,232
Loss on disposal of property, plant and equipment	9,628	1,460
Loss on disposal of held-for-trading investments	1,141	–
Gain on disposal of interest in a subsidiary	(196,797)	–
Gain on disposal of investment properties	(1,768)	–
Property rental income and building management service income, net of direct expenses of HK\$15,201,000 (2008: HK\$10,268,000)	(324,170)	(262,656)

For the year ended 31st December, 2009

14. Income tax expense

	2009 HK\$'000	2008 HK\$'000
The charge comprises:–		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax		
– current year	275,099	140,079
– over-provision in prior year	(61,756)	(6,619)
	213,343	133,460
LAT	60,327	43,107
Deferred taxation		
– current year	40,457	(101,977)
	314,127	74,590

Hong Kong Profits Tax is calculated at 16.5% (2008: 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 land value, 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:–

	2009 HK\$'000	2008 HK\$'000
Profit before taxation	1,130,287	349,104
Tax at PRC statutory tax rate of 25% (2008: 25%)	282,572	87,276
Tax effect of share of results of associates	1,594	(2,306)
Tax effect of expenses not deductible for tax purpose	66,421	94,949
Tax effect of income not taxable for tax purpose	(18,735)	(117,267)
Tax effect of tax losses not recognised	43,800	9,996
Tax effect of utilisation of tax losses previously not recognised	(3,996)	(4,293)
Effect of concessionary tax rates for certain PRC subsidiaries	(42,950)	(16,492)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(4,521)	(2,984)
Effect of land appreciation tax	(15,082)	(10,777)
Land appreciation tax	60,327	43,107
Over-provision in prior year	(61,756)	(6,619)
Others	6,453	–
Tax charge for the year	314,127	74,590

15. Dividends

	2009 HK\$'000	2008 HK\$'000
Dividends recognised as distribution during the year:–		
2008 final dividend of HK\$0.02 (2008: HK\$0.05 for 2007) per share	38,221	95,553

For the year ended 31st December, 2009

15. Dividends (Continued)

No interim dividend was paid for both years.

A final dividend for the year ended 31st December, 2009 of HK\$0.044 (2008: HK\$0.02) 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:–

	2009 HK\$'000	2008 HK\$'000
Earnings:–		
Profit for the year attributable to owners of the Company:–	<u>662,114</u>	<u>222,994</u>
	2009	2008
Number of shares:–		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,206,752,580	1,825,039,971
Effect of dilutive potential ordinary shares on share options	<u>25,162,895</u>	<u>22,494,260</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,231,915,475</u>	<u>1,847,534,231</u>

The weighted average number of shares has been adjusted for the shares issued during two years ended 31st December, 2009 as set out in note 37.

17. Investment properties

	HK\$'000
The Group	
FAIR VALUE	
At 1st January, 2008	1,959,968
Exchange adjustments	136,846
Acquired on acquisition of subsidiaries (note 42(b))	1,252,921
Additions	1,852
Transfer from property, plant and equipment	27,122
Increase in fair value recognised in the consolidated income statement	28,676
Disposals	<u>(14,564)</u>
At 31st December, 2008 and 1st January, 2009	3,392,821
Acquired on acquisition of subsidiaries (note 42(a))	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	<u>4,476,339</u>

The fair values of the Group's investment properties at 31st December, 2009 and 2008 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:-

	2009 HK\$'000	2008 HK\$'000
Properties held under		
– long-term leases in Hong Kong	108,800	90,000
– medium-term land use rights in the PRC	<u>4,367,539</u>	<u>3,302,821</u>
	<u>4,476,339</u>	<u>3,392,821</u>

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18. Property, plant and equipment

	Hotel properties 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
The Group							
COST OR VALUATION							
At 1st January, 2008	622,585	209,330	92,396	26,726	207,978	4,317	1,163,332
Exchange adjustments	40,372	10,889	5,796	1,814	13,487	318	72,676
Additions	-	5,763	26,378	15,977	891	57,862	106,871
Transfer	-	419	-	-	1,840	(2,259)	-
Acquired on acquisition of subsidiaries (note 42(b))	-	35,236	8,393	19,116	-	3,008	65,753
Disposals	-	(1,164)	(5,549)	(459)	(1,475)	-	(8,647)
Transfer to investment properties	-	(20,645)	-	-	-	-	(20,645)
Surplus arising on revaluation	14,758	-	-	-	-	-	14,758
Less: elimination of accumulated depreciation	(14,758)	-	-	-	-	-	(14,758)
At 31st December, 2008 and 1st January, 2009	662,957	239,828	127,414	63,174	222,721	63,246	1,379,340
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	621,160	343,421	107,868	71,925	224,468	84,292	1,453,134
Comprising:							
At cost	-	343,421	107,868	71,925	224,468	84,292	831,974
At valuation - 2009	621,160	-	-	-	-	-	621,160
	621,160	343,421	107,868	71,925	224,468	84,292	1,453,134
ACCUMULATED DEPRECIATION							
At 1st January, 2008	-	77,135	65,834	9,121	136,465	-	288,555
Exchange adjustments	503	3,631	4,387	761	9,416	-	18,698
Charge for the year	14,255	9,696	10,816	7,446	16,062	-	58,275
Elimination on disposals	-	(202)	(5,082)	(442)	(1,264)	-	(6,990)
Elimination on revaluation	(14,758)	-	-	-	-	-	(14,758)
Transfer to investment properties	-	(1,254)	-	-	-	-	(1,254)
At 31st December, 2008 and 1st January, 2009	-	89,006	75,955	16,886	160,679	-	342,526
Charge for the year	14,295	14,739	9,752	9,378	14,401	-	62,565
Elimination on disposals	-	(6,140)	(38,748)	(2,584)	(1,216)	-	(48,688)
Elimination on revaluation	(14,295)	-	-	-	-	-	(14,295)
At 31st December, 2009	-	97,605	46,959	23,680	173,864	-	342,108
CARRYING VALUES							
At 31st December, 2009	621,160	245,816	60,909	48,245	50,604	84,292	1,111,026
At 31st December, 2008	662,957	150,822	51,459	46,288	62,042	63,246	1,036,814

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%
Buildings	2% – 18%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Plant and machinery	5% – 23%

	2009 HK\$'000	2008 HK\$'000
The carrying value of hotel properties and buildings located at:–		
– Long-term leases in Hong Kong	20,968	21,534
– Medium-term land use rights	846,008	792,245
	866,976	813,779

The fair value of the Group's hotel properties at 31st December, 2009 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.

For the year ended 31st December, 2009

19. Prepaid lease payments

	The Group	
	2009 HK\$'000	2008 HK\$'000
The Group's prepaid lease payments comprise:–		
– Long-term leases in Hong Kong	85,369	87,673
– Medium-term land use rights in the PRC	326,391	268,814
	411,760	356,487
Analysed for reporting purposes as:–		
Current asset	10,931	9,222
Non-current asset	400,829	347,265
	411,760	356,487

20. Goodwill

	The Group	
	2009 HK\$'000	2008 HK\$'000
COST		
At 1st January	–	–
Acquisition of additional interests in subsidiaries (note 41)	16,157	–
Acquisition of subsidiaries (note 42(a))	776,225	–
At 31st December	792,382	–
IMPAIRMENT		
At 1st January	–	–
Impairment loss for the year	1,666	–
At 31st December	1,666	–
CARRYING AMOUNT		
At 31st December	790,716	–

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, 2009, management determines that except for impairment loss on goodwill of HK\$1,666,000 arising from the acquisition of additional interests in subsidiaries, 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	
	2009 HK\$'000	2008 HK\$'000
Unlisted shares, at cost	150,056	160,056

Details of the Company's principal subsidiaries at 31st December, 2009 are set out in note 54.

For the year ended 31st December, 2009

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

Interests in associates

	The Group	
	2009 HK\$'000	2008 HK\$'000
Cost of unlisted investments in associates	124,202	20,158
Share of post-acquisition profits and reserves, net of dividends received	39,823	46,657
	164,025	66,815

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 and retained the remaining 50% equity interest as an interest in an associate in the amount of HK\$104 million.

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

	2009 HK\$'000	2008 HK\$'000
Total assets	2,083,225	1,991,945
Total liabilities	(1,665,193)	(1,778,891)
Net assets	418,032	213,054
Group's share of net assets of associates	164,025	66,815
Revenue	560,297	535,645
Loss for the year	(11,628)	(50,418)
Group's share of results of associates for the year	(6,834)	2,120

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

(Continued)

Details of the Group's principal associates as at 31st December, 2009 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	PRC	30%	– 30%	Property development
上海盛奕資產經營管理有限公司	PRC	45%	– 50%	Property development

Amounts due from (to) associates

	2009 HK\$'000	2008 HK\$'000
Amount due from an associate	62,571	–
Amounts due to associates	85,294	34,130

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.

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

Interests in jointly controlled entities

	The Group	
	2009 HK\$'000	2008 HK\$'000
Cost of unlisted investments in jointly controlled entities	15,268	7,305
Share of post-acquisition losses and reserves, net of dividends received	(13,638)	(5,883)
	1,630	1,422

The Group's jointly controlled entities are indirect equity interest of 35% and 30% in 廣州保利南方文化傳播有限公司 and 深圳市保利劇院演出經營有限公司 respectively. They were acquired through acquisition of Shenzhen Poly in 2008 as stated in note 42(b).

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

	2009 HK\$'000	2008 HK\$'000
Total assets	10,062	11,926
Total liabilities	(4,944)	(7,404)
Net assets	5,118	4,522
Group's share of net assets of jointly controlled entities	1,630	1,422
Revenue	39,175	26,715
Loss for the year	(6,534)	(5,254)
Group's share of results of jointly controlled entities for the year	(7,506)	(5,682)

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 entities as at 31st December, 2009 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	
廣州保利南方文化傳播有限公司	PRC	35%	–	35%	Cultural mass media
深圳市保利劇院演出經營有限公司	PRC	30%	–	30%	Theatre management

Amount due from a jointly controlled entity

	2009 HK\$'000	2008 HK\$'000
Amount due from a jointly controlled entity	2,275	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 seven (2008: two) pieces of land and the acquisition of twelve (2008: five) pieces of land, respectively in the PRC for property development purpose.

25. Deposits paid for acquisition of subsidiaries

At 31st December, 2009, the amount represented deposits paid by Big Support Group as set out in note 42(a) in connection with the acquisition of two subsidiaries which were mainly engaged in property development. The acquisition was not yet completed at 31st December, 2009.

For the year ended 31st December, 2009

26. Properties under development

	The Group	
	2009 HK\$'000	2008 HK\$'000
Properties under development comprises:-		
Land, construction costs and capitalised expenditures	13,620,098	10,619,793
Interest capitalised	715,248	665,064
	14,335,346	11,284,857

The capitalisation rate of borrowings was 5.83% for the year ended 31st December, 2009 (2008: 7.07%).

During the year, interest of HK\$724,541,000 (2008: HK\$470,439,000) 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

	The Group	
	2009 HK\$'000	2008 HK\$'000
Raw materials	16,958	15,349
Work in progress	371	387
Finished goods	12,420	12,309
	29,749	28,045

28. Trade and other receivables

	The Group	
	2009 HK\$'000	2008 HK\$'000
Trade receivables	191,013	398,565
Less: Allowance for doubtful debts	(12,437)	(12,915)
	178,576	385,650
Bills receivable on disposal of a subsidiary <i>(note 44)</i>	90,443	–
Other receivables (net of allowance of HK\$32,554,000) (2008: HK\$38,242,000)	354,980	220,274
Total trade and other receivables	623,999	605,924

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:–

	2009 HK\$'000	2008 HK\$'000
0 to 30 days	129,753	333,241
31 to 90 days	31,023	19,034
More than 90 days	17,800	33,375
	178,576	385,650

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK\$17,800,000 (2008: HK\$33,375,000) 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\$15,944,000 (2008: HK\$31,006,000) and HK\$1,856,000 (2008: HK\$2,369,000) 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.

For the year ended 31st December, 2009

28. Trade and other receivables (Continued)**Aging of trade receivables which are past due but not impaired**

	2009 HK\$'000	2008 HK\$'000
91-365 days	17,800	33,375

Movement in the allowance for doubtful debts of trade receivables

	2009 HK\$'000	2008 HK\$'000
Balance at beginning of the year	12,915	7,647
Exchange adjustments	-	659
Impairment loss recognised on receivables	3,360	4,609
Reversal of impairment loss previously recognised	(3,838)	-
Balance at end of the year	12,437	12,915

29. Short-term loan receivables

	2009 HK\$'000	2008 HK\$'000
Loan to New City (note a)	15,703	15,703
Loan to Tong Sun (note a)	165,000	165,000
Other loans (note b)	27,040	35,745
Loan to Reserve Centre of Land and Mineral Resources of Guiyang (note c)	-	91,013
	207,743	307,461
Less: Impairment loss recognised	(207,743)	(211,448)
	-	96,013

29. Short-term loan receivables (Continued)**Movement in the allowance of short-term loan receivables**

	2009 HK\$'000	2008 HK\$'000
Balance at beginning of the year	211,448	210,489
Impairment loss recognised on receivables (<i>note b</i>)	-	5,959
Reversal of impairment loss previously recognised (<i>note b</i>)	(3,705)	(5,000)
Balance at end of the year	207,743	211,448

Notes:—

- (a) The Group owns a 49% equity interest in Tong Sun of US\$49 (approximately HK\$382). The short-term loan receivables represent shareholders' loan to Tong Sun of HK\$165,000,000 (2008: HK\$165,000,000), net of allowance of HK\$165,000,000 (2008: HK\$165,000,000), and a loan to New City of HK\$15,703,000 (2008: HK\$15,703,000), net of allowance of HK\$15,703,000 (2008: 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.

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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% (2008: 12%) per annum and repayable on demand. Included in other loans of HK\$35,745,000 as at 31st December, 2008 was an amount of HK\$8,181,000 brought forward from 31st December, 2007 of which an amount of HK\$2,222,000 was received during the year ended 31st December, 2008. The directors considered that the remaining balance of HK\$5,959,000 was unable to be collected and made an impairment loss of HK\$5,959,000 during the year ended 31st December, 2008. In addition, during the year ended 31st December, 2008, the Group further 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.
- (c) The amount was advanced to a government authority, the Reserve Centre of Land and Mineral Resources of Guiyang, for the development of infrastructure of a piece of land located at Xiaogulong of Wudang District, Guiyang City, Guizhou Province, the PRC (中國貴州省貴陽市烏當區小谷龍). The amount is unsecured, interest-bearing at benchmark rate of the People's Bank of China and expected to be repayable within one year. The whole amount was fully recovered during the year ended 31st December, 2009.

30. Available-for-sale investments

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Listed investments:–				
– Interests in equity securities listed in Hong Kong (note a)	312,715	82,222	–	–
Unlisted securities:–				
– Equity securities (note b)	33,625	33,625	32,487	32,487
	346,340	115,847	32,487	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\$230,493,000 (2008: HK\$346,963,000) of which the amount of HK\$230,493,000 (2008: HK\$205,526,000) was credited (2008: debited) to investment revaluation reserve and impairment loss of HK\$Nil (2008: HK\$141,437,000) was recognised in the consolidated income statement for the year ended 31st December, 2009.

- (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, 2009, the amount represented deposits paid by the Group in connection with the acquisition of two property development projects in the PRC of which HK\$91,013,000 was paid in form of an entrusted loan which carried interest at 8% per annum and repayable on 16th March, 2010. The property development projects were 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

The Group

The amounts due from (to) fellow subsidiaries are unsecured, interest-free and repayable on demand except for an amount of HK\$26,917,000 (2008: HK\$29,238,000) due to a fellow subsidiary, which carries interest at 90% of benchmark rate in the PRC .

The amount due to an intermediate holding company is unsecured, repayable within one year and in which HK\$44,528,000 and HK\$841,664,000 carries interest at a fixed rate of 4.1% and at benchmark rate in the PRC plus 1% respectively (2008: except for an amount of HK\$1,468,225,000 carried interest at benchmark rate in the PRC plus 1% and repayable with one year, the remaining balance was unsecured, interest-free and repayable on demand).

The amount due to the ultimate holding company is unsecured, interest-free and repayable on demand except for an amount of HK\$489,192,000 and HK\$329,920,000, which carries interest at benchmark rate in the PRC and benchmark rate in the PRC plus 1% respectively and repayable within one year. (2008: except for an amount of HK\$648,464,000 and HK\$108,441,000 which carries interest at benchmark rate in the PRC plus 1% and repayable within one year and repayable on demand respectively, the remaining balance was unsecured, interest-free and repayable on demand).

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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

The Group

The amounts due from non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

The amounts due to non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand except for (i) the amounts of HK\$Nil, HK\$19,699,000 and HK\$224,513,000 (2008: HK\$69,055,000, HK\$128,060,000 and HK\$447,937,000), which carry interest at a fixed rate of 6.85%, variable rates of benchmark rate in the PRC plus 1% and benchmark rate in the PRC plus 1.5% respectively and (ii) the amounts of HK\$275,294,000 (2008: HK\$Nil) entrusted loans carry interest at benchmark rate in the PRC plus 1.5% and repayable within one year.

(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\$263,548,000 (2008: HK\$51,491,000) have been pledged to secure general banking facilities and are classified as current assets.

Bank balances include HK\$1,381,664,000 (2008: HK\$312,800,000) which carry interest at fixed rates ranging from 0.55% to 1.98% (2008: 1.18% to 4.5%) and HK\$8,716,485,000 (2008: HK\$2,796,789,000) which carry interest at variable rates ranging from 0.08% to 1.35% (2008: 0.36% to 1.68%).

The pledged bank deposits carry interest at a fixed rate 0.36% (2008: at variable rates ranging from 0.36% to 0.72%). The pledged bank deposits will be released upon settlement of relevant bank borrowings.

The Company

Bank balances carry interest at market rates ranging from 0% to 0.14% (2008: 0.36% to 2.96%).

35. Trade and other payables

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

	The Group	
	2009 HK\$'000	2008 HK\$'000
0 to 30 days	1,130,249	937,051
31 to 90 days	276,908	11,829
More than 90 days	106,088	73,772
Total trade payables	1,513,245	1,022,652
Other payables	763,478	603,171
	2,276,723	1,625,823

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.

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36. Bank borrowings

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Bank loans				
– secured (note 49)	6,483,955	6,547,891	700,000	700,000
– unsecured	4,242,890	250,285	-	-
	10,726,845	6,798,176	700,000	700,000

The bank loans are repayable as follows:-

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
On demand or within one year	2,683,635	1,552,831	300,000	250,000
In more than one year, but not more than two years	2,644,803	2,381,565	400,000	300,000
In more than two years, but not more than three years	4,454,679	2,407,586	-	150,000
In more than three years, but not more than four years	119,350	144,090	-	-
In more than four years, but not more than five years	386,999	171,682	-	-
In more than five years	437,379	140,422	-	-
	10,726,845	6,798,176	700,000	700,000
Less: Amount due within one year shown under current liabilities	(2,683,635)	(1,552,831)	(300,000)	(250,000)
Amount due after one year	8,043,210	5,245,345	400,000	450,000

36. Bank borrowings (Continued)

The Group's bank loans include 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. (2008: HK\$204,778,000 and HK\$193,402,000 fixed-rate borrowings which carries interest at 8.694% per annum and 5.4% per annum respectively). The Group's bank loans also include HK\$700,000,000 (2008: HK\$700,000,000) and HK\$8,510,918,000 (2008: HK\$5,699,996,000) variable-rate borrowings which carry interest at 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 (2008: HIBOR plus 1.25% and ranging from 90% of benchmark rate in the PRC to 115% of benchmark rate in the PRC respectively).

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

	2009 HK\$'000	2008 HK\$'000
Variable rate		
– expiring beyond one year	2,353,185	1,226,962

The Group's certain banking facilities of HK\$900,000,000, of which the outstanding balances as at 31st December, 2009 were HK\$700,000,000, 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 than a range from HK\$2,800 million to HK\$5,000 million;
- (b) the gearing ratio (the consolidated net total liabilities to consolidated tangible net worth) shall not at any time exceed the ratio of a range from 1.1:1.0 to 3.0:2.0; and
- (c) the interest coverage ratio shall not be less than a range from 1.2 to 1.5.

The banks have granted the Group a wavier for a period up to 31st December, 2009 for the non-compliance of the above conditions set out in (b) and (c) on 23rd December, 2008 and 23rd June, 2009.

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36. Bank borrowings (Continued)

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, 2009, none of the above covenants relating to drawn down facilities had been breached.

At 31st December, 2008, none of covenants except for those conditions have been waived relating to drawn down facilities had been breached.

The Company's variable rate borrowings carry interest at HIBOR plus 1.25% to HIBOR plus 2% (2008: HIBOR plus 1.2% to HIBOR plus 1.25%).

37. Share capital

	Number of ordinary shares	Amount HK\$'000
Ordinary share of HK\$0.50 each		
Authorised:–		
At 1st January, 2008 and 31st December, 2009	<u>4,000,000,000</u>	<u>2,000,000</u>
Issued and fully paid:–		
At 1st January, 2008	1,648,758,800	824,379
Exercise of share options (note a)	8,500,000	4,250
Issue of shares (note b)	<u>253,788,246</u>	<u>126,895</u>
At 31st December, 2008 and 1st January, 2009	1,911,047,046	955,524
Exercise of share options (note a)	300,000	150
Placements of shares (note c)	670,000,000	335,000
Issue of shares (note d)	<u>402,644,000</u>	<u>201,322</u>
At 31st December, 2009	<u>2,983,991,046</u>	<u>1,491,996</u>

37. Share capital (Continued)

During the two years ended 31st December, 2009, the following changes in the share capital of the Company took place:–

- (a) 300,000 (2008: 8,500,000) share options were exercised by the eligible option holders, resulting in the issue of 300,000 (2008: 8,500,000) ordinary shares of HK\$0.5 each in the Company at a total consideration of HK\$1,437,000 (2008: HK\$11,645,000).
- (b) On 30th April, 2008, the Company allotted 253,788,246 shares of HK\$0.5 each of the Company at HK\$4.8 each, representing the market price of the share at the date of completion, for the acquisition of Shenzhen Poly in 2008 (*note 42(b)*).
- (c) 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.

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.

- (d) 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(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:–

(i) 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.

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, 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% (2008: 0.4%) of the shares of the Company in issue at that date.

38. Share option schemes (Continued)

(i) Poly HK Old Scheme (Continued)

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, 2009:–

	Date of grant	Exercise price per share HK\$	Exercisable period	Outstanding at 1.1.2008	Exercised during the year	Outstanding at 1.1.2009 and 31.12.2009
Category 1: Directors						
He Ping	5.6.1998	1.370	5.6.1999 – 4.6.2008	4,500,000	(4,500,000)	–
	30.11.2000	0.740	30.11.2001 – 29.11.2010	5,000,000	–	5,000,000
Zhang Zhen Gao <i>(note)</i>	5.6.1998	1.370	5.6.1999 – 4.6.2008	<u>2,000,000</u>	<u>(2,000,000)</u>	<u>–</u>
				<u>11,500,000</u>	<u>(6,500,000)</u>	<u>5,000,000</u>
Category 2: Employees						
	5.6.1998	1.370	5.6.1999 – 4.6.2008	2,000,000	(2,000,000)	–
	30.11.2000	0.740	30.11.2001 – 29.11.2010	<u>3,000,000</u>	<u>–</u>	<u>3,000,000</u>
				<u>5,000,000</u>	<u>(2,000,000)</u>	<u>3,000,000</u>
Total all categories				<u>16,500,000</u>	<u>(8,500,000)</u>	<u>8,000,000</u>

Note:–

Mr. Zhang Zhen Gao resigned as director of the Company with effect from 16th October, 2007.

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

No share option was exercised during the year ended 31st December, 2009 (2008: The weighted average closing price of the shares immediately before the dates of exercise was HK\$4.63).

The closing price of the Company's shares immediately before the dates in which the options were exercised ranged from HK\$4.51 to HK\$4.82 for the year ended 31st December, 2008.

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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, 2009 the number of shares in respect of which options had been granted under the Poly HK New Scheme and remained outstanding was approximately 1.8% (2008: 2.8%) 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, 2009:–

	Date of grant	Exercise price per share HK\$	Exercisable period	Outstanding at 1.1.2008	Granted during the year	Outstanding at 1.1.2009	Exercised during the year	Outstanding at 31.12.2009
Category 1: Directors								
He Ping	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	(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
				17,200,000	18,550,000	35,750,000	(300,000)	35,450,000
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	29.4.2009 – 28.4.2013	–	14,750,000	14,750,000	–	14,750,000
Total all categories				17,200,000	36,800,000	54,000,000	(300,000)	53,700,000

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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 four 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, 2009, the weighted average closing price of the shares immediately before the dates of exercise was HK\$5.95.

The closing price of the Company's shares immediately before the dates in which the options were exercised was HK\$5.95 for the year ended 31st December, 2009.

The closing price of the Company's shares immediately before 29th April, 2008, being the grant date of the share options, was HK\$4.80.

During the year ended 31st December, 2008, 36,800,000 options were granted on 29th April, 2008. The estimated fair values of the options granted at the grant date are at an average of approximately HK\$1.0765.

These fair values were calculated using the binomial model. The inputs into the model were as follows:—

29.4.2008

Closing share price at the date of grant	4.77
Exercise price	4.79
Expected volatility (<i>note i</i>)	42.69%
Expected life (<i>note ii</i>)	1 – 5 years
Risk-free rate (<i>note iii</i>)	1.28% – 2.427%

Notes:—

- (i) Expected volatility was determined by using the historical volatility of closing prices of the Company's share in the past one month preceding the date of valuation are adopted.
- (ii) The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.
- (iii) The risk-free rate was based on the yield of Exchange Fund Notes.

38. Share option schemes (Continued)

(b) Poly HK New Scheme (Continued)

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	<u>(32,554)</u>
At 31st December, 2008 and 1st January, 2009	7,060
Amortisation for the year	<u>(7,060)</u>
At 31st December, 2009	<u>–</u>

39. Reserves

	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
The Company					
At 1st January, 2008	2,294,201	3,340	23,917	207,924	2,529,382
Premium arising on share issue for acquisition of Shenzhen Poly (note 42(b))	1,091,289	–	–	–	1,091,289
Recognition of equity-settled share-based payment expenses	–	32,554	–	–	32,554
Exercise of share options	7,395	–	–	–	7,395
Share issue expenses	(41)	–	–	–	(41)
Profit for the year	–	–	–	4,228	4,228
Dividends paid (note 15)	–	–	–	(95,553)	(95,553)
At 31st December, 2008 and 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 share issue for acquisition of Big Support Group and Golden Huge Group (note 42(a))	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 (note 15)	–	–	–	(38,221)	(38,221)
At 31st December, 2009	<u>10,587,718</u>	<u>42,694</u>	<u>23,917</u>	<u>155,469</u>	<u>10,809,798</u>

For the year ended 31st December, 2009

39. Reserves (Continued)

Notes:–

- (a) As at 31st December, 2009, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK\$155,469,000 (2008: HK\$116,599,000).
- (b) The consolidated profit attributable to owners of the Company includes a loss of HK\$42,909,000 (2008: a profit HK\$4,228,000) 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:

	2009 HK\$'000	2008 HK\$'000
Amount of consolidated profit attributable to owners dealt with in the Company's financial statements	(42,909)	4,228
Final dividend from a subsidiary attributable to the profits of the previous financial years, approved and paid during the year	120,000	–
Company's profit for the year	77,091	4,228

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, 2009, the Group acquired additional interests in certain subsidiaries at a total consideration of RMB21,517,000 (equivalent to HK\$24,478,000). The amount of goodwill arising as a result of the acquisitions is 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 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 (Hong Kong) Holdings Limited ("Poly Holdings") which is a wholly-owned subsidiary of China Poly Group Corporation, 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)

(a) (Continued)

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

	Big Support Group HK\$'000	Golden Huge Group HK\$'000	Sub-total HK\$'000	Fair value adjustments HK\$'000	2009 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>

For the year ended 31st December, 2009

42. Acquisition of subsidiaries (Continued)

(a) (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.

- (b) On 30th April, 2008, the Group completed the acquisition of the entire interest in Shenzhen Poly with Poly Southern Group Limited ("Poly Southern") (a wholly-owned subsidiary of China Poly Group Corporation, 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 253,788,246 shares of the Company to Poly Southern or its nominees at HK\$4.8 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 24th November, 2007. The acquisition was approved by the shareholders of the Company in the extraordinary general meeting held on 10th December, 2007.

42. Acquisition of subsidiaries (Continued)

(b) (Continued)

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

	Shenzhen Poly's carrying amount before combination	Fair value adjustments	2008
	HK\$'000	HK\$'000	HK\$'000
Net assets acquired:–			
Investment properties	1,148,452	104,469	1,252,921
Property, plant and equipment	54,077	11,676	65,753
Interests in jointly controlled entities	1,222	–	1,222
Deposits paid for acquisition of land use rights	662,679	–	662,679
Deferred tax assets	69,816	–	69,816
Properties under development	4,352,110	601,962	4,954,072
Properties held for sale	81,271	29,606	110,877
Other inventories	3,871	–	3,871
Short term loan receivables	56,180	–	56,180
Trade and other receivables	115,045	–	115,045
Amounts due from fellow subsidiaries	86,849	–	86,849
Amount due from a jointly controlled entity	4,116	–	4,116
Amounts due from non-controlling shareholders of subsidiaries	32,618	–	32,618
Amount due from a related company	6,742	–	6,742
Taxation recoverable	58,182	–	58,182
Pledged bank deposits	76,275	–	76,275
Bank balances, deposits and cash	784,925	–	784,925
Trade and other payables	(911,567)	–	(911,567)
Pre-sale deposits	(536,028)	–	(536,028)
Property rental deposits	(17,065)	–	(17,065)
Amount due to an immediate holding company	(366,095)	–	(366,095)
Amounts due to fellow subsidiaries	(1,132,789)	–	(1,132,789)
Amounts due to non-controlling shareholders of subsidiaries	(205,600)	–	(205,600)
Taxation payable	(475,277)	(87,134)	(562,411)
Bank borrowings	(2,236,517)	–	(2,236,517)
Deferred tax liabilities	(100,255)	(162,228)	(262,483)
	<u>1,613,237</u>	<u>498,351</u>	<u>2,111,588</u>
Non-controlling interests	<u>(500,382)</u>	<u>(138,433)</u>	<u>(638,815)</u>
Net assets	<u>1,112,855</u>	<u>359,918</u>	<u>1,472,773</u>
Discount on acquisition of interests in subsidiaries			<u>(241,488)</u>
			<u>1,231,285</u>

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42. Acquisition of subsidiaries (Continued)

(b) (Continued)

	Shenzhen Poly's carrying amount before combination	Fair value adjustments	2008
	HK\$'000	HK\$'000	HK\$'000
Total consideration satisfied by:–			
253,788,246 consideration shares issued upon completion			1,218,184
Direct expenses incurred			<u>13,101</u>
Total consideration			<u>1,231,285</u>
Net inflow of cash arising on acquisition:–			
Pledged bank deposits acquired			76,275
Bank balances, deposits and cash acquired			784,925
Direct expenses incurred			<u>(13,101)</u>
			<u>848,099</u>

43. Major non-cash transactions

- (a) 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(a).
- (b) On 30th April, 2008, the Group completed the acquisition of the entire interest in Shenzhen Poly at a total consideration by issuing 253,788,246 shares of the Company to Poly Southern or its nominees at HK\$4.8 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 a subsidiary

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:–

	2009 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	(11,406)
	208,090
Less: 50% equity interest of net assets transferred to interests in associates <i>(note 22)</i>	(104,045)
50% equity interest of net assets disposed of	104,045
Gain on disposal of interest in a subsidiary	196,797
	300,842
Total consideration satisfied by:–	
Cash	210,399
Bills receivable <i>(note 28)</i>	90,443
Total consideration	300,842
Net cash inflow arising on disposal:–	
Cash consideration	210,399
Bank balances and cash disposed of	(59,598)
	150,801

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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	Others HK\$'000	Total HK\$'000
Deferred tax assets			
At 1st January, 2008	–	2,064	2,064
Exchange adjustments	1,558	2,030	3,588
Credit to consolidated income statement for the year	39,349	33,832	73,181
Acquisition of subsidiaries (note 42(b))	13,645	56,171	69,816
At 31st December, 2008 and 1st January, 2009	54,552	94,097	148,649
Charge to consolidated income statement for the year	(40,632)	(15,014)	(55,646)
At 31st December, 2009	13,920	79,083	93,003

	Revaluation of properties				Total HK\$'000
	Investment properties HK\$'000	Hotel properties HK\$'000	Properties under development HK\$'000	Others HK\$'000	
Deferred tax liabilities					
At 1st January, 2008	249,157	37,276	32,851	–	319,284
Exchange adjustments	17,735	2,437	2,207	286	22,665
Charge to other comprehensive income for the year	1,933	3,689	–	–	5,622
Charge (credit) to consolidated income statement for the year	17,264	–	(53,876)	7,816	(28,796)
Acquisition of subsidiaries (note 42(b))	103,746	–	157,894	843	262,483
At 31st December, 2008 and 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(a))	99,758	–	–	–	99,758
At 31st December, 2009	503,943	21,802	116,259	2,223	644,227

45. Deferred tax assets/liabilities (Continued)

At 31st December, 2009, the Group other than its subsidiaries in the PRC had unused tax losses of approximately HK\$149,700,000 (2008: HK\$141,100,000) for offset against future assessable profits. Such unused tax losses may be carried forward indefinitely.

In addition, at 31st December, 2009, the Group's PRC subsidiaries had unused tax losses of approximately HK\$193,072,000 (2008: HK\$37,340,000) 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 lease

The Group as lessee:–

	The Group	
	2009 HK\$'000	2008 HK\$'000
Minimum lease payments paid under operating leases during the year:–		
– office and factory premises	8,136	6,517
– equipment	1,138	1,143
	9,274	7,660

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46. Operating lease (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:–

	The Group			
	Office and factory premises		Equipment	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Within one year	5,802	2,188	1,138	1,138
In the second to fifth year inclusive	14,295	4,365	853	1,991
Over five years	19,613	4,063	–	–
	39,710	10,616	1,991	3,129

The Group as lessor:–

	The Group	
	2009 HK\$'000	2008 HK\$'000
Income from operating lease arrangements in respect of office and management service	339,371	272,924

46. Operating lease (Continued)

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

	The Group			
	Office and shop		Management fee income	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Within one year	232,908	189,743	30,717	38,564
In the second to fifth year inclusive	405,726	350,130	69,358	80,883
Over five years	476,474	433,395	88,675	94,977
	1,115,108	973,268	188,750	214,424

Significant leases are negotiated for a lease term of 1 to 20 years (2008: 1 to 10 years). Certain leases contain a contingent rental element.

47. Capital commitments

	The Group	
	2009 HK\$'000	2008 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– property development expenditures	2,578,937	2,380,350
– addition of construction-in-progress	–	30,116
– acquisition of land use rights	5,663,074	1,416,436
– acquisition of interests in subsidiaries	748,751	–
– acquisition of property development projects	204,778	–
	9,195,540	3,826,902
Capital expenditure authorised but not contracted for in the consolidated financial statements in respect of		
– acquisition of land use rights	2,025,028	329,920
– acquisition of interests in subsidiaries	77,543	–
	2,102,571	329,920

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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\$6,075,008,000 as at 31st December, 2009 (2008: HK\$1,720,761,000). 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, 2009, 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\$131,000,000 (2008: HK\$171,000,000). HK\$131,000,000 (2008: HK\$171,000,000) 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:–

	The Group	
	2009 HK\$'000	2008 HK\$'000
Investment properties	1,744,683	1,699,394
Hotel properties	621,160	662,957
Buildings	219,198	101,313
Prepaid lease payments	361,165	331,283
Properties under development	4,288,045	6,775,955
Bank deposits	263,548	51,491
Properties held for sales	470,369	263,115
	<u>7,968,168</u>	<u>9,885,508</u>

At 31st December, 2009, the Group's interest in a wholly-owned subsidiary with net assets value amounted to HK\$865,417,000 (2008: HK\$818,309,000) was pledged to secure credit facilities granted to the Group.

50. Government grants

During the year ended 31st December, 2008, the Group received government grants of HK\$146,718,000 which were designated for three specific properties construction projects. The amount of HK\$135,130,000 and HK\$11,588,000 would be deducted from the carrying amount of the properties under development and transferred to income in the form of reduced cost of sales upon sales of the relevant properties and investment properties respectively.

During the year ended 31st December, 2009, one specific properties development project was suspended, the Group will refund the government grant of HK\$112,077,000 after year ended 31st December, 2009.

At 31st December, 2009, an amount of HK\$23,053,000 (2008: HK\$113,091,000) remained to be amortised and the amounts of HK\$Nil (2008: HK\$22,039,000) and HK\$Nil (2008: HK\$11,588,000) were recognised in cost of sales and deducted from the investment properties respectively during the year ended 31st December, 2009.

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.

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.

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51. Retirement benefit schemes (Continued)

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\$20,743,000 (2008: HK\$20,187,000) 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

	The Group	
	2009 HK\$'000	2008 HK\$'000
Transactions:–		
Construction services fee paid or payable <i>(note i)</i>	1,185,437	982,938
Management fee paid or payable from a non-wholly owned subsidiary to a wholly owned subsidiary <i>(note ii)</i>	–	4,996
Balances:–		
Bank balances and deposits <i>(note iii)</i>	1,669,469	144,574

52. Connected and related party transactions and balances

(Continued)

(I) Connected Persons (Continued)

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

(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 (Continued)

Notes:–

- (i) Construction services fee paid or payable to Poly Construction Developments Company ("Poly Construction") with the annual cap amount of RMB1,100,000,000 (equivalent to approximately HK\$1,251,422,000, 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) Management fee paid to Shanghai Poly Property Hotel Management Company Limited for the management of Poly Plaza. The calculation of management fee is based on 2% of the total income and 3% of the gross profit before tax of Poly Plaza with the annual cap amount of RMB8,000,000 (equivalent to approximately HK\$8,791,000, translated at average rate) for the year ended 31st December, 2008.
- (iii) Deposits placed with Poly Finance Company Limited with a cap amount on maximum daily balance of RMB1,500,000,000 (equivalent to approximately HK\$1,706,485,000, translated at closing rate).

(b) Others

	The Group	
	2009 HK\$'000	2008 HK\$'000
Transactions:–		
Property rental income (note i)	10,651	8,076
Imputed interest expenses (note 40)	9,732	8,869
Interest expenses paid (note ii)	172,973	175,427
Property leasing commission and management fees paid	93	91
Guarantee charges (note iii)	6,036	5,970
Theatre operating expenses (note iv)	16,846	20,448
Acquisition of subsidiaries (note v)	3,579,505	1,218,184
Dividend paid	–	1,774
Purchases	14,396	34,688
Management fee income	846	545
Rental expenses paid	689	556
Balances:–		
Amounts due from fellow subsidiaries (note vi)	28,138	53,771
Amount due to the ultimate holding company (note vi)	992,315	826,216
Amount due to an intermediate holding company (note vi)	886,192	1,536,464
Amounts due to fellow subsidiaries (note vi)	388,584	201,493
Loan from a fellow subsidiary (note 40)	171,936	162,203
Bank borrowings (note vii)	910,125	227,532

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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, a fellow subsidiary and the ultimate holding company, which carried interest from 4.1% to benchmark rate in the PRC plus 1% (2008: 90% of benchmark rate in the PRC to benchmark rate 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\$910,125,000 (2008: HK\$227,532,000) represented loan from a fellow subsidiary. The balance was unsecured, carried interest ranging from 90% of benchmark rate in the PRC to 110% of benchmark rate in the PRC and repayable within 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 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, 2008 and 31st December 2009, 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 non-wholly owned subsidiaries

Connected persons	Nature of transactions/balances	The Group	
		2009 HK\$'000	2008 HK\$'000
Transactions:–			
Non-controlling shareholders of Poly Shanghai and its subsidiaries	Interest expenses paid <i>(note i)</i>	75,295	–
Balances:–			
Non-controlling shareholders of Poly Shanghai and its subsidiaries	Amounts due from non-controlling shareholders of subsidiaries <i>(note ii)</i>	144,252	–
	Amounts due to non-controlling shareholders of subsidiaries <i>(note ii)</i>	749,955	680,500
Non-controlling shareholders of Shenzhen Poly and its subsidiaries	Amounts due from non-controlling shareholders of subsidiaries <i>(note ii)</i>	–	72,000
	Amounts due to non-controlling shareholders of subsidiaries <i>(note ii)</i>	–	240,460

Notes:–

- (i) Details of terms are set out in note 33(b).
- (ii) The balances due from non-controlling shareholders of Poly Shanghai and its subsidiaries and Shenzhen Poly and its subsidiaries were unsecured, interest-free and repayable on demand.

The balances due to non-controlling shareholders of Poly Shanghai and its subsidiaries were unsecured, interest-free and repayable on demand except for the amounts of HK\$19,699,000 (2008: HK\$30,874,000) and HK\$499,807,000 (2008: HK\$447,937,000), which carried interest at variable rates of benchmark rate in the PRC plus 1% and benchmark rate in the PRC plus 1.5% respectively.

The balances due to non-controlling shareholders of Shenzhen Poly and its subsidiaries were unsecured, interest-free and repayable on demand except for the amounts of HK\$Nil (2008: HK\$69,055,000), and HK\$Nil (2008: HK\$97,186,000), which carried interest at fixed rate of 6.85% and variable rate of benchmark rate in the PRC plus 1% respectively.

For the year ended 31st December, 2009

52. Connected and related party transactions and balances

(Continued)

(II) Related parties, other than connected persons

Related party	Nature of transactions	The Group	
		2009 HK\$'000	2008 HK\$'000
上海盛奕資產經營管理有限公司	Amount due from an associate <i>(note i)</i>	62,571	–
上海盛奕資產經營管理有限公司	Amount due to an associate <i>(note i)</i>	51,164	–
重慶綠地東原房地產開發有限公司	Amount due to an associate <i>(note i)</i>	34,130	34,130
深圳市保利劇院演出經營有限公司	Amount due from a jointly controlled entity <i>(note ii)</i>	2,275	2,275
廣東保利投資有限公司	Amount due from a related company <i>(note iii)</i>	6,826	6,826
Kumagai SMC Development (Guangzhou) Ltd	Amount due from a related company <i>(note iii)</i>	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).

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:–

	2009	2008
	HK\$'000	HK\$'000
Short-term benefits	15,495	13,020
Post-employment benefits	224	219
Equity-settled share based payment expense	2,085	22,445
	17,804	35,684

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 China Poly, other connected persons and related parties disclosed in note 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.

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

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

	2009 HK\$'000	2008 HK\$'000
Transactions		
Trade sales	33,932	46,144
Trade purchases	4,651	38,412
Balances		
Amounts due from other state-controlled entities	4,926	2,230
Amounts due to other state-controlled entities	2,870	1,138

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.

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54. Principal subsidiaries

Details of the Company's principal subsidiaries at 31st December, 2009 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
China Profit Investments Limited	Hong Kong	HK\$1	–	100%	Investment holding
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") (note i)	PRC	RMB62,000,000	–	100%	Hotel operations
Johnsbury Limited	British Virgin Islands	US\$9,600,000	100%	–	Investment holding
Poly Plaza Limited ("PPL") (note ii)	PRC	US\$10,000,000	–	75%	Investment, management and operation of a hotel complex
Polystar Digidisc Co., Ltd. ("Polystar") (note iii)	PRC	RMB9,000,000	–	66%	Manufacturing and wholesaling of compact discs, video compact discs and digital video discs

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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 <i>(note i)</i>	PRC	RMB1,350,000,000	–	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
Saneble Limited	Hong Kong	HK\$2	–	100%	Property Investment
Shanghai Puly Real Estate <i>(note i)</i>	PRC	US\$24,000,000	–	100%	Property Investment
Smart Best Investments Limited	Hong Kong	HK\$1	–	100%	Investment holding
Starry Joy Properties Investment Ltd.	British Virgin Islands	US\$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
上海忻利房地產發展有限公司 <i>(note iv)</i>	PRC	RMB15,000,000	–	100%	Property development
上海夢苑房地產有限公司 <i>(note iv)</i>	PRC	RMB5,000,000	–	100%	Property development
上海華寶房地產發展有限公司 <i>(note iv)</i>	PRC	RMB20,000,000	–	100%	Property development
上海保利欣房地產有限公司 <i>(note iv)</i>	PRC	RMB150,000,000	–	90%	Property development
上海保利金鵬置業有限公司 <i>(note iv)</i>	PRC	RMB20,000,000	–	50.1%	Property development
上海保利佳房地產有限公司 <i>(note iv)</i>	PRC	RMB150,000,000	–	100%	Property development
上海保利花木有限公司 <i>(note iv)</i>	PRC	RMB1,000,000	–	100%	Property development
上海保利物業酒店管理有限責任公司 <i>(note iv)</i>	PRC	RMB43,000,000	–	100%	Property management

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	
保利(蘇州)置業有限公司 <i>(note iv)</i>	PRC	RMB100,000,000	–	100%	Property development
湖北保利置業有限公司 <i>(note iv)</i>	PRC	RMB100,000,000	–	100%	Property development
湖北保利建設有限公司 <i>(note iv)</i>	PRC	RMB20,740,000	–	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
上海盛昱房地產有限公司 <i>(note iv)</i>	PRC	RMB169,842,010	–	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	RMB120,000,000	–	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

For the year ended 31st December, 2009

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	
廣州保利城物業管理有限公司 <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	–	75%	Property development
南寧保利物業服務有限公司 <i>(note iv)</i>	PRC	RMB3,000,000	–	75%	Property management
南寧新滙公河房地產有限公司 <i>(note iv)</i>	PRC	RMB10,000,000	–	75%	Property development
南寧市新保越房地產有限公司 <i>(note iv)</i>	PRC	RMB10,000,000	–	75%	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	–	46.6%	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	RMB50,000,000	–	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
安寧保利房地產開發有限公司 <i>(note iv)</i>	PRC	RMB10,000,000	–	80%	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	
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
深圳市祥瑞實業發展有限公司 <i>(note iv)</i>	PRC	RMB42,000,000	–	51%	Property development
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	–	75%	Property development
深圳市保利光明企業管理信息 諮詢有限公司 <i>(note iv)</i>	PRC	RMB10,000,000	–	100%	Management services
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	RMB50,000,000	–	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 ij)</i>	PRC	HK\$400,000,000	–	100%	Property development

For the year ended 31st December, 2009

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.

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

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.

For the year ended 31st December, 2009

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, 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*	-	33,847	-	98,611	(132,458)	-
Total revenue	6,642,225	373,218	90,072	223,841	(132,458)	7,196,898
SEGMENT RESULT	883,526	146,230	(11,985)	29,728	-	1,047,499
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)	-	(7,506)
Profit before taxation						1,130,287
Income tax expense						(314,127)
Profit for the year						816,160

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

For the year ended 31st December, 2009

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
ASSETS					
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					10,562,739
Total assets					38,365,170
LIABILITIES					
Segment liabilities	(9,485,073)	(453,650)	(168,471)	(63,212)	(10,170,406)
Unallocated corporate liabilities					(12,055,864)
Total liabilities					(22,226,270)
OTHER INFORMATION					
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

An analysis of the Group's turnover 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

For the year ended 31st December, 2009

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.

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

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, 2008

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel and restaurant operations HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Total HK\$'000
REVENUE						
External revenue	2,832,185	272,924	90,187	129,072	-	3,324,368
Inter-segment revenue*	<u>-</u>	<u>23,665</u>	<u>9,147</u>	<u>218,106</u>	<u>(250,918)</u>	<u>-</u>
Total revenue	<u>2,832,185</u>	<u>296,589</u>	<u>99,334</u>	<u>347,178</u>	<u>(250,918)</u>	<u>3,324,368</u>
SEGMENT RESULT	<u>169,372</u>	<u>146,831</u>	<u>(6,972)</u>	<u>(155,879)</u>	<u>-</u>	<u>153,352</u>
Unallocated income						105,078
Unallocated expenses						(71,421)
Discount on acquisition of interests in subsidiaries	241,488	-	-	-	-	241,488
Finance costs						(75,831)
Share of results of associates	2,120	-	-	-	-	2,120
Share of results of jointly controlled entities	-	-	-	(5,682)	-	<u>(5,682)</u>
Profit before taxation						349,104
Income tax expense						<u>(74,590)</u>
Profit for the year						<u>274,514</u>

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

For the year ended 31st December, 2009

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

At 31st December, 2008

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel and restaurant operations HK\$'000	Other operations HK\$'000	Total HK\$'000
ASSETS					
Segment assets	13,937,258	3,685,013	1,018,353	250,637	18,891,261
Interests in associates	66,815	-	-	-	66,815
Interests in jointly controlled entities	-	-	-	1,422	1,422
Unallocated corporate assets					<u>3,356,638</u>
Total assets					<u>22,316,136</u>
LIABILITIES					
Segment liabilities	(6,513,754)	(373,581)	(149,555)	(58,219)	(7,095,109)
Unallocated corporate liabilities					<u>(8,063,983)</u>
Total liabilities					<u>(15,159,092)</u>
OTHER INFORMATION					
Capital expenditure	17,851	42,460	45,753	2,659	108,723
Impairment loss on short-term loan receivables	-	-	-	5,959	5,959
Depreciation	7,101	7,896	27,818	15,460	58,275
Impairment loss on trade receivables	1,771	2,470	-	368	4,609
Write-down of properties held for sale	4,042	-	-	-	4,042
Amortisation of prepaid lease payments	<u>829</u>	<u>2,305</u>	<u>5,723</u>	<u>130</u>	<u>8,987</u>

55. Segment and entity-wide information (Continued)

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

	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000
REVENUE	5,311	3,319,057	3,324,368

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	657,879	21,590,020	22,247,899
Capital expenditure	2,205	106,518	108,723

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 HKAS 1 (Revised), Presentation of financial statements and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current year's presentation and provide comparative amounts in respect of item disclosed for the first time in 2009. Further details of these developments are disclosed in note 3(a).

Financial Summary

	Year ended 31st December,				2009 HK\$'000
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	
RESULTS					
Continuing operations					
Revenue	709,655	453,443	973,860	3,324,368	7,196,898
Profit before taxation	136,039	192,945	383,824	349,104	1,130,287
Income tax expense	(29,884)	(35,191)	(165,134)	(74,590)	(314,127)
Profit for the year from continuing operations	106,155	157,754	218,690	274,514	816,160
Discontinued operations					
Profit for the year from discontinued operations	75,771	17,949	207,864	–	–
Profit for the year	181,926	175,703	426,554	274,514	816,160
Attributable to:					
Owners of the Company	164,601	189,387	401,196	222,994	662,114
Non-controlling interests	17,325	(13,684)	25,358	51,520	154,046
Profit for the year	181,926	175,703	426,554	274,514	816,160
At 31st December,					
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
ASSETS AND LIABILITIES					
Total assets	5,597,430	8,740,235	10,209,047	22,316,136	38,365,170
Total liabilities	(2,132,675)	(4,207,603)	(5,222,301)	(15,159,092)	(22,226,270)
	3,464,755	4,532,632	4,986,746	7,157,044	16,138,900
Equity attributable to owners of the Company	2,776,497	3,664,592	4,669,181	6,080,061	14,619,950
Non-controlling interests	688,258	868,040	317,565	1,076,983	1,518,950
	3,464,755	4,532,632	4,986,746	7,157,044	16,138,900

Summary of Properties Held for Investment Purposes

At 31st December, 2009

Details of the Group's properties held for investment purposes at 31st December, 2009 are as follows:–

Location	Term of lease	Type of use	Group's interest
<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, Part of 26th Floors, 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%

At 31st December, 2009

Location	Term of lease	Type of use	Group's interest
<i>INVESTMENT PROPERTIES: (Continued)</i>			
6 houses, 20 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%

At 31st December, 2009

Location	Term of lease	Type of use	Group's interest
<i>INVESTMENT PROPERTIES: (Continued)</i>			
Rooms 301 & 302, Long Teng Building, China Asean International Business District, Nanning County, Guangxi Province, The People's Republic of China	Held under a land use right for a term expiring on 22nd January, 2076	Commercial	75%
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%

Summary of Properties Held for Development

At 31st December, 2009

Details of the Group's properties held for development at 31st December, 2009 are as follows:–

Location	Stage of completion	Expected completion date	Site area/ Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR DEVELOPMENT:</i>					
A parcel of land on Nos. 2, 6, 10, 12, 16 & 18 Dong Fang Lu, Pudong New District, Shanghai, The People's Republic of China	Under construction	June 2010	27,000 sq.m./ 102,000 sq.m.	Commercial/ Office	90%
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	December 2010 (Phase II and 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 II, 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	June 2010	12,000 sq.m./ 16,000 sq.m.	Residential	100%

At 31st December, 2009

Location	Stage of completion	Expected completion date	Site area/ Gross floor area	Type of use	Group's interest
<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	September 2010 (Phase II)	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	June 2010 (Phase I)	156,000 sq.m./ 673,000 sq.m.	Residential	100%
A parcel of land in the North of Jing Yi Lu, Li Xia District, Jinan County, Shandong Province, The People's Republic of China	Under construction	December 2010	26,000 sq.m./ 84,000 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 County, Shandong Province, The People's Republic of China	Under construction	December 2010 (Phase II)	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 County, Guizhou Province, The People's Republic of China	Under construction	December 2011 (Phase III)	482,000 sq.m./ 1,005,000 sq.m.	Residential	66.5%

At 31st December, 2009

Location	Stage of completion	Expected completion date	Site area/ Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR DEVELOPMENT: (Continued)</i>					
A parcel of land on Shi Nan Lu, Nan Ming District, Guiyang County, 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 County, Guangxi Province, The People's Republic of China	Under planning	December 2012	568,000 sq.m./ 527,000 sq.m.	Residential	75%
A parcel of land on Jing Guan Da Dao, west of Zhu Gan Dao, Dong Gou Ling, Nanning County, Guangxi Province, The People's Republic of China	Under construction	October 2010	67,000 sq.m./ 271,000 sq.m.	Residential	75%
A parcel of land on San Huan Lu, Song Bei District, Harbin, Heilongjiang Province, The People's Republic of China	Under construction	December 2010 (Phase II)	567,000 sq.m./ 703,000 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 2011	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 Yin Ou, Lian Ran Zhen, An Ning County, Kunming Yunnan Province, The People's Republic of China	Under construction	December 2010 (Phase II)	160,000 sq.m./ 279,000 sq.m.	Residential	80%

At 31st December, 2009

Location	Stage of completion	Expected completion date	Site area/ Gross floor area	Type of use	Group's interest
<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./ 467,000 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 I and 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 2010 (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 County, Shandong Province, The People's Republic of China	Under planning	June 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 planning	December 2014	95,000 sq.m./ 424,000 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 planning	December 2012	49,000 sq.m./ 172,000 sq.m.	Commercial/ Residential	100%
A parcel of land on Shui Dong Lu, Wu Dang District, Guiyang County, Guizhou Province, The People's Republic of China	Under planning	December 2011 (Phase I)	448,000 sq.m./ 775,000 sq.m.	Commercial/ Residential	66.5%

Summary of Properties Held for Sale

At 31st December, 2009

Details of the Group's properties held for sale purposes at 31st December, 2009 are as follows:–

Location	Gross floor areas	Type of use	Group's interest
<i>PROPERTIES HELD FOR SALE:</i>			
59 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%
1 house of Chongqing Poly Spring Villa No. 90 Xiao Quan, Nan Quan Village, Ba Nan District, Chongqing, Sichuan Province, The People's Republic of China	515 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 residential units and a commercial unit, carparking spaces and amenity facilities, Sea Songs Garden, Hai Bin Da Dao, Xixiang Cun, Bao An District, Shenzhen, Guangdong Province, The People's Republic of China	181 sq.m.	Commercial/ Residential	51%

At 31st December, 2009

Location	Gross floor areas	Type of use	Group's interest
<i>PROPERTIES HELD FOR SALE: (Continued)</i>			
A residential unit and carparking spaces, Yi He Homeland Southern District, Gong Dian Lu, Nan Gang District, Harbin, Heilongjiang Province, The People's Republic of China	94 sq.m.	Residential	51%
A commercial unit, carparking spaces and amenity facilities, Poly Phoenixia Garden, Feng Xiang Lu, Nanning County, Guangxi Province, The People's Republic of China	476 sq.m.	Commercial	75%
Various office units, commercial units and carparking spaces, Nanning Poly Upper House, Zhu Jin Lu, China Asean International Business District, Nanning County, Guangxi Province, The People's Republic of China	22,149 sq.m.	Commercial	75%
Various residential units and commercial units, The Water's Fragrant Dike, San Huan Lu, Song Bei District, Harbin, Heilongjiang Province, The People's Republic of China	21,122 sq.m.	Commercial/ Residential	58%
Various residential units, commercial units and carparking spaces, Nanning Poly Century, China Asean International Business District, Nanning County, Guangxi Province, The People's Republic of China	23,923 sq.m.	Commercial/ Residential	75%
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	34,225 sq.m.	Commercial/ Residential	51%

At 31st December, 2009

Location	Gross floor areas	Type of use	Group's interest
<i>PROPERTIES HELD FOR SALE: (Continued)</i>			
Various residential units and commercial units, Guiyang Poly Newisland, Wen Quan Lu, Ye Jia Zhuang, Wu Dang District, Guiyang County, Guizhou Province, The People's Republic of China	64,360 sq.m.	Commercial/ Residential	66.5%
Various residential units and commercial units, Kunming Sunny Lake & Splendid Life, Da Tun Yin Qu, Lian Ran Zhen, An Ning County, Kunming, Yunnan Province, The People's Republic of China	94,256 sq.m.	Commercial/ Residential	80%
Various residential units and commercial units, Shanghai Poly Dynasty Duke, Tangzhen, Pudong New District, Shanghai, The People's Republic of China	49,220 sq.m.	Commercial/ Residential	50.1%
Various commercial units and a business centre, Wuhan Poly Royal Palace, Dong Hu Kai Fa Ou Shang Ma Zhuang, Wuhan, Hubei Province, The People's Republic of China	32,194 sq.m.	Commercial	100%
Various villas and apartment units Shanghai Poly Town, Zong Fang Cun, Ma Lu Zhen, Jiading District, Shanghai, The People's Republic of China	24,730 sq.m.	Residential	100%