越秀地產股份有限公司

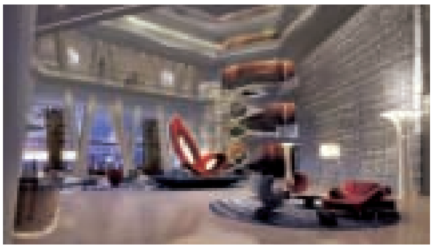
Yuexiu Property Company Limited

(Stock Code: 00123)

Annual Report 2009

Contents

Corporate Profile



Guangzhou International Finance Centre

Yuexiu Property Company Limited (formerly "Guangzhou Investment Company Limited", "Company") was listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") in December 1992. Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), the controlling shareholder of the Company, is the principal investment vehicle of the Guangzhou Municipal People's Government in Hong Kong. The core business of the Company and its subsidiaries ("Group") is property development and investment, with a main focus in the Guangzhou City of the People's Republic of China ("China"). As at 31 December 2009, the Group had investment properties, properties under development and undeveloped land bank with total gross floor area ("GFA") of approximately 7.54 million square metres ("sq.m."). The Group also holds a 35.58% interest in GZI Real Estate Investment Trust ("GZI REIT"), a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the first listed real estate investment trust in the world investing in real estate in China.

Corporate Profile

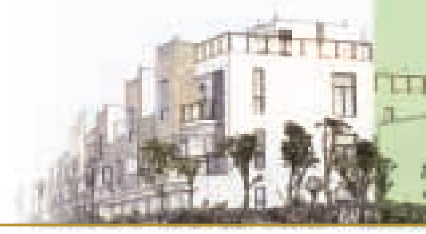
as at 31 December 2009

Yuexiu Property Company Limited
(Stock Code: 00123)

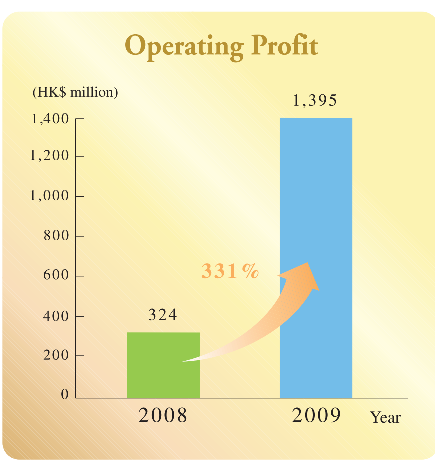
- **Property**
  - **China Properties**
  - **Hong Kong Properties**
- 35.58% **GZI Real Estate Investment Trust** (Stock Code: 00405)

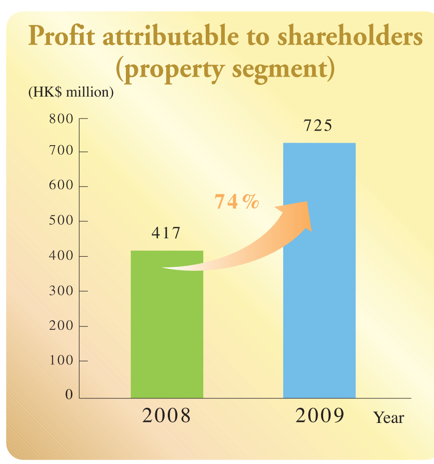
Jiang Nan New Mansion

Financial Highlights



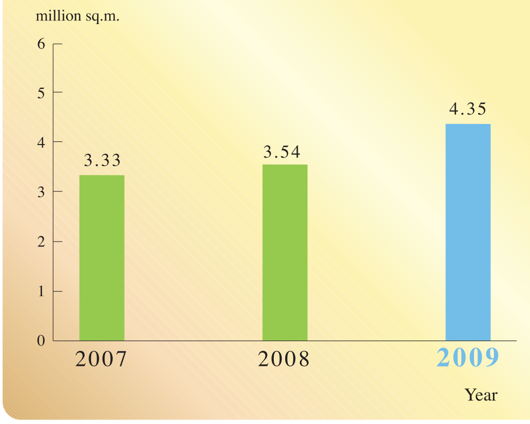
	Year ended 31 December		
	2009	2008	**Change**
	HK$'000	HK$'000	
Revenue	**5,300,212**	3,158,523	↑ **67.8%**
Gross profit	**1,839,006**	1,208,120	↑ **52.2%**
Operating profit	**1,395,193**	323,935	↑ **330.7%**
Profit for the year from continuing operations	**801,270**	426,412	↑ **87.9%**
Profit attributable to equity holders of the Company from continuing operations	**724,824**	417,455	↑ **73.6%**
Loss attributable to equity holders of the Company (continuing and discontinued operations)	**-697,414**	607,964	↓ **214.7%**
Basic earnings/(losses) per share			
- Continuing operations (HK cents)	**10.17**	5.86	↑ **73.6%**
- Discontinued operations (HK cents)	**-19.95**	2.67	
	-9.78	8.53	↓ **214.7%**
Property Contracted sales (Square meter)	**526,900**	298,000	↑ **77%**
Property Contracted sales	**6,930,000**	3,500,000	↑ **98%**





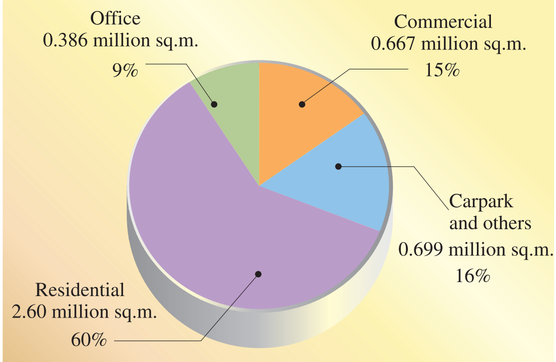
Financial Highlights

Trend of undeveloped Land Bank (2007-2009)

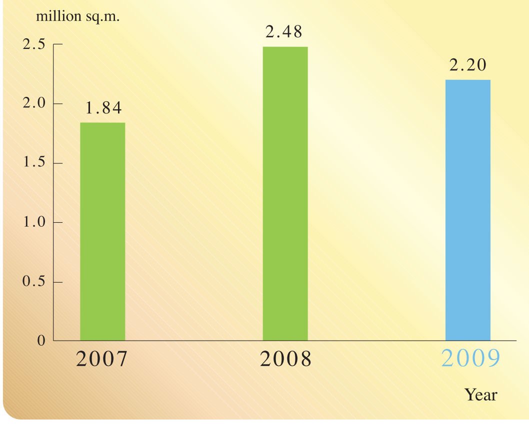


Undeveloped Land Bank - by Land Use

(as at 31 December 2009)

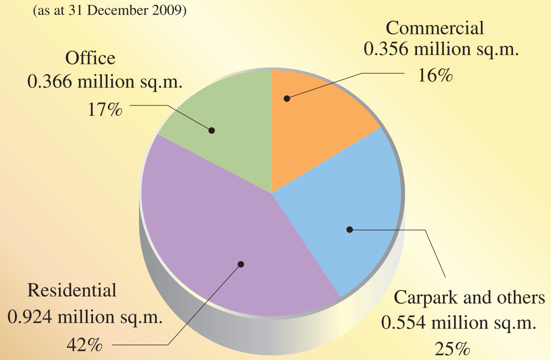


Trend of Properties Under Development (2007-2009)

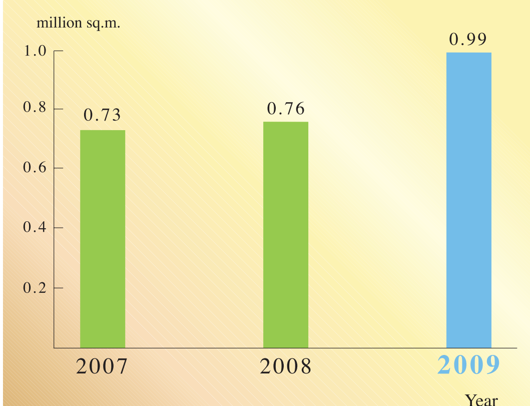


Properties Under Development - by Land Use

(as at 31 December 2009)

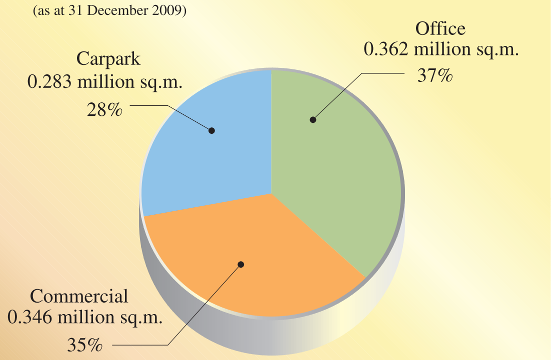


Trend of Investment Properties (2007-2009)



Investment Properties - by Land Use

(as at 31 December 2009)



2009 Major Events

June

We acquired a parcel of land in Jiangmen with gross floor area of approximately 432,000 square meters at a consideration of RMB968 million.

June

We acquired the project of D8-C3, Pearl River New City with a gross floor area of approximately 22,500 square meters at a consideration of RMB345 million.

July

The projects of University City Properties I and II with gross floor area of approximately 87,000 square meters were acquired at a total consideration of RMB625 million.

August

Guangzhou International Finance Centre entered into relevant management, cooperative and agency agreements with Four Seasons Group, Jones Lang LaSalle and CB Richard Ellis respectively.

September

We acquired the projects of University City Properties III and IV with gross floor area of approximately 58,700 square meters at a total consideration of RMB427 million.

2009 Major Events

October

The announcement of the distribution and disposal by way of an open offer of 757.7 million shares of GZT held by the Group to qualifying shareholders.

November

The distribution and disposal of GZT was duly approved by independent shareholders at an extraordinary general meeting.

December

The projects of University City Properties V to IX with gross floor areas of about 206,600 square meters were acquired at a total consideration of RMB1,915 million.

December

A parcel of land in Yantai with gross floor area of approximately 154,000 square meters was acquired at a consideration of RMB260 million.

December

A parcel of land in Zhongshan with gross floor area of approximately 418,000 square meters was acquired at a consideration of RMB544 million.

Mr Lu Zhifeng
Chairman

Chairman's Statement

Year 2009 was a monumental year in which economies worldwide battled a historic financial crisis. Predicated on the objective of 'proactively mitigating the crisis and managing for sustainable development', the Group crystallized its strategy and designated property development as its core business. At the same time, the Group fine-tuned its mid to long term development plans and completed a transformational business restructuring during the year and implemented measures to further develop its human resources, IT and other corporate infrastructures. The Group also took advantage of ample liquidity and the stabilization of the property market brought about by the stimulus policies in the PRC and managed to accelerate the pace of property development and to enhance its sales and marketing efforts. As a result, the Group significantly improved its operating efficiency and achieved record-high contracted sales and revenue in 2009 since its founding.

At the same time as the Group strived to maintain the growth momentum, it carefully reviewed its resources and capabilities, and reaffirmed the development plans of "home base in Guangzhou and strategic expansion nationwide" and "residential properties as the core, balanced with key commercial components." During the reporting period, we added 1.38 million square meters of gross floor area to our landbank in locations such as Pearl River New City, Guangzhou University City, Jiangmen, Zhongshan and Yantai, which represented the first step of our "strategic nation-wide expansion" initiative, and boosted significantly our sustainable development capabilities and growth momentum.

In line with the objective of growing its core business, the Group has been vigorously pursuing structural adjustments and optimization initiatives. Subsequent to the disposal of the newsprint business at the end of 2008, the Group undertook a transformational restructuring exercise which spinned off its then subsidiary GZI Transport Limited ("GZT", HKEx Stock Code: 01052) by means of distribution and sale of GZT shares. The exercise raised approximately HK$1.6 billion in cash for investment in real estate development. At the same time, the Company changed its name from "Guangzhou Investment Company Limited" to "Yuexiu Property Company Limited", so as to highlight the Group's principal business. The restructuring has successfully laid a solid foundation for the future sustainable and healthy development of both the Group and GZT.

FUTURE PROSPECTS

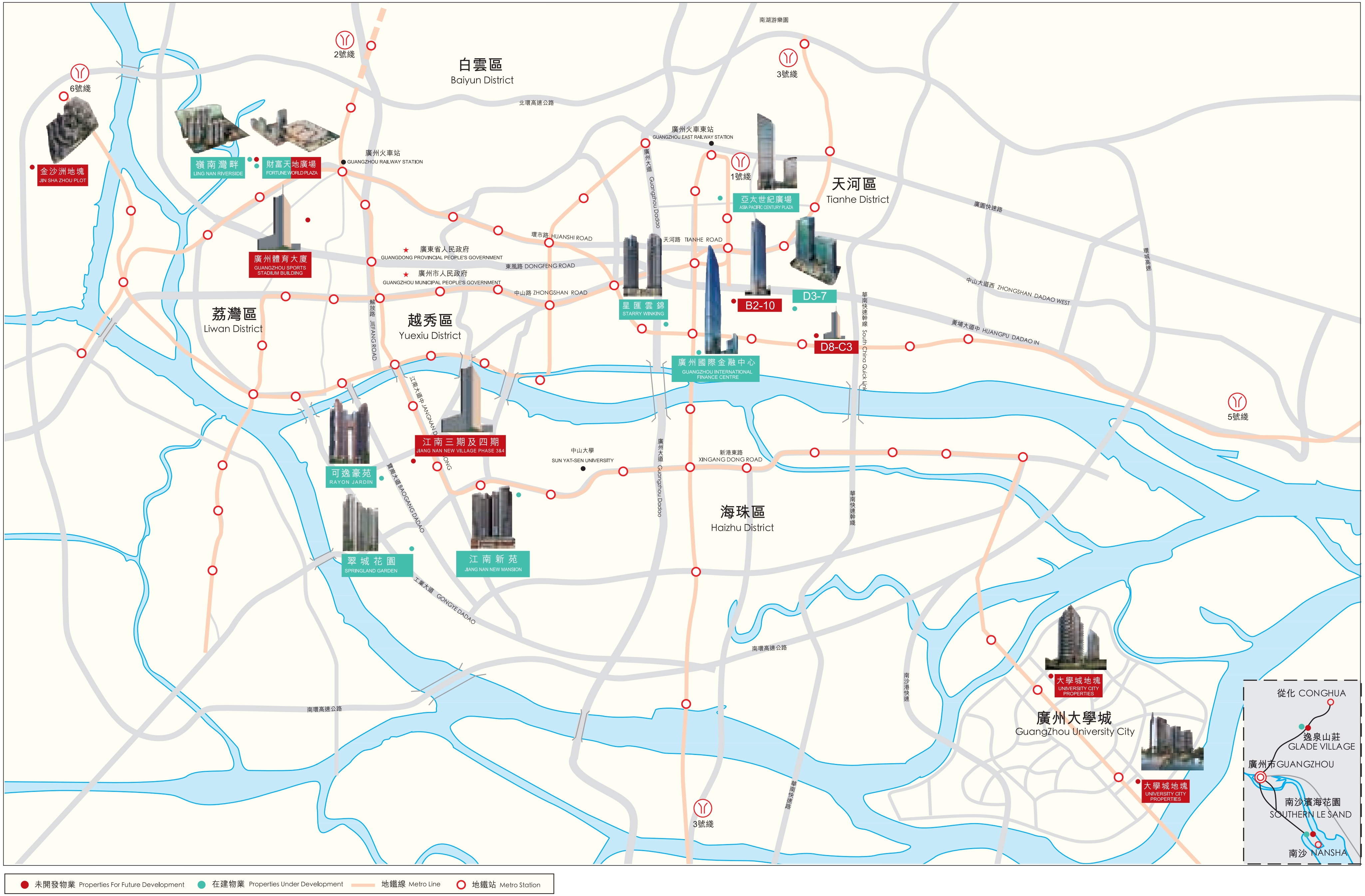
Looking forward, the Company expects the world´s economy to remain complicated, presenting both challenges and opportunities. We believe that factors supporting the long-term development of the real estate industry, such as powerful economic growth, rapid urbanization, fervent demand for upgrade of living standards, favourable demographic shifts remain intact. To capitalize on these trends and in accordance with the Group's motto of "Refine operations to improve quality, and Accelerate development to turn a new page", we will continue to explore and innovate, heighten risk control, prudently execute our new mid to long term development plans, enhance our competencies, increase the size of landbank, and seek to take advantage of market opportunities. In summary, the Group will strive to optimize its asset structure, capital structure and organizational structure, so as to create value for our shareholders and investors and serve our community.

ACKNOWLEDGEMENT

I would like to take this opportunity to thank all the directors, the management team and all the staff for their diligence over the past year and their contribution to the Group´s developments. I would also like to thank all the shareholders, our colleagues from the banking and investment communities, and business partners for their continued support and trust.

Lu Zhifeng
Chairman

Location Map of Major Property Projects of the Group in Guangzhou

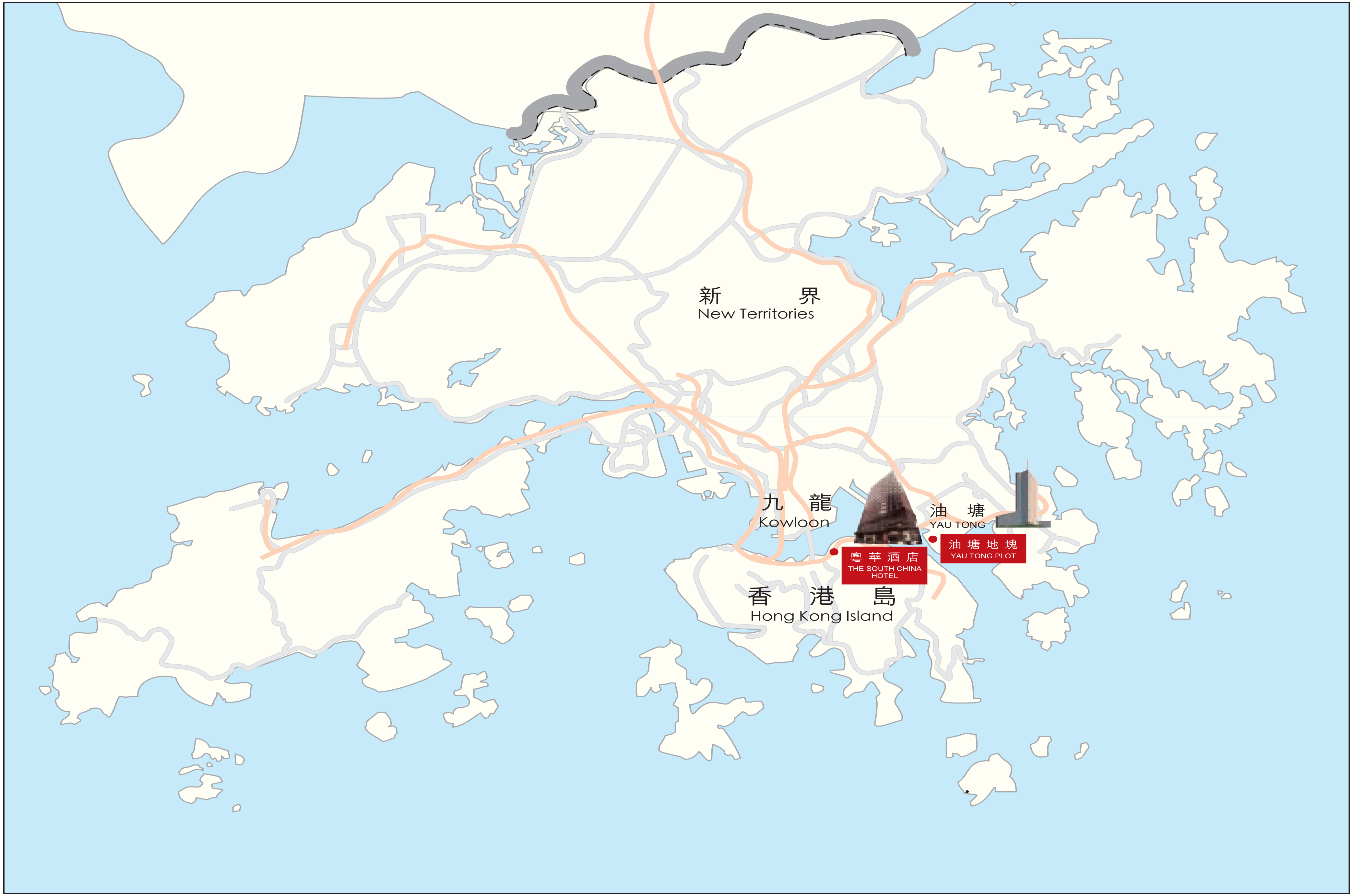


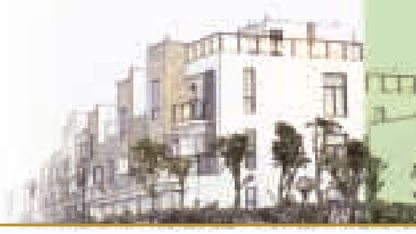
Location Map of Major Property Projects of the Group in Jiangmen

Location Map of Major Property Projects of the Group in Zhongshan

Location Map of Major Property Projects of the Group in Yantai

Location Map of Major Property Projects of the Group in Hong Kong





BUSINESS REVIEW

During the reporting period, the Group realized revenue of HK$5,300 million, representing an increase of 67.8% over the previous year. Profits attributable to the shareholders from continuing operations amounted to HK$725 million, representing an increase of 73.6% over the previous year. Basic earnings per share from continuing operations were HK10.17 cents, representing an increase of 73.6% over the previous year.

Losses attributable to the shareholders from both continuing and discontinued operations amounted to approximately HK$697 million, which was due to the one-off non-cash loss of approximately HK$1,594 million, representing the difference between the net asset value of GZT and the market prices of GZT, incurred during the separation of the toll road business. During the spin-off of our toll road business, the Group distributed a special dividend (equivalent to approximately HK$0.09 per share) to qualifying shareholders of the Company.

The Board of Directors does not recommend the payment of a final dividend for the year 2009. Cash retained will be invested in the Group's core business which the Board believes will generate greater return to the shareholders.

MARKET ANALYSIS

In 2009, the PRC government rolled out a number of stimulus policies and measures to combat the effects of the global financial crisis, which proved to be instrumental in "securing GDP growth of at least 8% ". During the reporting period, China's GDP reached RMB33,535.3 billion, representing an increase of 8.7% over the previous year, while Guangzhou's GDP grew to RMB911.3 billion, representing an increase of 11.5% over the previous year.

With the combined effects of a relatively loose monetary policy, government incentives to encourage purchases, and solid domestic demand, China's real estate market underwent rapid growth in 2009. During the year a total of 937.13 million sq.m. of commodity housing was sold nation-wide, an increase of 42.1% over the previous year. Total transaction value amounted to RMB 4,399.5 billion, or an increase of 75.5% over the previous year. In Guangzhou, a total area of 11.18 million sq.m. of commodity housing was sold, an increase of 58.8% over the previous year. Total transaction value amounted to RMB 108.7 billion, or an increase of 62.1% over the previous year, with the average transaction price rising slightly by 2.1% over the previous year to RMB 9,726 per sq.m. Although the average transaction price in 2009 for Guangzhou as a whole remained stable, the average transaction price for the six core districts in Guangzhou's urban area in December 2009 increased by a hefty 32.9% over the previous year to RMB 13,810 per sq.m., which generally reflected the rise of housing prices in Guangzhou.

Jiang Nan New Mansion in demand

GROWTH IN PROPERTY SALES

During the reporting period, the Group took full advantage of the opportunities arising from the revival of the domestic real estate industry, and reaped record results in terms of contracted sales. A total GFA of 526,900 sq.m. was sold, representing an increase of 77% over the previous year, and reaching 117% of the target of 450,000 sq.m. for 2009. Contracted sales value amounted to HK$6.93 billion, an increase of 98% over the previous year and 139% of the HK$5 billion target for 2009. Average contract sales price reached HK$13,100 per sq.m., representing an increase of 12% over the previous year. Excluding Cong Hua Glade Village and Southern Le Sand, both of which are located in the suburbs, the average transaction price for the Group's urban projects stood at HK$17,000 per sq.m., representing an increase of 41% over the previous year.

To improve product quality, the Group made great strides in optimizing the layout of our housing projects, which proved to be helpful in enhancing our competitive position and has resulted in strong sales at our projects: Starry Winking or Xing Hui Yun Jin achieved the sales target for the whole year within two months of launch in 2009, with sales of HK$1.8 billion and an average price of HK$24,200 per sq.m.; Jiang Nan New Mansion, Springland Garden and Ling Nan Riverside were launched during the Golden Week of the National Day and were all sold out within one day. The Group´s two major suburb projects, Southern Le Sand and Cong Hua Glade Village, recorded a year-on-year increase in contracted sales of 206% and 203% respectively.

Our contracted sales are summarized below:

Project Name	Land Use	GFA (sq.m.)	Amount (HK$ mil)	ASP (HK$/sq.m.)	Location
Southern Le Sand	Low-rise Department/Villa	117,900	805	6,800	Nansha, Guangzhou
Cong Hua Glade Village	Low-rise Department/Villa	76,200	460	6,000	Conghua, Guangzhou
Starry Winking	Residential	72,800	1,759	24,200	Tianhe, Guangzhou
Springland Garden	Residential	71,800	1,042	14,500	Haizhu, Guangzhou
Jiang Nan New Mansion	Residential	62,900	1,098	17,500	Haizhu, Guangzhou
Ling Nan Riverside	Residential	39,000	607	15,600	Liwan, Guangzhou
Rayon Jardin	Residential	35,600	515	14,500	Haizhu, Guangzhou
Ling Nan Ya Yuan	Residential	21,200	172	8,100	Baiyun, Guangzhou
Other Projects	N/A	29,500	472	16,000	Guangzhou
Total		526,900	6,930	13,100	

Springland Garden in demand

During the year, total property sales recognized amounted to approximately 374,200 sq. m. (including investment properties of 12,400 square metres), representing an increase of 85.6% over the previous year. Recognized sales revenue amounted to approximately HK$4,214 million (including sold investment properties of HK$268 million), representing an increase of 74.4% over the previous year. The average price of property sales recognized for the year amounted to approximately HK$11,300 per sq. m. (including investment properties), representing a decrease of 6% over the previous year.

Recognized sales are summarized as follows:

Project Name	Land Use	GFA (sq.m.)	Amount (HK$ mil)	ASP (HK$/sq.m.)	Location
Southern Le Sand	Low-rise Department/Villa	34,100	364	10,700	Nansha, Guangzhou
Cong Hua Glade Village	Low-rise Department/Villa	58,800	367	6,200	Conghua, Guangzhou
Springland Garden	Residential	110,400	1,347	12,200	Haizhu, Guangzhou
Rayon Jardin	Residential	103,400	1,391	13,500	Haizhu, Guangzhou
Ling Nan Ya Yuan	Residential	46,200	375	8,100	Baiyun, Guangzhou
Other Projects	N/A	8,900	102	11,300	Guangzhou
Sub-total		361,800	3,946	10,900	
Investment Properties	N/A	12,400	268	21,600	Guangzhou
Total		374,200	4,214	11,300	

Ling Nan Riverside in demand

Contracted sales transactions which have not yet been recognized amounted to approximately 392,400 sq. m., or approximately HK$5,464 million in value at the end of 2009. The average price achieved is approximately HK$13,900 per sq. m..

Details are summarized as follows.

Project Name	Land Use	GFA (sq.m.)	Amount (HK$ mil)	ASP (HK$/sq.m.)	Location
Southern Le Sand	Low-rise Department/Villa	109,500	725	6,600	Nansha, Guangzhou
Cong Hua Glade Village	Low-rise Department/Villa	39,800	258	6,500	Conghua, Guangzhou
Starry Winking	Residential	72,800	1,759	24,200	Tianhe, Guangzhou
Springland Garden	Residential	50,600	776	15,300	Haizhu, Guangzhou
Jiang Nan New Mansion	Residential	62,900	1,098	17,500	Haizhu, Guangzhou
Ling Nan Riverside	Residential	39,000	607	15,600	Liwan, Guangzhou
Other Projects	N/A	17,800	241	13,500	Guangzhou
Total		392,400	5,464	13,900	

EXPANSION IN LANDBANK

In line with the expansion plans of "home base in Guangzhou and strategic expansion nationwide", the Group initiated strategic adjustment, optimized its structure, expanded its development scale and enhanced its sustainable development capability. During the reporting period, the Group won bids on parcels of land located in Guangzhou, Jiangmen, Zhongshan and Yantai. As a result, our expansion has begun to take shape, with the total GFA of quality residential sites acquired during the year amounting to almost 1.38 million square metres. Sites in Guangzhou University City were acquired to form large combined tracts of land, which should help create strategic value and economies of scale. The acquisition of the Yantai site also marked a pivotal step in pursuing strategic expansion in the Bohai Rim Economic Zone.

These sites were acquired at auction through Guangzhou City Construction & Development Co., Ltd., a 95% owned subsidiary of the Company.

Details of the sites acquired in 2009 are as follows:

Project Name	Land Use	Land Area (sq.m.)	GFA (sq.m.)	Premium (RMB mil)	Land Cost (RMB/sq.m.)	Location
Jiangmen Properties	Residential/ Commercial	187,886	432,000	968	2,240	Beixin, Jiangmen
D8-C3, Pearl River New City	Residential	6,349	22,500	345	15,324	Tianhe, Guanghzou
University City Properties (No.1-9)	Residential	112,784	352,000	2,967	8,432	Panyu, Guangzhou
Yantai Plot	Residential/ Commercial/Office	73,771	154,000	260	1,688	Zhifu, Yantai
Zhongshan Plot	Residential/ Commercial	167,188	418,000	544	1,302	Nanqu, Zhongshan
Total		547,978	1,378,500	5,084	3,688	

Commercial street of Southern Le Sand

The Group believes that not only do the acquisitions of the aforesaid sites reflect the Group´s intent to further consolidate its leading position in Guangzhou, where the majority of its operations are carried out, they are also consistent with the Group´s plans of strategic expansion nationwide. The main reasons for land acquisitions in cities other than Guangzhou are as follows:

The Jiangmen site, facing a planned country park to the south, possesses unique scenery. It is located in the municipal administrative office and central business area currently under development, which is the central focus of the urban development program in Jiangmen. With a population of 4.14 million, Jiangmen is a central city in the western Pearl River Delta. With the introduction of the "Reform & Development Plan of the Pearl River Delta (PRD) Region" initiative, the construction of the Hong Kong-Zhuhai-Macau Bridge and the commencement of operation of the Pearl River Delta Intercity Rail transport Joint Network in 2010, Jiangmen will become an increasingly prominent city and will be well positioned for greater real estate development.

The Yantai site is located in the centre of the old town in Zhifu District, Yantai City, Shandong Province, surrounded by well-developed infrastructure. Yantai City has a permanent population of about 6.50 million, and its GDP ranks among the top in Shandong Province. Yantai is a beautiful city with mild climate and is situated between mountains and sea. In 2005, it won a "United Nations Habitat Award" for being one of the most liveable cities in the world. Securing the Yantai Plot represents an important step in the Group's expansion plans.

The Zhongshan site is located in the centre of the Southern District in Zhongshan City adjacent to the district government office. Zhongshan City is one of the key cities in the Pearl River Delta, with a permanent population of about 2.50 million and a GDP that ranks fifth in Guangdong Province. With the formation of a "Circle of cities accessible within one hour" with Guangzhou at the center, the commencement of construction of the Hong Kong-Zhuhai-Macao Bridge, and the opening of the Guangzhou-Zhuhai intercity rail network in 2010, the prospects of the real estate market in Zhongshan City are excellent.

At the end of 2009, the Group had a total of approximately 4,350,000 sq.m. in undeveloped landbank, comprising approximately 60% in residential properties, 9% in office properties, 15% in commercial properties and 16% in carpark and others. The followings are the brief descriptions of the relevant projects:

Project Name	GFA (sq.m.)	Residential (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carpark & others (sq.m.)	Location
Southern Le Sand	1,818,000	912,000	57,000	426,000	423,000	Nansha, Guangzhou
Jiangmen Properties	432,000	346,000	—	86,000	—	Beixin, Jiangmen
Zhongshan Plot	418,000	351,000	—	67,000	—	Nanqu, Zhongshan
Jin Sha Zhou Plot	425,000	284,000	—	10,000	131,000	Baiyun, Guangzhou
University City Properties	352,000	352,000	—	—	—	Panyu, Guangzhou
B2-10, Pearl River New City	211,000	—	151,000	11,000	49,000	Tianhe, Guangzhou
Yantai Plot	154,000	116,000	19,000	19,000	—	Zhifu, Yantai
Sports Stadium Building	125,000	—	81,000	25,000	19,000	Yuexiu, Guangzhou
Fortune World Plaza (portion)	119,000	—	78,000	16,000	25,000	Liwan, Guangzhou
Hua Du Plot	91,000	91,000	—	—	—	Huadu, Guangzhou
Jiang Nan New Village phase 3&4	60,000	34,000	—	—	26,000	Haizhu, Guangzhou
Yau Tong Property	59,000	59,000	—	—	—	Yautong, Hong Kong
D8-C3, Pearl River New City	22,500	22,500	—	—	—	Tianhe, Guangzhou
Other Projects	64,700	32,000	—	7,000	25,700	N/A
Total	4,351,200	2,599,500	386,000	667,000	698,700	

PROJECT DEVELOPMENT

In response to intense competition, the Group accelerated the pace of project development. It took less than 17 months to go from the commencement of construction to pre-sale at the Starry Winking project, which met its pre-sale target two months ahead of schedule and was completed approximately 20% faster than previous developments. Key projects, including Jiang Nan New Mansion, Springland Garden and Ling Nan Riverside, also reached pre-sale targets one month ahead of schedule and nearly 1,800 more units were launched for sale during the Golden Week of the National Day with a total asset value of over HK$3 billion.

At the same time, the Company accelerated land requisition, planning and design, invitation for tenders and other key tasks to shorten the construction period. Design plans for projects such as B2-10, Pearl River New City were granted approval three months ahead of schedule, and the Jiangmen project completed its planning and design phase two months ahead of schedule. The rapid progress created favourable conditions for the smooth commencement of construction works.

Jiangmen Properties

As of 31 December 2009, properties under development amounted to approximately 2,200,000 sq.m., comprising approximately 42% in residential properties, 17% in office properties, 16% in commercial properties and 25% in carpark and others. Details are summarized below:

Project Name	GFA (sq.m.)	Residential (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carpark & others (sq.m.)	Location
Southern Le Sand	376,000	154,000	124,000	68,000	30,000	Nansha, Guangzhou
Fortune World Plaza (portion)	210,000	—	—	186,000	24,000	Liwan, Guangzhou
Asia Pacific Century Plaza	232,000	—	105,000	27,000	100,000	Tianhe, Guangzhou
Jiang Nan New Mansion	229,000	148,000	—	23,000	58,000	Haizhu, Guangzhou
Ling Nan Riverside	192,000	176,000	—	—	16,000	Liwan, Guangzhou
Starry Winking	186,000	121,000	—	19,000	46,000	Tianhe, Guangzhou
Springland Garden	165,000	124,000	—	20,000	21,000	Haizhu, Guangzhou
Cong Hua Glade Village	152,000	122,000	—	—	30,000	Conghua, Guangzhou
Guangzhou IFC (portion)	159,000	—	—	—	159,000	Tianhe, Guangzhou
D3-7, Pearl River New City	135,000	—	95,000	12,000	28,000	Tianhe, Guangzhou
Jiang Nan New Village phase 3 Zone 7	78,000	57,000	—	1,000	20,000	Haizhu, Guangzhou
Other Projects	86,000	22,000	42,000	—	22,000	N/A
Total	2,200,000	924,000	366,000	356,000	554,000	

MANAGEMENT OF INVESTMENT PROPERTIES

To enhance the quality of key investment properties including the Guangzhou International Finance Centre ("IFC") and Fortune World Plaza, the Group strengthened cooperation with international professional firms. At the same time, the Group put greater efforts into the disposal of none-core investment properties so as to optimize our asset structure. The Group has engaged Jones Lang LaSalle to provide property management services and CB Richard Ellis to launch global promotion for office leasing at IFC. The Group also introduced top domestic and international brands, such as the Four Seasons Group and Guangzhou Friendship Store, to the IFC. Fortune World Plaza has been designed as a shopping centre combining a retail arcade with a wholesale market.

Investment properties as of 31 December 2009 amounted to approximately 990,000 sq.m., comprising approximately 37% in office properties, 35% in commercial properties, and 28% in car parks. Rental revenue from investment properties and property management fees amounted to approximately HK$692 million, representing an increase of 8.0% over the previous year. During the reporting period, the portfolio´s fair value appreciated by approximately HK$313 million to HK$8,506 million.

Part of the floor area at the IFC, destined to be a landmark building in Southern China, has been classified as investment property in accordance with the latest accounting standard since its topping-out in December 2008.

Details of the Group's investment properties are as follows:

Project Name	GFA (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carpark (sq.m.)	Location
Guangzhou IFC (portion)	237,300	171,300	44,700	21,300	Tianhe, Guangzhou
Popark Plaza	85,000	—	85,000	—	Tianhe, Guangzhou
Jin Han Building	45,800	45,800	—	—	Yuexiu, Guangzhou
Hong Kong Properties	22,200	11,100	11,100	—	Hong Kong
Guang Yuan Cultural Centre	32,000	—	20,700	11,300	Yuexiu, Guangzhou
Huangshi Garden	30,900	—	30,900	—	Baiyun, Guangzhou
Xiangkang Commercial Plaza	28,900	28,900	—	—	Yuexiu, Guangzhou
Victory Plaza (Tower Building portion)	26,000	26,000	—	—	Tianhe, Guangzhou
Jiangxing Building	17,900	17,900	—	—	Haizhu, Guangzhou
Yue Xiu City Plaza	17,500	—	17,500	—	Yuexiu, Guangzhou
Hong Fa Building	17,300	17,300	—	—	Tianhe, Guangzhou
Other Projects (include carparks)	430,200	44,100	136,200	249,900	N/A
Total	991,000	362,400	346,100	282,500	

Zhongshan Plot

COST CONTROL

Through improving our tendering and sourcing processes, we have significantly reduced the cost of purchases. At the same time, through heightened scrutiny and enhanced evaluation of costs throughout the whole construction chain, we have either achieved better design solutions or effectively reduced construction costs.

PROGRESS IN SYSTEM REFORM

During the reporting period, the Group managed to reform its human resources management system, whereby all of its major subsidiaries engaged in real estate development had appointed professional consultants for human resources planning. As a result, corporate organizational structure, job position chart, staff appraisal system and remuneration & welfare system, etc. were modified and a more market-oriented employment mechanism was established.

In addition, the Group also made improvements in product standardization and research on energy-savings product features. A solid foundation was therefore laid for further product research and developments. Some of these research projects won partial sponsorship from the government.

BRAND REPUTATION

During the reporting period, the Group's brand reputation continued to grow. The Group received a number of honours, such as being awarded the recognition of "2009 Outstanding Mainland Property Stock" by Hong Kong "Economic Digest", placing 35th in the "Top 100 Real Estate Enterprises in China" announced by the China Industrial Information Issuing Centre under the National Bureau of Statistics, being selected as one of the "Top 20 Best-Seller Real Estate Enterprises in Guangzhou in 2009" rated by the China Real Estate Appraisal Centre, as well as being listed among the "Top 20 Most Creditworthy Real Estate Enterprises in Guangdong" by www.people.com.cn under the People´s Daily and the four state-owned commercial banks. In addition, our office tower project Victory Plaza received the "9th Zhan Tianyou Award on Civil Engineering Projects in China".

OTHER BUSINESSES

In 2009, revenue from real estate supplementary businesses (mainly decoration and supermarket segments) amounted to HK$662 million, representing an increase of 3% over the previous year.

During the year, GZI Real Estate Investment Trust ("GZI REIT") recorded satisfactory operating results and realized gross revenue of HK$532 million, representing an increase of 7.4% over the previous year. As the Group held 35.58% interest in the trust, it would receive a cash distribution of HK$89 million.

FUTURE PROSPECTS

The Group is confident about the long term prospect of the property market in the PRC. Armed with its market leadership in its home base of Guangzhou and plans of strategically expanding its footprint nationally, the Group will seek to leverage its expertise and track record in executing its growth strategies. With property development unambiguously designated as its core business and its organizational and management structure being improved upon to become more market oriented, the Group is confident that it is well positioned to confront the challenges and capitalize on the opportunities this exciting market has to offer in the future.

Specifically, the Group aims to achieve the following tasks:

Enhancing our sales and marketing capability. We plan to reach contracted sales of HK$9 billion and 540,000 sq.m. in 2010 and aim to join the "HKD10 Billion Club" in terms of sales in 2011. According to initial figures, we sold a total of 130,300 sq.m. for RMB 2,030 million (equivalent to HK$2,307 million) in January and February 2010, representing an increase of 157.5% and 347.1% as compared with the corresponding periods in 2009, and accomplishing 24.1% and 25.7% of the 2010 annual target. As the new supply of commodity housing in Guangzhou's urban areas continues to decrease, we expect that prices will remain high. Since the Group's projects launched for sale in 2010 are mainly located in these urban areas, the Group is highly confident that the full year sales target is achievable.

Increasing our land reserve. We will continue to expand our land portfolio and optimize the quality of our land reserve. At the same time as we adhere to our home base in Guangzhou, we look to extend our footprint to the Pearl River Delta and select first and second tier key cities in other regions. Generally speaking, we seek to acquire high-quality and sizable sites with total floor area of 1.5 times the contracted sales area in every year.

Speeding up disposal of non-core assets. We will speed up the process of divesting our holdings of small and non performing shop bays, office buildings, residential space and parking areas.

Shortening the project development cycle. We will speed up project development by implementing product standardization, shortening the initial planning stage and the marketing cycle so as to enhance project returns and cash flow.

Strengthening brand management. Based on the existing brand of "Yuexiu City Construction", we will continue to enhance our branding strategy, promote our brand name and lift our brand image. We will try to build a multi-level branding system which matches our product standardization drive while taking into account local market needs, product grading and customer demand.

Management Discussion and Analysis

FINANCIAL REVIEW

Financial Summary

1. **Profit attributable to shareholders from continuing operations amounted to approximately HK$725 million, increased 73.6% over the previous year**

   After the distribution and share offer of the entire holding of GZT shares during the year, revenue reached approximately HK$5,300 million, increased 67.8% over the previous year, and marked a new record high. Operating profit amounted to approximately HK$1,395 million, representing a sharp increase of 330.7% from approximately HK$324 million of previous year. Excluding the effect of fair value gains/(losses) on revaluation of investment properties, the operating profit increased by 81.8% over the previous year. Operating profit margin (operating profit over revenue) was approximately 26%, increased by 16 percentage points over the previous year of approximately 10%. Net profit margin from continuing operations (profit attributable to shareholders from continuing operations over revenue) was approximately 14%, increased by 1 percentage point over the previous year of 13%.

2. **Optimize business structure, succeed in split-off toll road business and focus on core property business**

   Following the completion of distribution and share offer of entire holding of GZT shares in 2009, the Group has been solely engaged in property business.

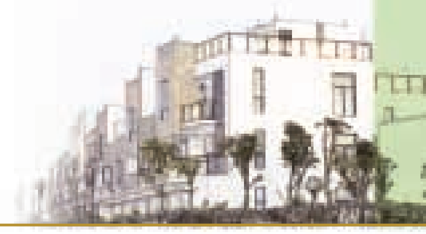
   Despite an one-off non-cash loss of approximately HK$1,594 million was recorded from the transaction, net cash proceeds of approximately HK$1,610 million (after deducting cash payment and related transaction costs) was received from the distribution and share offer of GZT shares. All of the cash received had been used for the development of property projects.

   In the year under review, the Group actively revised its strategies and expanded business scale. Around 1.38 million square meters (GFA) of high quality parcels of land were acquired through auctions during the year, at a total cost of approximately RMB5,084 million, thus further enhancing the capacity of sustainable development. As at 31 December 2009, the Group's total assets amounted to approximately HK$41,420 million.

3. **Healthy financial position and adequate working capital**

   During the year, the Group has kept a healthy financial position while successfully tackled the adverse impact of international financial crisis. As at 31 December 2009, working capital (current assets over current liabilities) stood at approximately HK$9,126 million, a 78.8% higher when compared to last year. Current ratio was 1.71. Cash and pledged bank deposits amounted to approximately HK$7,011 million (31 December 2008: HK$3,900 million) and available committed banking facilities amounted to approximately HK$4,300 million. The Group maintains a strong financial position and adequate working capital which provides a secured source of capital for the future development of the Group.

   Following the distribution and share offer of GZT shares, the gearing ratio (total debts less cash over net assets plus total debts less cash) of the Group stood at approximately 41.4% (2008: 31.5%).



Management Discussion and Analysis

ANALYSIS ON OPERATING RESULTS

Continuing operations

Revenue and gross profit

In 2009, the Group recorded revenue (excluding the sales of investment properties) of approximately HK$5,300 million, representing an increase of 67.8% over the previous year. Gross profit amounted to approximately HK$1,839 million, representing an increase of 52.2% over the previous year of approximately HK$1,208 million. Average gross profit margin dropped slightly from 38% in the previous year to 35% in 2009.

Revenue from the sales of properties (excluding the sales of investment properties) amounted to approximately HK$3,946 million, representing a significant increase of 111% over the previous year. Gross profit reached approximately of HK$1,389 million, an increase of 76.4% over the previous year. Average gross profit margin dropped to 35% from 42% of previous year.

During the year, proceeds from sales of investment properties with a carrying value of approximately HK$224 million amounted to approximately HK$268 million, thus generating a gain of HK$45 million.

Selling and general administrative expenses

During the year, selling expenses increased to approximately HK$213 million, representing an increase of 7.7% over the previous year. The increase was mainly attributable to the rise in contracted sales as well as an increase in promotion and advertising initiatives.

Due to the significant increase in contracted sales, the selling expenses ratio in 2009 (selling expenses over contracted sales) was 3.1%, decreased by 2.6 percentage points from 5.7% in the previous year.

General administrative expenses amounted to approximately HK$588 million, representing a decrease of 3% over the previous year of approximately HK$606 million. Excluding the effect of bad debts, the administrative expenses increased by 6.5% over the previous year, which was mainly attributable to a higher staffing level which was necessary to cope with the expansion of the Group's business.

As a result of the significant increase in contracted sales, the general administrative expenses ratio in 2009 (general administrative expenses over contracted sales) was 8.5%, decreased by 8.8 percentage points from 17.3% in the previous year.

Finance costs

With the effect of the increase in bank borrowings and interest margins, the Group's actual finance costs amounted to approximately HK$482 million, representing an increase of 13.9% over approximately HK$423 million in the previous year. Finance costs capitalized increased to approximately HK$409 million in 2009 over approximately HK$258 million capitalized in the previous year. Finance costs recognized as expenses were therefore approximately HK$72 million, representing a decrease of 56.5% over approximately HK$166 million in the previous year.

Share of profits from associated entities

During the year, overall net contribution from the Group's associated entities amounted to approximately HK$123 million. This was mainly contributed by the Group's share of a 35.58% equity interest in GZI REIT which generated to the Group a profit contribution of approximately HK$107 million, an increase of 33% over an approximately HK$80 million contribution in the previous year.

Taxation expenses

During the year, taxation expenses amounted to approximately HK$714 million, representing an increase of 421% over approximately HK$137 million in the previous year. This was mainly due to the significant increase in recognized sales revenue and the fair value gains on the revaluation of investment properties.

Discontinued operations

The Group completed the distribution and share offer of its entire holding of GZT shares in 2009. An one-off non-cash loss of approximately HK$1,594 million was recorded as a result of the difference between the share of net asset value of GZT and the market prices of the distribution and share offer of GZT shares. During the year, GZT however generated to the Group a profit contribution of approximately HK$500 million (before minority interest). After deducting the share to minority interest of HK$328 million, the discontinued operations incurred a net loss of approximately HK$1,422 million to the Group.

Following the disposal, the results of GZT were reported as discontinued operations and were presented separately in the consolidated income statement in accordance with the HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Profit/(loss) attributable to equity holders of the Company

Profit attributable to equity holders of the Company from the continuing operations for 2009 amounted to approximately HK$725 million, representing an increase of 73.6% over the previous year of HK$417 million. Loss attributable to equity holders of the Company from the discontinued operations amounted to approximately HK$1,422 million. Overall the Group recorded a net loss attributable to equity holders of the Company of approximately HK$697 million, representing a decrease of 214.7% over the previous year.

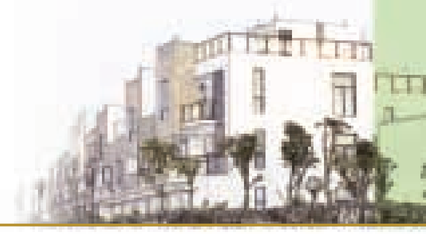
Earnings per share

Basic earnings per share attributable to equity holders of the Company from the continuing operations for 2009 were HK10.17 cents (2008: HK5.86 cents). Basic loss per share attributable to equity holders of the Company from the discontinued operations was HK19.95 cents.

Liquidity and financial resources

As at 31 December 2009, the Group's working capital (current assets less current liabilities) amounted to approximately HK$9,126 million (2008: HK$5,103 million). The Group's current ratio was 1.71. Cash and cash equivalents amounted to approximately HK$4,915 million (2008: HK$3,497 million). Charged bank deposits amounted to approximately HK$2,096 million (2008: HK$404 million). Undrawn committed bank facilities amounted to approximately HK$4,300 million.

The Group's major sources of liquidity are from recurring cash flows of its business and committed bank facilities. The Group insists on the importance of maintaining a healthy and stable liquidity position so as to meet the need of a fast-changing external market and to safeguard the business development of the Group. Therefore, the Group places great emphasis on liquidity management and risk control. Other than proactively maintaining good relationships with financial institutions in Hong Kong and Mainland China, the Group strives to explore alternative financing channels, seek to lower financing costs, and monitor the capital and debt structure from time to time. The Group also makes appropriate adjustments thereof in order to enhance its risk resistance capability.



Capital structure

The Group's capital structure is summarized as follow:

	31 December	
	2009	2008
	HK$'000	HK$'000
Bank borrowings (floating rate)		
Denominated in RMB	**10,010,221**	5,606,927
Denominated in Hong Kong dollar	**4,234,917**	4,121,888
Total bank borrowings	**14,245,138**	9,728,815
Unsecured other borrowings	**56,818**	411,382
Finance lease	**124**	75
Overdrafts	**459**	406
Total debts	**14,302,539**	10,140,678
Ageing analysis:		
Repayable within one year	**2,143,636**	5,696,028
In the second year	**2,802,319**	1,572,655
In the third to fifth year	**6,528,645**	1,394,199
Over five year	**2,827,939**	1,122,576
With no fixed repayment terms	**—**	355,220
Total borrowings	**14,302,539**	10,140,678
Less: Bank balances and cash	**(4,915,280)**	(3,496,547)
Net borrowings	**9,387,259**	6,644,131
Shareholders' equity (excluding minority interests)	**13,300,880**	14,479,118
Total capitalization	**22,688,139**	21,123,249
Gearing ratio	**41.4%**	31.5%

As at 31 December 2009, the Group's bank borrowings amounted to HK$14,245 million, in which the borrowings repayable within one year amounted to HK$2,144 million, representing a 15.0% of the total bank borrowings. During the year, net new bank borrowings from property business increased by approximately HK$5,300 million, which has been injected in full into the development of property projects.

Capital expenditures and investments

In 2009, the Group's capital expenditures on property, plant, equipment and investment properties amounted to HK$368 million.

Interest rate exposure

Interest expenses accounted for a significant proportion of the Group's finance costs, and are charged at floating rates. The Group closely monitors the trend of interest rate fluctuations in the market and seeks to adopt appropriate risk management measures. In light of the financial crisis, the Group expects the current low interest rate environment to persist for an extended period of time. The Group will explore appropriate interest rates hedging measures if and when deemed appropriate in the future with a view to mitigate the interest rate risks. At the same time, the Group may continue to seek more Hong Kong dollar borrowings so as to take advantage of Hong Kong dollar's lower interest rate.

Foreign exchange exposure

As the business operations of the Group are mainly in Mainland China, income and cash flows are primarily denominated in RMB. The main cash outflows in Hong Kong are related to cash dividend payment to shareholders and repayment of bank borrowings. The Group will review and monitor its currency exposure from time to time and will adopt appropriate currency swaps as and when appropriate to hedge its currency risks.

Capital Commitments

As at 31 December 2009, the Group had unpaid land premium commitment in respect of the land acquisition of approximately HK$3,016 million.

Other than the above, the Group's capital commitments in respect of the property, plant, equipment and investment properties amounted to approximately HK$3,614 million (2008: approximately HK$628 million).

Contingent Liabilities

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for purchasers of the Group's properties in Mainland China. Pursuant to the terms of the guarantees, upon default in mortgage payments by those purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates. As at 31 December 2009, total contingent liabilities relating to these guarantees amounted to approximately HK$ 1,176 million (2008: approximately HK$883 million)

In connection with the disposal of a subsidiary to GZI REIT during 2008, the Group entered into a Deed of Indemnity to indemnify GZI REIT against certain liabilities for land premium, mortgage guarantees and deferred taxation with an estimated total amount of approximately HK$74 million. The Deed of Indemnity will expire on 30 May 2014.

Pledge of assets

As at 31 December 2009, certain banking facilities and loans granted to the Group were secured by assets of the Group. Details of the pledge of assets are set out in Note 43 to the financial statements.

Final dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: final dividend HK0.8 cent per ordinary share).

Employees and remuneration policy

As at 31 December 2009, excluding toll road business, the Group had approximately 5,800 employees (30 June 2009: 5,960 employees). The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. The Group has also adopted share option schemes, with options awarded to employees accordingly to their performance. Promotion and salary adjustments are based on performance.

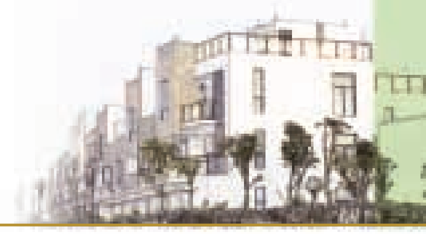
Disclosures Pursuant to Rule 13.21 of the Listing Rules

Reference is made to HK$3,200 million loan agreement dated 8 December 2009 ("Loan Agreement") with a final maturity in December 2012. In accordance with the terms of the Loan Agreement, it shall be an event of default if Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") ceases to maintain (i) its status as the single largest beneficial shareholder of the Company, or (ii) (whether directly or indirectly) a shareholding interest of not less than 35% in the issued voting share capital of the Company or (iii) an effective management control over the Company. These obligations have been duly complied with for the year ended 31 December 2009.

Jiang Nan New Village
Phase 3 Zone 7

B2-10, Pearl River New City, Guangzhou

Directors’ Profiles



EXECUTIVE DIRECTORS

Mr Lu Zhifeng, aged 57, was appointed executive director and Chairman of the Company in 2008. He is also the Chairman of Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”), the controlling shareholder of the Company. Mr Lu holds a Master of Business Administration degree and the qualification of senior economist in China. He has accumulated nearly forty years of experience in production operation, capital and corporate management. Before taking up his post of Chairman of the Company, Mr Lu was the managing director of Guangzhou Automobile Industry Group Co., Ltd., vice chairman of Guangzhou Automobile Group Co., Ltd., chairman of Guangzhou Honda Automobile Co., Ltd., and vice chairman and executive director of Denway Motors Limited (Stock Code: 203), a company listed on the Stock Exchange. Before that, he had been general manager of Guangzhou Yangcheng Automobile Group Co. and vice chairman and managing director of Guangzhou Yangcheng Automobile Co., Ltd.

Mr Zhang Zhaoxing, aged 46, was appointed executive director, a Vice Chairman and General Manager of the Company in 2008. He is a vice chairman and general manager of Yue Xiu and the Chairman of GZI Transport Limited (“GZT”), a company listed on the Stock Exchange (Stock Code: 1052). Mr Zhang holds an Executive Master of Business Administration degree awarded by Huazhong University of Science and Technology, and possesses the qualification of senior accountant in China. He has extensive experience in the financial management, industrial operation, capital operation and corporate culture development of large enterprises. Before taking up his post of Vice Chairman and General Manager of the Company, Mr Zhang was the director and general manager of Guangzhou Radio Group Co., Ltd., chairman and general manager of Haihua Electronics Enterprise (China) Corporation, chairman of Guangzhou Guangdian Real Estate Development Co., Ltd. and a director of GRG Banking Equipment Co., Ltd., a company listed on The Shenzhen Stock Exchange (Stock Code: 002152).

Mr Liang Yi, aged 57, was appointed executive director of the Company in 2003. He is also a Vice Chairman of the Company and a director of Yue Xiu. Mr Liang graduated from the Chinese People’s Liberation Army Engineering Soldier’s University majoring in public administration. Prior to joining Yue Xiu in June 2001, he assumed leading roles in Guangzhou Chemical Industry Bureau and organizations under the party Committee of Guangzhou Municipal People’s Government. Mr Liang had made outstanding contribution in establishing the administrative supervisory system of Guangzhou. He has over 20 years of experience in public administration.

Mr Tang Shouchun, aged 47, was appointed executive director of the Company in 2006. Mr Tang graduated from Nanjing Agricultural University and is a senior accountant, senior economist and registered asset appraiser in China, and has a Doctor degree in Agricultural Economics and Management. Prior to joining Yue Xiu in 2002, he taught at Southwestern University of Finance and Economics in Chengdu and was a vice professor of South China Normal University in Guangzhou. He had been a director and chief accountant of Guangzhou City Construction & Development Group Co. Ltd., responsible for overseeing financial accounting, financial management and capital operation of the company. He also participated in the planning and operation management of various large real estate projects. Mr Tang is currently a deputy general manager of Yue Xiu, and is responsible for overseeing the Group’s financial and treasury affairs. He has extensive experience in the financial management and capital operation of large enterprises.

Mr Liang Youpan, aged 54, was appointed executive director of the Company on 1 January 2010. He is also a deputy general manager of the Company and Yue Xiu. Prior to joining Yue Xiu in 1998, Mr Liang was the Workshop director of Guangzhou Wen Chong Shipyard Company Limited, which is a subsidiary of China State Shipbuilding Company. Between 1991 and 1998, Mr Liang was a unit head in the administrative supervisory division of the Guangzhou Municipal People's Government. Mr Liang has a wide range of experience in PRC corporate governance practices, particularly in the area of internal controls. Mr Liang graduated in 1986 from Guangzhou Economics Management Cadre's Institute in China with a diploma in corporate governance. Mr Liang is a non-executive director of GZI REIT Asset Management Limited, a company licensed by The Securities and Futures Commission to conduct the regulated activity of asset management and the manager of GZI Real Estate Investment Trust, a collective investment scheme listed on the Stock Exchange (Stock Code: 405).

Mr Lam Yau Fung Curt, aged 41, was appointed executive director of the Company on 1 January 2010. He is also the Group financial controller of Yue Xiu. Mr Lam was previously Head of Corporate Finance and Business Development at GOME Electrical Appliances Holding Limited (Stock Code: 493), China's largest electronics retailer, which is listed on the Stock Exchange. Prior to joining GOME, he spent more than 10 years working in investment banking and capital markets at Schroders Asia, ABN AMRO Rothschild, and Deutsche Bank. Mr Lam has extensive experience in financial management, investment and transaction analysis, capital markets, and corporate finance. He is a Chartered Financial Analyst (CFA) and holds a MBA from Rice University in the US.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Yu Lup Fat Joseph, aged 62, has been an independent non-executive director of the Company since 1992. Mr Yu holds a master's degree in applied finance from Macquarie University in Australia and a diploma of management studies from the University of Hong Kong. Mr Yu has over 40 years of experience in investment, banking and finance and is a senior advisor of Access Capital Limited.

Mr Lee Ka Lun, aged 55, has been an independent non-executive director of the Company since 2000. He is an accountant by profession. Mr Lee is a Fellow of the Association of Chartered Certified Accountants in UK and has over 20 years of experience in banking and auditing. He is an independent non-executive director of Denway Motors Limited (Stock Code: 203), Chow Sang Sang Holdings International Limited (Stock Code: 116) and REXLot Holdings Limited (Stock Code: 555). The shares of the companies mentioned above are listed on the Stock Exchange.

Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 62, has been an independent non-executive director of the Company since 2004. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr Lau is currently an independent non-executive director of Franshion Properties (China) Limited (Stock Code: 817), Glorious Sun Enterprises Limited (Stock Code: 393), GZT, Qin Jia Yuan Media Services Company Limited (Stock Code: 2366), The Hong Kong Parkview Group Limited (Stock Code: 207), Wing Hang Bank, Limited (Stock Code: 302) and Brightoil Petroleum (Holdings) Limited (Stock Code: 933). The shares of the companies mentioned above are listed on the Stock Exchange. He is also a Director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited and Wytex Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

Corporate Governance Report

The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the conduct and growth of its business.

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

The Company has complied with the Code Provisions save for certain deviations from Code Provisions A.4.1, details of which are explained below.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

The board of directors ("Board") of the Company plays a crucial role in sustaining high standards of corporate governance, transparency and accountability of the Company's operations.

The key corporate governance principles and practices of the Company are summarised below.

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs in the interests of the Company.

The Board has delegated the supervision of the day-to-day management of the Company's business to the executive directorate, and focuses its attention on matters affecting the Company's overall strategic policies and finances, including: the approval and monitoring of all policy matters, overall business strategies and budgets, internal control and risk management systems, financial statements, dividend policy, major financial arrangements and major investments, treasury policies, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary or external legal advisors, where appropriate, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director may seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgment. For a list of directors during the year ended 31 December 2009 and their respective profiles, please refer to page 45 of the Report of the Directors and the Directors' Profiles.

None of the members of the Board is related to one another.

During the year ended 31 December 2009, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considered all independent non-executive directors to be independent.

Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make valuable contributions to the effective direction of the Company.

Appointment and Succession Planning of Directors

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, all the non-executive directors of the Company are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Articles of Association. All the non-executive directors of the Company had retired by rotation during the past three years. They have been re-elected.

In accordance with the Company's Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years.

Training for Directors

Each newly appointed director receives comprehensive, formal and tailored induction and a directors' guidelines on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary.

Board Meetings

Number of Meetings and Directors' Attendance

In year 2009, the Board held 18 meetings (including circulation of written revolutions). The attendance record of each member of the Board is set out below :

Directors	**Attendance of Board meetings in 2009**
Executive directors	
Lu Zhifeng	18/18
Zhang Zhaoxing	18/18
Liang Yi	18/18
Tang Shouchun	18/18
Wang Hongtao	16/18
Zhou Jin	16/18
Li Xinmin[1]	10/10
He Zili[2]	2/5
Independent non-executive directors	
Yu Lup Fat Joseph	18/18
Lee Ka Lun	18/18
Lau Hon Chuen Ambrose	17/18

Notes:

1. Resigned with effect from 3 November 2009
2. Resigned with effect from 14 August 2009

Practices and Conduct of Meetings

Notices of the two regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least three days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management as and when they deemed appropriate.

Minutes of all Board meetings and committee meetings are kept by the Company Secretary. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to the current Board practice, any material transaction will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles of Association also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and General Manager to ensure a balance of power and authority.

The position of the Chairman is held by Mr Lu Zhifeng while the position of General Manager is held by Mr Zhang Zhaoxing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The General Manager focuses on implementing objectives, policies and strategies approved and delegated by the Board.

BOARD COMMITTEES

The Board has established two committees, namely, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are available for inspection by shareholders upon request.

Audit Committee

The Audit Committee comprises three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr Yu Lup Fat Joseph is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditor before submission to the Board.

(b) To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held three meetings during the year ended 31 December 2009 to review the financial results and reports, financial reporting and compliance procedures, internal control system and risk management system and the re-appointment of the external auditors. The attendance record of each Audit Committee member is set out below:

Directors	**Attendance of Audit Committee meetings in 2009**
Yu Lup Fat Joseph	3/3
Lee Ka Lun	3/3
Lau Hon Chuen Ambrose	3/3

The Company's annual results for the year ended 31 December 2009 have been reviewed by the Audit Committee.

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors and Mr Tang Shouchun, an executive director.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure, and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee met once on 23 March 2010 (with all members present) and reviewed and approved the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2009.

Specific employees who are likely to be in possession of unpublished price sensitive information have been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITOR'S REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2009.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report".

The remuneration paid to the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2009 amounted to HK$7,376,000 and HK$2,042,000 respectively.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' interests and Company's assets and for review, through its Audit Committee, of the effectiveness of the system. The internal auditor shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks. The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group against material errors, loss or fraud. However, any internal control system can provide only reasonable but not absolute assurance of full protection against material errors, losses, fraud or failure to meet its business objectives.

In meeting its responsibility, the Board seeks to increase risk awareness of its business operations and puts in place policies and procedures, including the parameters of delegated authority, to provide for the identification and management of business risk. The Board assumes overall responsibility in monitoring the operation of the businesses within the Group. Executive directors are appointed to the boards of all significant material operating subsidiaries to attend their board meetings and to oversee the operations of those companies. Monitoring activities include the review and approval of business strategies, budgets and plans, and the setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies and similarly the management of each business is accountable for its conduct and performance.

Business plans and budgets are prepared annually by the management of individual businesses which are subject to review and approval by both the executive management teams and the executive directors as part of the Group's corporate planning. The executive directors hold monthly meetings to review management reports on the business results and key operating statuses of each core business.

The Group has established procedures and guidelines for the approval and control of expenditure. Operating expenditure is subject to overall budget control and is controlled within each business with the approval levels for such expenditure being set by reference to the level of responsibility of each executive and officer.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company. The Board believes that the internal control system is adequate and effective and do not note any material deviation.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make informed investment decisions.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the Audit Committee are available to answer questions at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

To promote effective communication, the Company also maintains a website at www.yuexiuproperty.com, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

Investor Relations Report

The Group is committed to enhance its relations with investors and transparency and disclose its latest strategies of development and progress of business development.

In 2009, we have substantially improved and modified the Group's website (www.yuexiuproperty.com), featuring data of monthly property sales and newly acquired land banks, which are also disclosed in public media, in order to release the most updated internal information of the Group in a completely brand new manner.

We have also taken a proactive stance to participate in a wide variety of investment meetings and broaden our outreach to investors around the world. In 2009, we have regaled dozens of institutional investors, organized about 100 on-site visits to property projects of the Group in Guangzhou and participated in investors conferences held by Credit Suisse, Merrill Lynch and etc.. After the publication of annual results announcement, interim results announcement and announcement of spin-off of toll road business, we have organized several road shows and met international investors from Asia, Europe and North America with a view to updating them with the latest information about the Company and helping them to better understand the most recent development of the market we engage in, our business development strategy and financial status. On the other hand, the Group has furthered its promoting efforts to domestic QDII investors and achieved satisfactory results. Besides, we have successfully expanded our analyst team and there were about 10 research reports of the Company being released during the year.

During our meetings with investors, many of them have made recommendations and suggestions which are beneficial to the development of the Company and we would like to hereby express our heartfelt gratitude to shareholders and investors for their active feedbacks and constructive opinions, which form a solid basis for the Company to formulate development strategies that is in line with shareholders' interests and capable of delivering more fruitful rewards to our shareholders.

MAJOR INVESTOR RELATIONS ACTIVITIES OF THE GROUP IN 2009

March	Analysts and press conference on 2008 annual results
July	Participated in the China Real Estate Conference organized by Credit Suisse
September	Analysts and press conference on 2009 interim results
October	Analysts and press conference on the distribution and disposal of shares in toll road business
December	Participated in the China Real Estate Conference organized by CLSA
December	Participated in the China Real Estate and Construction Industry Conference organized by Merrill Lynch

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of development, selling and management of properties, holding of investment properties and development, operation and management of toll highways and bridges (disposed of during 2009). The principal activities of its principal subsidiaries, jointly controlled entities, associated entities are set out in the section headed "Group Structure" on pages 151 to 159.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 55.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2009.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 37 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$100,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in Note 16 to the financial statements.

MAJOR PROPERTY PROJECTS

Details of the major property projects held for/under development, for sale and for investment purposes of the Group in Guangzhou Municipality are set out in the Business Review section on pages 21 to 24.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 35 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the Hong Kong Companies Ordinance.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below.

	Year ended 31 December				
			As restated		As restated
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Profit attributable to equity holders of the Company	**(697,414)**	607,964	1,031,321	712,615	2,527,765

	As at 31 December				
			As restated		As restated
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**41,419,688**	42,932,994	44,077,753	29,621,544	27,095,641
Total liabilities	**(27,658,397)**	(21,795,492)	(23,421,853)	(14,645,386)	(13,156,154)
Minority interests	**(460,411)**	(6,658,384)	(6,866,145)	(3,839,271)	(3,550,726)
Shareholders' equity (excluding minority interests)	**13,300,880**	14,479,118	13,789,755	11,136,887	10,388,761

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

INTEREST CAPITALISED

During the year, interest capitalised as development cost in respect of properties under development and property, plant and equipment amounted to approximately HK$409 million (2008: HK$258 million).

DISTRIBUTABLE RESERVES

As at 31 December 2009, the distributable reserves of the Company available for distribution amounted to HK$2,422 million (2008: HK$2,558 million).

DIRECTORS

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

Mr Lu Zhifeng	
Mr Zhang Zhaoxing	
Mr Liang Yi	
Mr Tang Shouchun	
Mr Liang Youpan	(appointed with effect from 1 January 2010)
Mr Lam Yau Fung Curt	(appointed with effect from 1 January 2010)
Mr Wang Hongtao	(resigned with effect from 1 January 2010)
Ms Zhou Jin	(resigned with effect from 1 January 2010)
Mr Li Xinmin	(resigned with effect from 3 November 2009)
Mr He Zili	(resigned with effect from 14 August 2009)
Mr Yu Lup Fat Joseph*	
Mr Lee Ka Lun*	
Mr Lau Hon Chuen Ambrose*	

* *Independent non-executive directors*

The Directors' Profiles are set out on pages 34 to 35.

ROTATION AND RE-ELECTION OF DIRECTORS

Messrs Liang Yi, Tang Shouchun and Lee Ka Lun retire by rotation in accordance with Article 91 of the Company's Articles of Association at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Mr Liang Youpan and Mr Lam Yau Fung Curt retire in accordance with Article 97 of the Company's Articles of Association and, being eligible, offer themselves for re-election at the forthcoming general meeting.

The Board recommends the re-appointment of all directors standing for re-election at the forthcoming general meeting of the Company.

DIRECTOR'S SERVICE CONTRACTS

Mr Lam Yau Fung Curt has entered into a service contract with the Company, which may be terminated, by either side, on three months' notice.

Save as disclosed above, none of the directors of the Company has a service contract with the Company which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

DIRECTOR'S INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its fellow subsidiaries was a party and in which any 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.

CONNECTED TRANSACTIONS

During the reporting year, the following connected transactions were entered into or continued on normal and commercial terms:

Date	Connected Party	Relationship with the Company	Nature of Transaction	Consideration	Payment made/ received during the reporting year
1 January 2009	Yue Xiu Cold Storage & Warehousing Limited	Subsidiary of controlling shareholder	Monthly tenancy of the property at 16 Tung Yuen Street, Yau Tong, Kowloon, Hong Kong commencing 1 January 2009 [1]	HK$250,000 per month exclusive of rates	HK$3,000,000
17 March 2009 & 12 January 2010	Hi-Watt Battery Industry Co. Ltd.	Subsidiary of controlling shareholder	Lease of part of Hi-Watt Industrial Building, 21 Tung Yuen Street, Yau Tong, Kowloon for 34,750 sq.ft. upto 30 November 2009 and then for 19,226 sq.ft. from 1 December 2009 for a term of 2 years[2]	HK$121,625 per month up to 30 November 2009 and then HK$67,291 from 1 December 2009	HK$1,405,166
20 October 2009	Yue Xiu Enterprises (Holdings) Limited	Controlling Shareholder	Yue Xiu entered into an underwriting agreement with the Company in respect of the Company's offer of shares of GZI Transport Limited ("GZT")[3] Yue Xiu took up its entitlement to 289,492,597 offer shares under the Share Offer and acquired 188,534,284 offer shares not taken up by the qualifying shareholders pursuant to the underwriting agreement dated 20 October 2009 [4]	HK$1,434,080,643	HK$1,434,080,643

Date	Connected Party	Relationship with the Company	Nature of Transaction	Consideration	Payment made/ received during the reporting year
1 December 2009	Guangzhou Highways Development Company (GHDC)	a substantial shareholder of then six subsidiaries of the Company	The GZT group entered into the Compensation Agreement with GHDC for compensation for 80% interest in relation to closure of Taihe Toll Road Station of Guangcong Highway Section I[5]	RMB217,927,400	—
1 December 2009	GHDC	a substantial shareholder of then six subsidiaries of the Company	Top Global Holdings Limited entered into the Equity Transfer Contract relating to acquisition of 35% equity interest in Guangzhou Xinguang[5]	RMB3,519,600	RMB3,519,600
1 December 2009	GHDC	a substantial shareholder of then six subsidiaries of the Company	Top Global Holdings Limited entered into the Debt Assignment relating to assignment of existing shareholder loan to Guangzhou Xinguang on dollar to dollar basis[5]	RMB107,428,000	—
1 December 2009	GHDC	a substantial shareholder of then six subsidiaries of the Company	Fortune Success Group Limited entered into the Equity Transfer Contract relating to acquisition of 39% equity interest in Guangzhou Tailong[5]	RMB41,847,200	RMB41,847,200
1 December 2009	GHDC	a substantial shareholder of then six subsidiaries of the Company	Fortune Success Group Limited entered into the Debt Assignment relating to assignment of existing shareholder loan to Guangzhou Tailong on dollar to dollar basis[5]	RMB65,132,600	—

Notes:

1. This transaction constitutes a continuing connected transaction and is regarded as a "de minimis transaction" pursuant to Chapter 14A of the Listing Rules.

2. This transaction constitutes a continuing connected transaction and is regarded as a "de minimis transaction" pursuant to Chapter 14A of the Listing Rules.

3. Offer for sale by the Company of the offer shares, which represent all shares of GZI Transport Limited held by it immediately following completion of the inter-company distribution and transfer and the GZT share distribution, to the qualifying shareholders on pro rata basis for HK$3.00 per GZT Share ("Share Offer").

4. Announcement was published on 20 October 2009. Circular was despatched to shareholders on 10 November 2009. Transaction was approved by the independent shareholders at extraordinary general meeting on 26 November 2009.

5. Joint announcement with GZI Transport Limited was published on 1 December 2009. GZI Transport Limited ceased to be a subsidiary of the Company on 14 December 2009 before despatch of the relevant circular to shareholders.

The transactions described in Note 44(b)(I)(i), II(ii) and III(ii) to the financial statements constitute other connected transactions entered into or continued by the Group during the Reporting Year.

INTERESTS OF DIRECTORS

As at 31 December 2009, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange were as follows:

1. Long positions in shares of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Lee Ka Lun	Personal	3,500,000	0.049
Mr Wang Hongtao	Personal	160,000	0.002
Ms Zhou Jin	Personal	100,000	0.001

2. Long positions in underlying shares of equity derivatives of the Company:

			Number of share options		
Name of Director	Date of grant	Exercise price per share HK$	outstanding as at 1 January 2009	exercised during the year	outstanding as at 31 December 2009
Mr Tang Shouchun	23/06/2004(a)	0.630	1,560,000	—	1,560,000
Mr Lau Hon Chuen Ambrose	28/05/2008(b)	1.556	2,800,000	1,680,000[c]	1,120,000

Notes:

(a) The share options are exercisable from 23 June 2004 to 22 June 2014, of which a maximum of up to (i) 30 percent; and (ii) 60 percent (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.

(b) The share options are exercisable from 28 May 2008 to 27 May 2018, of which a maximum of up to (i) 30 percent; and (ii) 60 percent (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.

(c) The closing price per share immediately before the date on which the options were exercised was HK$2.33.

Save as disclosed herein, as at 31 December 2009 none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Save as disclosed herein, at no time during the year was the Company, its holding company, its subsidiaries, or its fellow subsidiaries a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 December 2009, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	**Capacity**	**Number of shares held**	**Approximate % of interest**
Yue Xiu *(Note)*	Interests of controlled corporations	3,331,435,248 (Long position)	46.68%

Note:

Yue Xiu is deemed by the SFO to be interested in 3,331,435,248 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

Name	**Long position in shares**
Excellence Enterprises Co., Ltd. ("Excellence")	3,325,548,981
Bosworth International Limited ("Bosworth")	2,430,846,821
Sun Peak Enterprises Ltd. ("Sun Peak")	565,683,000
Novena Pacific Limited ("Novena")	565,683,000
Shine Wah Worldwide Limited ("Shine Wah")	158,049,000
Morrison Pacific Limited ("Morrison")	158,049,000
Perfect Goal Development Co., Ltd. ("Perfect Goal")	135,737,000
Greenwood Pacific Limited ("Greenwood")	135,737,000
Seaport Development Limited ("Seaport")	35,233,160
Goldstock International Limited ("Goldstock")	35,233,160
Yue Xiu Finance Company Limited	5,886,267

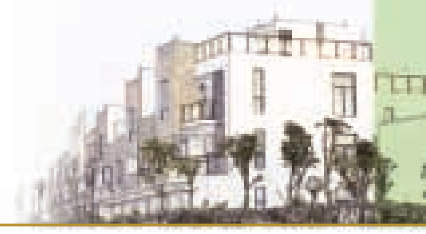
(i) 2,430,846,821 shares were held by Bosworth, which was wholly-owned by Excellence which was, in turn, wholly-owned by Yue Xiu.

(ii) 565,683,000 shares were held by Novena, which was wholly-owned by Sun Peak which was, in turn, wholly-owned by Excellence.

(iii) 158,049,000 shares were held by Morrison, which was wholly-owned by Shine Wah which was, in turn, wholly-owned by Excellence.

(iv) 135,737,000 shares were held by Greenwood, which was wholly-owned by Perfect Goal which was, in turn, wholly-owned by Excellence.

(v) 35,233,160 shares were held by Goldstock, which was wholly-owned by Seaport which was, in turn, wholly-owned by Excellence.



SHARE OPTIONS

The Company

On 26 June 2002, the shareholders of the Company approved the resolutions relating to the termination of the old share option scheme and the adoption of a new share option scheme ("2002 Share Option Scheme"). The 2002 Share Option Scheme complies with the amendments to Chapter 17 of the Listing Rules.

Pursuant to the 2002 Share Option Scheme, the board of directors of the Company ("Board") may grant to any person being an employee, officer, director, agent, consultant or representative of Yue Xiu, the Company or any of their respective subsidiaries ("Participants") options to subscribe for shares in the Company. The purpose of the 2002 Share Option Scheme is to provide incentives to Participants to contribute to the Group and to enable the Group to recruit, retain and motivate high-calibre employees and attract human resources that are valuable to the Group. The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme is 10 percent of the number of shares in issue as at the date of approval of the 2002 Share Option Scheme, but the Company may seek approval from its shareholders in a general meeting to refresh the 10 percent limit.

On 2 June 2004, the shareholders of the Company approved the refreshment of the 10 percent limit under the 2002 Share Option Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme and any other schemes of the Company must not exceed 30 percent of the shares of the Company in issue from time to time. The maximum entitlement of each Participant upon exercise of the options granted or to be granted within any 12-month period immediately preceding the proposed date of grant is limited to 1 percent of the number of shares in issue as at the proposed date of grant. Any further grant of options in excess of this limit is subject to shareholders' approval in general meeting. The share options are exercisable from the commencement date of the option period (which shall be a period to be notified by the Board at the time of the grant of an option, such period to commence on the date of grant or such later date as the Board may decide and expire on the last day of the period, which in any event shall not exceed 10 years from the date of grant), of which a maximum of up to (i) 30 percent; and (ii) 60 percent (inclusive of any options exercised under (i)), of the options granted under the relevant grant are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the commencement date of the option period respectively. After the second anniversary of the commencement date of the option period the restrictions will cease. In respect of a Participant who is an employee of Yue Xiu, the Company or any of their respective subsidiaries, the same limits on the exercise of the share options as described above shall also apply, except that the periods referred to in (i) and (ii) above shall commence from the later of: (a) the date of completion by such Participant of one year of continuous employment as permanent member of the staff of Yue Xiu, the Company or any of their respective subsidiaries, as the case may be; and (b) the commencement date of the option period, and the date when the restrictions cease shall be modified accordingly. The exercise price is determined by the Board and must be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. The cash consideration to be paid for each grant of option is HK$10, with full payment of the exercise price to be made upon exercise of an option.

Movements during the year of the options granted under the share option scheme of the Company to other eligible participants (excluding the directors of the Company as disclosed on page 48) were as follows:

Number of share options						
outstanding as at 1 January 2009	**exercised during the year**	**outstanding as at 31 December 2009**	**Exercise price per share HK$**	**Date of grant**	**Exercisable period**	**Weighted average closing price (c) HK$**
11,870,000	(1,000,000)	10,870,000	0.410	02/05/2003	02/05/2003 - 01/05/2013 (b)	1.87
7,000,000	—	7,000,000	0.540	02/06/2003	02/06/2003 - 01/06/2013 (b)	N/A
2,620,000	(780,000)	1,840,000	0.814	27/10/2003	27/10/2003 - 26/10/2013 (b)	1.50
11,440,000	(1,462,000)	9,978,000	0.846	23/12/2003	23/12/2003 - 22/12/2013 (b)	2.26
39,612,000	(4,812,000)	34,800,000	0.630	23/06/2004	23/06/2004 - 22/06/2014 (b)	1.88

Notes:

(a) No options have been granted or cancelled during the year.

(b) The options are exercisable in 3 tranches.

(c) The weighted average closing price per share immediately before the dates on which the options were exercised.

INDEPENDENT NON-EXECUTIVE DIRECTOR'S FEES

Three independent non-executive directors of the Company each received HK$180,000 as director's fees for the year ended 31 December 2009.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report and within the knowledge of the Directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

No disclosures with regard to the Group's major customers and suppliers are made since the aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are less than 30 percent of the Group's total sales and purchases respectively.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lu Zhifeng
Chairman

Hong Kong, 25 March 2010

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF YUEXIU PROPERTY COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Yuexiu Property Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 55 to 150, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 31 December 2009 and of the Group's loss 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Revenue	5	**5,300,212**	3,158,523
Cost of sales	6	**(3,461,206)**	(1,950,403)
Gross profit		**1,839,006**	1,208,120
Proceeds from sales of investment properties		**268,311**	540,717
Direct costs of investment properties sold		**(223,731)**	(378,129)
Gain on sales of investment properties	21	**44,580**	162,588
Fair value gains/(losses) on revaluation of investment properties	17	**312,812**	(271,050)
Gain on disposal of a subsidiary	20(a)	**—**	28,552
Selling and distribution expenses	6	**(213,180)**	(198,021)
General and administrative expenses	6	**(588,025)**	(606,254)
Operating profit		**1,395,193**	323,935
Finance income	7	**52,618**	33,108
Finance costs	8	**(72,179)**	(165,813)
Net foreign exchange gain on financing activities		**18,122**	242,988
Share of profit/(loss) of			
- jointly controlled entities	22	**(1,981)**	(786)
- associated entities	23	**123,245**	89,068
Excess of the share of the fair value of net assets of an associated entity acquired over acquisition cost	20(a)	**—**	40,988
Profit before tax		**1,515,018**	563,488
Taxation	9	**(713,748)**	(137,076)
Profit for the year from continuing operations		**801,270**	426,412
Discontinued operations			
(Loss)/profit for the year from discontinued operations	20(b),(e)	**(1,093,620)**	547,068
(Loss)/profit for the year	10	**(292,350)**	973,480
Attributable to			
Equity holders of the Company		**(697,414)**	607,964
Minority interests		**405,064**	365,516
		(292,350)	973,480

Consolidated Income Statement

For the year ended 31 December 2009

	Note	**2009** **HK$'000**	2008 HK$'000
(Losses)/earnings per share for profit from continuing operations and (loss)/profit from discontinued operations attributable to equity holders of the Company (expressed in HK cents per share)	11		
- Basic			
From continuing operations		**10.17**	5.86
From discontinued operations		**(19.95)**	2.67
		(9.78)	8.53
- Diluted			
From continuing operations		**10.11**	5.83
From discontinued operations		**(19.84)**	2.66
		(9.73)	8.49
Dividends	12	**660,403**	242,313

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Year ended 31 December	
	2009	2008
	HK$'000	HK$'000
(Loss)/profit for the year	**(292,350)**	973,480
Other comprehensive income:		
Currency translation differences	**(365)**	1,016,064
Share of change in fair value of cash-flow hedges of an associated entity	**—**	26,266
Change in fair value of available-for-sale financial assets, net of tax	**264,440**	(94,479)
Transfer of reserve to profit and loss upon disposal of subsidiaries	**(23,601)**	(188,887)
Other comprehensive income for the year, net of tax	**240,474**	758,964
Total comprehensive income for the year	**(51,876)**	1,732,444
Attributable to:		
- Equity holders of the Company	**(469,106)**	1,048,298
- Minority interests	**417,230**	684,146
	(51,876)	1,732,444

Consolidated Balance Sheet

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Intangible operating rights	15	**—**	7,048,250
Property, plant and equipment	16	**1,474,486**	633,991
Investment properties	17	**8,505,995**	5,943,845
Leasehold land and land use rights	18	**6,300,663**	4,603,921
Interests in jointly controlled entities	22	**187,018**	458,788
Interests in associated entities	23	**1,661,729**	3,717,392
Goodwill	24	**—**	125,994
Available-for-sale financial assets	25	**1,229,395**	976,977
Deferred tax assets	38	**83,096**	90,592
		19,442,382	23,599,750
Current assets			
Properties under development	26	**4,551,681**	5,463,575
Properties held for sale	26	**796,846**	582,541
Leasehold land and land use rights	18	**6,888,123**	6,727,380
Prepayments for land use rights	27	**1,562,689**	1,884,375
Inventories	28	**103,281**	105,716
Trade receivables	29	**60,250**	66,910
Other receivables, prepayments and deposits	29	**624,120**	465,255
Taxation recoverable		**379,408**	136,951
Charged bank deposits	30	**2,095,628**	403,994
Cash and cash equivalents	31	**4,915,280**	3,496,547
		21,977,306	19,333,244
LIABILITIES			
Current liabilities			
Trade payables	32	**138,680**	96,877
Land premium payable		**498,787**	560,046
Advance receipts from customers		**4,628,108**	2,395,953
Other payables and accrued charges	33	**4,500,208**	4,885,632
Borrowings	34	**2,143,636**	5,696,028
Taxation payable		**941,743**	595,430
		12,851,162	14,229,966
Net current assets		**9,126,144**	5,103,278
Total assets less current liabilities		**28,568,526**	28,703,028

	Note	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Borrowings	34	**12,158,903**	4,444,650
Deferred tax liabilities	38	**2,648,332**	3,120,876
		14,807,235	7,565,526
Net assets		**13,761,291**	21,137,502
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	35	**713,658**	712,685
Other reserves	37	**8,998,815**	9,310,663
Retained earnings			
- Proposed dividends	37	**—**	57,015
- Others	37	**3,588,407**	4,398,755
		13,300,880	14,479,118
Minority interests		**460,411**	6,658,384
Total equity		**13,761,291**	21,137,502

On behalf of the Board

Zhang Zhaoxing
Director

Tang Shouchun
Director

Balance Sheet

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**13,030**	14,783
Investment properties	17	**17,300**	12,440
Interests in subsidiaries	19	**12,463,390**	13,939,943
		12,493,720	13,967,166
Current assets			
Other receivables, prepayments and deposits		**1,573**	3,373
Dividend receivables		**1,148,935**	556,382
Cash and cash equivalents	31	**1,126,348**	233,603
		2,276,856	793,358
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	19	**37,268**	37,215
Other payables and accrued charges		**118,717**	111,917
Borrowings	34	**374,864**	4,121,918
		530,849	4,271,050
Net current assets/(liabilities)		**1,746,007**	(3,477,692)
Total assets less current liabilities		**14,239,727**	10,489,474
Non-current liabilities			
Borrowings	34	**3,916,995**	56,207
Net assets		**10,322,732**	10,433,267
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	35	**713,658**	712,685
Other reserves	37	**7,186,657**	7,162,854
Retained earnings			
– Proposed dividends	37	**—**	57,015
– Others	37	**2,422,417**	2,500,713
Total equity		**10,322,732**	10,433,267

On behalf of the Board

Zhang Zhaoxing
Director

Tang Shouchun
Director

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Operating activities			
Net cash used in operations	39	**(439,120)**	(808,698)
Interest received		**52,618**	90,044
Interest paid		**(72,179)**	(242,992)
Hong Kong profits tax paid		**(1,433)**	(4,092)
China taxation paid		**(381,533)**	(457,594)
Net cash used in operating activities		**(841,647)**	(1,423,332)
Investing activities			
Dividends received from jointly controlled entities and associated entities		**379,247**	123,704
Payments of construction costs of toll highways and bridges upgrade services		**(12,609)**	(3,818)
Purchases of property, plant and equipment		**(326,561)**	(85,544)
Purchases of investment properties		**(42,152)**	(7,387)
Purchases of available-for-sale financial assets		**(1,591)**	(52,658)
Proceeds from sale of property, plant and equipment		**7,185**	260,833
Proceeds from sale of investment properties		**268,311**	540,717
Acquisition of a subsidiary	20(d)	**(195,241)**	—
Acquisition of additional interests in a subsidiary		**—**	(20,400)
Disposal of Metrogold	20(a)	**—**	434,261
Disposal of Goldkemp and acquisition of Techcon	20(c)	**—**	(887,205)
Disposal of Transport	20(e)	**(712,971)**	—
Capital injection in a jointly controlled entity		**(71,437)**	(47,624)
Payment for acquisition of additional interest in an associated entity		**—**	(193,514)
Repayment from associated and jointly controlled entities		**16,401**	254,793
Increase in charged bank deposits		**(1,691,634)**	(307,261)
Net cash (used in)/generated from investing activities		**(2,383,052)**	8,897

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Financing activities		
Issue of ordinary shares	**7,922**	3,017
Capital contribution from minority shareholders of subsidiaries	**—**	6,599
New bank loans	**8,826,432**	5,305,343
Repayment of bank loans	**(3,677,454)**	(3,690,474)
New other borrowings	**735**	23,564
Repayment of other borrowings	**(30)**	(25)
Dividends paid to equity holders of the Company	**(279,441)**	(363,461)
Dividends paid to minority shareholders of subsidiaries	**(241,527)**	(211,309)
Increase in amount due to a substantial shareholder	**1,975**	51,395
Net cash generated from financing activities	**4,638,612**	1,124,649
Increase/(decrease) in cash and cash equivalents	**1,413,913**	(289,786)
Cash and cash equivalents at the beginning of year	**3,496,141**	3,709,023
Exchange gains on cash and cash equivalents	**4,767**	76,904
Cash and cash equivalents at the end of year	**4,914,821**	3,496,141
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**4,915,280**	3,496,547
Bank overdrafts	**(459)**	(406)
	4,914,821	3,496,141

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to equity holders of the Company			
	Share capital HK$'000	**Reserves HK$'000**	**Minority interests HK$'000**	**Total HK$'000**
At 1 January 2009	712,685	13,766,433	6,658,384	21,137,502
Comprehensive income				
(Loss)/profit for the year	—	(697,414)	405,064	(292,350)
Other comprehensive income				
Currency translation differences	—	2,354	(2,719)	(365)
Change in fair value of available-for-sale financial assets, net of tax	—	249,555	14,885	264,440
Transfer of reserve to profit and loss upon disposal of a subsidiary (Note 20(e))	—	(23,601)	—	(23,601)
Total other comprehensive income	—	228,308	12,166	240,474
Total comprehensive income	—	(469,106)	417,230	(51,876)
Transactions with owners				
Employee share options scheme - value of employee services	—	367	—	367
Issue of shares net of issuing expenses	973	6,949	—	7,922
Acquisition of a subsidiary	—	—	17,080	17,080
Disposal of a subsidiary (Note 20(e))	—	—	(6,390,756)	(6,390,756)
Dividends paid	—	(717,421)	(241,527)	(958,948)
Total transactions with owners	973	(710,105)	(6,615,203)	(7,324,335)
At 31 December 2009	713,658	12,587,222	460,411	13,761,291

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to equity holders of the Company			
	Share capital HK$'000	Reserves HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	712,192	13,077,563	6,866,145	20,655,900
Comprehensive income				
Profit for the year	—	607,964	365,516	973,480
Other comprehensive income				
Currency translation differences	—	698,239	317,825	1,016,064
Share of change in fair value of cash-flow hedges of an associated entity	—	26,266	—	26,266
Change in fair value of available-for-sale financial assets, net of tax	—	(95,284)	805	(94,479)
Transfer of reserve to profit and loss upon disposal of subsidiaries	—	(188,887)	—	(188,887)
Total other comprehensive income	—	440,334	318,630	758,964
Total comprehensive income	—	1,048,298	684,146	1,732,444
Transactions with owners				
Employee share options scheme				
- value of employee services	—	1,509	—	1,509
Issue of shares net of issuing expenses	493	2,524	—	3,017
Acquisition of additional interests in a subsidiary	—	—	(12,998)	(12,998)
Capital injection to a subsidiary	—	—	6,599	6,599
Disposal of subsidiaries	—	—	(674,199)	(674,199)
Dividends paid	—	(363,461)	(211,309)	(574,770)
	493	(359,428)	(891,907)	(1,250,842)
At 31 December 2008	712,685	13,766,433	6,658,384	21,137,502

1 GENERAL INFORMATION

Yuexiu Property Company Limited (the "Company") and its subsidiaries (together the "Group") is principally engaged in development, operation and management of toll highways and bridges (disposed of during 2009), development, selling and management of properties, holding of investment properties and manufacturing and trading of newsprint (disposed of during 2008). The Group's operations are mainly conducted in Hong Kong and Mainland China ("China").

The Company's English name was changed from Guangzhou Investment Company Limited to Yuexiu Property Company Limited on 16 December 2009.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited and Singapore Exchange Securities Trading Limited.

These consolidated financial statements are presented in Hong Kong dollar, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 25 March 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended HKFRS as of 1 January 2009:

- HKAS 1 (Revised), 'Presentation of Financial Statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- HKAS 23 (Revised), 'Borrowing Costs'. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The adoption of HKAS 23 (Revised) has no significant impact on the Group's consolidated financial statements.

- HKAS 40 (Amendment), 'Investment Property' (and consequential amendments to HKAS 16). Property that is under construction or development for future use as investment property is within the scope of HKAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. As a result of the adoption of HKAS 40 (Amendment), the Group has recognised fair value gains of approximately HK$232 million (net of deferred tax) in this financial statements in respect of investment property previously accounted for as properties under development. No restatement of balances at 31 December 2008 was made as the amended standard requires prospective application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

- HKFRS 2 (Amendment), 'Share-based Payment' deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or subsequent valuation. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company has adopted HKFRS 2 (Amendment) from 1 January 2009. The amendment does not have a material impact on the Group's or Company's financial statements.

- HKFRS 7 (Amendment), 'Financial Instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- HKFRS 8, 'Operating Segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented.

  Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors that makes strategic decisions.

  Goodwill is allocated by management to groups of cash-generating units on a segment level. The change in reportable segments has not resulted in any additional goodwill impairment. There has been no further impact on the measurement of the Group's assets and liabilities. Comparative for 2008 have been restated.

- HK(IFRIC) - Int 15, 'Agreements for the Construction of Real Estate'. The interpretation clarifies whether HKAS 18 'Revenue' or HKAS 11 'Construction Contracts' should be applied to particular transactions. It is likely to result in HKAS 18 being applied to a wider range of transactions. The Group expects to apply HKAS 18 for such sale agreements; however, HK(IFRIC) - Int 15 is currently not relevant to the Group's operations, as it has not yet entered into any sale agreements for the properties under development.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) Amendments and interpretations to existing standards becoming effective in 2009 but not relevant to the Group

HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 19 (Amendment)	Employee Benefits
HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 28 (Amendment)	Investments in Associates
HKAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies
HKAS 31 (Amendment)	Interest in Joint Venture
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations
HKAS 36 (Amendment)	Impairment of Assets
HKAS 38 (Amendment)	Intangible Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
HKAS 41 (Amendment)	Agriculture
HK(IFRIC)-Int 9 (Amendment)	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers

(c) Standard, amendments/revisions and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standard, amendments/revisions and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related Party Transactions	1 January 2011
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 (Amendment)	Classification of Rights Issues	1 February 2010
HKAS 38 (Amendment)	Intangible Assets	1 July 2009
HKAS 39 (Amendment)	Eligible Hedged Items	1 July 2009
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards	1 July 2009
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters	1 January 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(c) Standard, amendments/revisions and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

		Effective for accounting periods beginning on or after
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions	1 January 2010
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 5 (Amendment)	Measurement of Non-current Assets (or Disposal Group) Classified as Held for Sale	1 January 2010
HKFRS 9	Financial Instruments	1 January 2013
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners	1 July 2009
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The Group has already commenced an assessment of the related impact of adopting the above new standard, amendments/revisions and interpretations to existing standards to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

In addition, HKICPA also published a number of amendments for the existing standards under its annual improvement projects issued in October 2008 and May 2009, certain of which has not yet become effective in 2009. These amendments have not been early adopted by the Group and are not expected to have a significant financial impact on the results and financial position of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an indicator of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the excess of any consideration paid over the acquired share of the carrying value of net assets of the subsidiary. If the consideration is less than the acquired share of the carrying value of net assets of the subsidiary, the difference is recognised directly in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(c) Associated entities

Associated entities are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. Investments in associated entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associated entities include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated entity equals or exceeds its interest in the associated entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated entities.

Unrealised gains on transactions between the Group and its associated entities are eliminated to the extent of the Group's interests in the associated entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Jointly controlled entities

A jointly controlled entity is a joint venture where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in jointly controlled entities include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the Company's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in the consolidated income statement, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. The goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Intangible operating rights

The Group has been granted by the relevant local government authorities the rights to operate the toll highways and bridges for periods of 20 to 36 years. According to the approval documents of the relevant government and the relevant regulations, the Group is responsible for the construction of the toll highways and bridges and the acquisition of the related facilities and equipment and it is also responsible for the operation and management, maintenance and overhaul of the toll highways and bridges during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant toll highway / bridge assets are required to be returned to the local government authorities upon the expiry of the operating rights without any compensation to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

The Group applies the intangible asset model to account for the toll highway and bridge infrastructures where they are paid by the users of the toll highways and bridges. The concession grantors (the respective local governments) have not provided any contractual guarantees for the recovery of the amounts of construction costs incurred. The intangible assets correspond to the rights granted by the respective concession grantors to the Group to charge users of the toll road / bridge services and are recorded in the consolidated balance sheet as "Intangible operating rights".

Amortisation of intangible operating rights is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the asset. The Group reviews regularly the projected total traffic volume throughout the life of the asset, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property, plant and equipment (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Buildings	25-50 years
Plant and machinery and tools	3-30 years
Leasehold improvements, furniture, fixtures and office equipment	3-5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts.

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

2.8 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group or for sale in the ordinary course of business, is classified as investment property. As from 1 January 2009, investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Investment properties (continued)

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the financial position date by professional valuers who hold recongised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance costs are expensed in the consolidated income statement during the period in which they are incurred.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Investment properties (continued)

Changes in fair values are recognised in the income statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Following the adoption of HKAS 40 (Amendment), investment properties under construction have been transferred from property, plant and equipment to investment properties at 1 January 2009 at their carrying amount. They have subsequently been fair valued at the reporting date. All fair value gains or losses, including those unrecognised fair value gains and losses (if the losses have not already been recognised through impairment) that arose prior to 1 January 2009, have been recognised in the consolidated income statement for the year as fair value gains or losses.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the consolidated income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life or that are not yet available for use are not subject to amortisation but are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' on the balance sheet (Note 2.13).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the balance sheet date.

Regular purchases and sales of investments are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'other (losses)/gains - net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in the consolidated income statement, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale and the translation differences on such securities are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement - is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed, if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. Impairment testing of trade and other receivables is described in Note 2.13.

2.11 Properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. The cost of properties under development and properties held for sale comprises development and construction expenditure, borrowing costs capitalised and other direct costs attributable to the development. Net realisable value is the estimated selling price at which the property can be realised less related expenses. Income from incidental operation is recognised in the consolidated income statement.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

2.13 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the recoverables is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the assets for its intended use. All other borrowing costs are charged to the consolidated income statement in the period in which they are incurred.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

2.18 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associated entities and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Current and deferred income tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated entities and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.19 Employee benefits

(a) Pension obligations

The Group participates in various defined contribution plans under which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

(d) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

2.20 Provisions

Provisions are recognised when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Revenue recognition (continued)

(a) Revenue from sales of properties is recognised upon completion of sale agreements, which refers to the time when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

(b) Operating lease rental income is recognised on a straight-line basis over the lease period.

(c) Revenue from property management is recognised in the period in which the services are rendered.

(d) Revenue from the sales of goods is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(e) Toll revenue is recognised on a receipt basis.

(f) Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(g) Dividend income is recognised when the right to receive payment is established.

(h) Agency fee revenue from property brokering is recognised when the relevant agreement becomes unconditional or irrevocable.

2.22 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The up-front prepayments made for leasehold land and land use rights are charged to the consolidated income statement on a straight-line basis over the period of the lease. Where there is impairment, the impairment loss is charged to the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Leases (continued)

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is recognised in the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.23 Government grants

Grants from government are recognised at their fair value when there is reasonable assurance that the grant will be received and that the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.25 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that an outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Financial guarantees

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Provisions are recognised when it is probable that the Group has obligations under such guarantees and an outflow of economic resources will be required to settle the obligations.

2.27 Discontinued operation

A discontinued operation is a component of the Group's business that has been disposed of and represents a separate major line of business which operations and cash flow can be distinguished.

2.28 Comparative figures

Certain prior year comparative figures have been reclassified to conform with the changes in presentation in the current year.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

A majority of the subsidiaries of the Group operate in China with most of their transactions denominated in Renminbi. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi against Hong Kong dollar. The Group has not specifically hedged this exposure considering the steady appreciation of Renminbi spot rate against Hong Kong dollar in recent years and it is of the view that such appreciation will continue on a stable and predictable trend.

At 31 December 2009, if Renminbi had weakened/strengthened by 5 percent against Hong Kong dollar with all other variables held constant, post-tax loss/profit for the year would have been approximately HK$53 million higher/lower (2008: HK$230 million lower/higher), mainly as a result of foreign exchange losses/gains on translation of Hong Kong dollar-denominated monetary assets and liabilities.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow interest rate risk

At 31 December 2009, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax loss/profit for the year would have been approximately HK$17 million higher/lower (2008: HK$43 million lower/higher) respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) Price risk

The Group is exposed to equity securities price risk in its available-for-sale financial assets. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The available-for-sale financial assets are mainly unlisted equity instruments in China and if the fair value of these equity investments increased or decreased by 10 percent, the Group's equity would have been increased or decreased by approximately HK$88 million (2008: HK$70 million).

(b) Credit risk

Credit risk arises from cash and cash equivalents, charged bank deposits, amounts due from related parties as well as trade receivables and certain other receivables.

The Group has policies in place to ensure that sales are made to buyers/customers with an appropriate financial strength and appropriate percentage of down payment. It also has other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risks, with exposure spread over a number of counterparties and customers.

The carrying amount of the receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to these financial assets. The credit risk for bank deposits and bank balances is considered by the Group to be minimal as such amounts are generally placed with state-owned banks or banks with good ratings.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayment. Detailed disclosure of these guarantees is made in Note 42.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by counterparties. The Group does not hold any collateral as security.

None of the financial assets that are fully performing has been renegotiated in last year.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities and cash and cash equivalents (Note 31) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	With no fixed repayment terms HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Group						
At 31 December 2009						
Borrowings	**—**	**2,527,876**	**3,122,291**	**6,934,820**	**3,992,838**	**16,577,825**
Trade payables	**—**	**138,680**	**—**	**—**	**—**	**138,680**
Land premium payable	**—**	**498,787**	**—**	**—**	**—**	**498,787**
Other payables and accrued charges	**—**	**3,566,943**	**—**	**—**	**—**	**3,566,943**
Financial guarantees	**—**	**180,841**	**300,607**	**694,097**	**—**	**1,175,545**
At 31 December 2008						
Borrowings	362,774	6,208,324	1,861,055	1,805,032	2,076,130	12,313,315
Trade payables	—	96,877	—	—	—	96,877
Land premium payable	—	560,046	—	—	—	560,046
Other payables and accrued charges	—	3,771,455	—	—	—	3,771,455
Financial guarantees	—	568,959	254,845	59,264	—	883,068
Company						
At 31 December 2009						
Borrowings	**—**	**420,787**	**717,173**	**3,270,673**	**—**	**4,408,633**
Amounts due to subsidiaries	**37,268**	**—**	**—**	**—**	**—**	**37,268**
Other payables and accrued charges	**—**	**118,717**	**—**	**—**	**—**	**118,717**
Financial guarantees	**41,365**	**—**	**—**	**—**	**—**	**41,365**
At 31 December 2008						
Borrowings	—	4,237,300	2,932	64,882	—	4,305,114
Amounts due to subsidiaries	37,215	—	—	—	—	37,215
Other payables and accrued charges	—	111,917	—	—	—	111,917
Financial guarantees	40,152	—	—	—	—	40,152

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's policy is to borrow centrally, using a mixture of long-term and short-term borrowing facilities, to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are on-lent or contributed as equity to certain subsidiaries.

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 borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 31 December 2009 and at 31 December 2008 were as follows:

	2009 **HK$'000**	2008 HK$'000
Total borrowings *(Note 34)*	**14,302,539**	10,140,678
Less: Cash and cash equivalents *(Note 31)*	**(4,915,280)**	(3,496,547)
Net debt	**9,387,259**	6,644,131
Total equity (excluding minority interests)	**13,300,880**	14,479,118
Total capital	**22,688,139**	21,123,249
Gearing ratio	**41%**	31%

The increase in the gearing ratio during 2009 resulted primarily from increasing in the bank borrowings to finance certain major property development projects.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

As at 31 December 2009, the Group held available-for-sale financial assets of approximately HK$1,229 million, which is classified as level 2 financial instrument.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities are discussed below.

(a) Impairment of leasehold land and land use rights and property, plant and equipment

Property, plant and equipment, leasehold land and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment, leasehold land and land use rights have been determined based on the higher of their value-for-sale or value-in-use, taking into account the latest market information and past experience.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Net realisable value of properties under development and properties held for sale

The Group writes down properties under development and properties held for sale to net realisable value based on assessment of the realisability of properties under development and properties held for sale which takes into account cost to completion based on past experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties under development and properties held for sale to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties under development and properties held for sale is adjusted in the period in which such estimate is changed.

(c) Fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), with adjustments to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimate of fair value are those relating to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield, and actual transactions of the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Provision for withholding income tax on undistributed profits

The Group is subject to withholding income tax on undistributed profits of its foreign-invested enterprises in China. Significant judgement is required in determining the dividend pay-out policy of the foreign-invested enterprises controlled by the Group and the amount of the provision for withholding income tax. The Group monitors its dividend pay-out policy and may demand for dividend distribution from the foreign-invested enterprises controlled by the Group. This may result in additional tax provisions as disclosed in Note 9.

(e) Current and deferred income tax

The Group is subject to income tax primarily in China and Hong Kong. Significant judgement is required in determining the amount of the provision for taxation and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the land appreciation tax, income tax and deferred tax provisions in the period in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimate is changed.

(f) Depreciation of property, plant and equipment

The Group depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value commencing from the date the asset is placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(g) Accruals for construction cost of public facilities

The Group is required to construct certain public facilities in connection with obtaining certain land use rights for construction of properties in China. The Group estimates the accruals for these costs for construction based on historical actual construction costs as adjusted for the effect of inflation. The Group regularly updates the construction schedules of public facilities and reviews the adequacy of the accrued balance.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(h) Fair value of available-for-sale financial assets

The best evidence of fair value is current prices in an active market for similar available-for-sale financial assets. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for the available-for-sale financial assets of different nature, condition or location, with adjustments to reflect those differences; and

(ii) recent prices of similar available-for-sale financial assets in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(i) Impairment of trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognised in the consolidated income statement. In determining whether there is any impairment, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors ("the Board"). Management determines the operating segments based on the Group's internal reports, which are then submitted to the board for performance assessment and resources allocation.

The Board considers the business by nature of business activities and assesses the performance of property development, property management, property investment and toll operations (disposed in 2009) and others.

The Board assesses the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Other information provided, except as noted below, to the Board is measured in a manner consistent with that in the consolidated financial statements.

Total assets excluded deferred tax assets, taxation recoverable and corporate assets. Corporate assets are not directly attributable to segments.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated income statement.

5 SEGMENT INFORMATION (continued)

	Property development HK$'000	Property management HK$'000	Property investment HK$'000	Others HK$'000	Total continuing operations HK$'000	Discontinued operations (Toll operations and paper) HK$'000	Group HK$'000
Year ended 31 December 2009							
Revenue	**3,945,844**	**393,861**	**320,875**	**743,709**	**5,404,289**	**989,840**	**6,394,129**
Inter-segment revenue	**—**	**(21,346)**	**(984)**	**(81,747)**	**(104,077)**	**—**	**(104,077)**
Revenue from external customers	**3,945,844**	**372,515**	**319,891**	**661,962**	**5,300,212**	**989,840**	**6,290,052**
Segment results	**1,106,770**	**10,375**	**604,146**	**(99,123)**	**1,622,168**	**433,973**	**2,056,141**
Share of profit/(loss) of:							
– jointly controlled entities	**(1,981)**	**—**	**—**	**—**	**(1,981)**	**(6,440)**	**(8,421)**
– associated entities	**123,245**	**—**	**—**	**—**	**123,245**	**220,938**	**344,183**
Year ended 31 December 2008							
Revenue	1,874,822	362,519	312,608	780,545	3,330,494	3,867,197	7,197,691
Inter-segment revenue	—	(32,151)	(2,339)	(137,481)	(171,971)	—	(171,971)
Revenue from external customers	1,874,822	330,368	310,269	643,064	3,158,523	3,867,197	7,025,720
Segment results	275,981	19,380	141,771	(67,470)	369,662	546,688	916,350
Share of profit/(loss) of:							
– jointly controlled entities	(786)	—	—	—	(786)	(19,816)	(20,602)
– associated entities	89,068	—	—	—	89,068	271,513	360,581

5 SEGMENT INFORMATION (continued)

	Property development HK$'000	Property management HK$'000	Property investment HK$'000	Others HK$'000	Discontinued operations (Toll operations) HK$'000	Group HK$'000
As at 31 December 2009						
Segment assets	**28,612,098**	**234,046**	**8,505,995**	**598,047**	**—**	**37,950,186**
Interests in jointly controlled entities	**187,018**	**—**	**—**	**—**	**—**	**187,018**
Interests in associated entities	**1,661,729**	**—**	**—**	**—**	**—**	**1,661,729**
Total assets	**30,460,845**	**234,046**	**8,505,995**	**598,047**	**—**	**39,798,933**
As at 31 December 2008						
Segment assets	21,982,952	141,720	5,943,845	414,881	9,781,674	38,265,072
Interests in jointly controlled entities	189,637	—	—	—	269,151	458,788
Interests in associated entities	1,627,160	—	—	—	2,090,232	3,717,392
Total assets	23,799,749	141,720	5,943,845	414,881	12,141,057	42,441,252

5 SEGMENT INFORMATION (continued)

A reconciliation of total segment results to total profit before tax and discontinued operations is provided as follows:

	Year ended 31 December	
	2009	2008
	HK$'000	HK$'000
Segment results	**1,622,168**	369,662
Unallocated operating costs	**(226,975)**	(74,279)
Gain on disposal of a subsidiary	**—**	28,552
Operating profit	**1,395,193**	323,935
Finance income	**52,618**	33,108
Finance costs	**(72,179)**	(165,813)
Net foreign exchange gain on financing activities	**18,122**	242,988
Share of profit/(loss) of:		
– jointly controlled entities	**(1,981)**	(786)
– associated entities	**123,245**	89,068
Excess of the share of the fair value of net assets of an associated entity acquired over acquisition cost	**—**	40,988
Profit before tax and discontinued operations	**1,515,018**	563,488

A reconciliation of reportable segments' assets to total assets is provided as follows:

	As at 31 December	
	2009	2008
	HK$'000	HK$'000
Total segment assets	**39,798,933**	42,441,252
Deferred tax assets	**83,096**	90,592
Taxation recoverable	**379,408**	136,951
Corporate assets	**1,158,251**	264,199
Total assets	**41,419,688**	42,932,994

5 SEGMENT INFORMATION (continued)

	Revenue from continuing operations Year ended 31 December		Total assets As at 31 December	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**160,475**	127,045	**2,254,894**	2,076,744
China	**5,138,543**	3,030,267	**37,499,919**	40,322,112
Overseas	**1,194**	1,211	**44,120**	42,396
	5,300,212	3,158,523	**39,798,933**	42,441,252
Unallocated assets			**1,620,755**	491,742
			41,419,688	42,932,994

6 EXPENSES BY NATURE

Cost of sales, selling and distribution expenses, and general and administrative expenses of continuing operations included the following:

	2009	2008
	HK$'000	HK$'000
Advertising and promotion expenses	**147,973**	119,502
Cost of inventories/properties sold included in cost of sales	**3,130,457**	1,617,738
Direct operating expenses arising from investment properties		
– that generate rental income	**67,816**	67,796
– that did not generate rental income	**204**	204
Depreciation		
– Owned property, plant and equipments	**48,914**	37,087
– Leased property, plant and equipments	**46**	40
Provision for impairment of property, plant and equipment (Note 16)	**4,730**	1,113
Amortisation of leasehold land and land use rights	**123,662**	116,326
(Reversal of)/provision for impairment of leasehold land and land use rights (Note 18)	**(39,199)**	53,333
Operating leases - Land and buildings	**2,863**	1,044
Auditor's remuneration	**7,376**	7,937
Employee benefit expenses (Note 13)	**596,214**	567,944
Provision for impairment of properties under development and properties held for sale	**—**	3,037
Provision for other receivables	**—**	41,920
Write-off of bad debts	**1,297**	—
Reversal of provision for trade receivables	**(14,147)**	—
Others	**184,205**	119,657
	4,262,411	2,754,678

7 FINANCE INCOME

	2009 HK$'000	2008 HK$'000
Interest income from bank deposits	**18,069**	33,108
Interest income on receivables from third parties	**34,549**	—
	52,618	33,108

8 FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**343,267**	376,912
Interest on bank loans wholly repayable over five years	**128,626**	37,729
Bank loan handling fees	**8,999**	7,026
Interest on loans from related companies	**656**	1,764
Total borrowing costs incurred	**481,548**	423,431
Less: amount capitalised as investment properties, properties under development and property, plant and equipment *(Note)*	**(409,369)**	(257,618)
	72,179	165,813

Note: The average interest rate of borrowing costs capitalised for the year ended 31 December 2009 was approximately 6.34 percent per annum (2008: 5.53 percent per annum).

9 TAXATION

(a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2008: 16.5 percent) on the estimated assessable profit for the year.

(b) China enterprise income taxation is provided on the profits of the Group's subsidiaries, associated entities and jointly controlled entities in China at 25 percent (2008: 25 percent).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to corporate withholding income tax at tax rates ranging from 5 percent to 10 percent. In 2008, no provision for withholding income tax was made for undistributed profit of the Group's subsidiaries in China since the Group had sufficient cash surplus as at 31 December 2008 and would not demand for dividend distribution from its subsidiaries in China in the coming future. Subsequent to the disposal of GZI Transport Limited ("Transport"), a subsidiary of the Group, during 2009, the Group revisited its dividend pay-out policy and considered it is necessary to demand dividend distribution from the subsidiaries in China. Accordingly, withholding income tax was provided for the dividend distributed during the year and undistributed profit, recognised based on HKFRS, of the Group's subsidiaries, jointly controlled entities and associated entities in PRC at a tax rate of 5 percent or 10 percent, when applicable, for the year ended 31 December 2009.

(c) China land appreciation tax is levied at progressive rates ranging from 30 percent to 60 percent on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land, development and construction.

(d) The amount of taxation charged to the consolidated income statement comprises:

	2009	2008
Company and subsidiaries	**HK$'000**	HK$'000
Current taxation		
Hong Kong profits tax	**1,357**	2,589
China enterprise income tax	**107,272**	310,970
China land appreciation tax	**313,912**	266,866
Corporate withholding income tax	**49,030**	—
Under/(over)-provision in prior years	**24,569**	(13,649)
Deferred taxation		
Origination and reversal of temporary difference	**53,277**	(428,445)
Impact of change in tax rate	**—**	(1,255)
Corporate withholding income tax on undistributed profits	**164,331**	—
	713,748	137,076

9 TAXATION (continued)

(d) The amount of taxation charged to the consolidated income statement comprises: (continued)

The taxation on the Group's profit before tax less share of profits less losses of associated entities and jointly control entities differs from the theoretical amount that would arise using the enterprise income tax rate of China, where majority of the Group's operations were carried out, as follows:

	2009	2008
	HK$'000	HK$'000
Profit before tax less share of profits less losses of associated entities and jointly controlled entities	**1,393,754**	475,206
Calculated at China enterprise income tax rate of 25 percent (2008: 25 percent)	**348,438**	118,801
Effect of different taxation rates	**(3,255)**	(5,100)
Impact of change in tax rate	—	(931)
Income not subject to taxation	**(6,764)**	(33,965)
Expenses not deductible for taxation purposes	**24,737**	27,896
Net effect of tax loss not recognised and utilisation of previously unrecognised tax losses	**6,995**	8,834
Under/(over)-provision in prior years	**24,569**	(13,649)
Effect of land appreciation tax deductible for calculation of income tax purposes	**(35,223)**	(11,730)
Corporate withholding income tax	**213,361**	—
	572,858	90,156
Land appreciation tax	**140,890**	46,920
Taxation charges	**713,748**	137,076

10 PROFIT FOR THE YEAR

The profit for the year is dealt with in the financial statements of the Company to the extent of HK$582,110,000 (2008: HK$203,527,000).

11 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the year.

	2009	2008
Profit from continuing operations attributable to equity holders of the Company (HK$'000)	**724,824**	417,455
(Loss)/profit from discontinued operations attributable to equity holders of the Company (HK$'000)	**(1,422,238)**	190,509
(Loss)/profit attributable to equity holders of the Company (HK$'000)	**(697,414)**	607,964
Weighted average number of ordinary shares in issue ('000)	**7,128,839**	7,125,702
Basic (losses)/earnings per share (HK cents)		
From continuing operations	**10.17**	5.86
From discontinued operations	**(19.95)**	2.67
	(9.78)	8.53

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options outstanding during the year which are dilutive potential ordinary shares. Calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

	2009	2008
Profit from continuing operations attributable to equity holders of the Company (HK$'000)	**724,824**	417,455
(Loss)/profit from discontinued operations attributable to equity holders of the Company (HK$'000)	**(1,422,238)**	190,509
(Loss)/profit attributable to equity holders of the Company (HK$'000)	**(697,414)**	607,964
Weighted average number of ordinary shares in issue ('000)	**7,128,839**	7,125,702
Adjustments for share options ('000)	**40,799**	37,537
Weighted average number of ordinary shares for diluted earnings per share ('000)	**7,169,638**	7,163,239
Diluted (losses)/earnings per share (HK cents)		
From continuing operations	**10.11**	5.83
From discontinued operations	**(19.84)**	2.66
	(9.73)	8.49

12 DIVIDENDS

The dividends paid in 2009 and 2008 were approximately HK$717 million (HK10.05 cents per share) and HK$363 million (HK5.10 cents per share) respectively. The directors do not recommend the payment of a final dividend for the year ended 31 December 2009.

	2009	2008
	HK$'000	HK$'000
Interim, paid, of nil (2008: HK2.60 cents) per ordinary share	**—**	185,298
Special, paid (2008: Nil) *(Note)*	**660,403**	—
Final, proposed, of nil (2008: HK0.8 cent) per ordinary share	**—**	57,015
	660,403	242,313

Note:

Special dividend was paid by way of the following:

(a) shares in Transport of approximately HK$438 million on the basis of 60 shares of Transport for every 2,000 shares held in the Company; and

(b) cash of approximately HK$222 million.

13 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2009	2008
	HK$'000	HK$'000
Wages, salaries and bonus	**474,204**	415,511
Pension costs (defined contribution plans)	**37,193**	24,334
Medical benefits costs (defined contribution plans)	**10,132**	9,880
Social security costs	**39,519**	30,973
Termination benefits	**785**	1,725
Staff welfare	**34,013**	84,012
Share options	**368**	1,509
	596,214	567,944

13 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (continued)

Pension scheme arrangements

The Group operates a defined contribution scheme ("ORSO Scheme") for certain Hong Kong employees under the Occupational Retirement Schemes Ordinance. Contributions to the scheme by the employer and employees are calculated at 5 percent to 20 percent and 5 percent respectively of the employees' basic salaries.

The Group's contributions to the ORSO Scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There are no forfeited contributions for both years presented.

The Group also participates in the Mandatory Provident Fund Scheme ("MPF Scheme") for other Hong Kong employees. The Group's contributions under the MPF Scheme are at 5 percent of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK$5,000 per month. The contributions under the MPF Scheme are fully and immediately vested in the employees as accrued benefits once they are paid.

Subsidiaries of the Company in China are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal Government, and make monthly contributions to the retirement plans in the range of 16 to 24 percent of the monthly salaries of the employees.

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The remuneration of every Director received from the Company for the year ended 31 December 2009 is set out below:

Name of Director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Pension costs HK$'000	Total HK$'000
LU Zhifeng	—	885	4,680	236	5,801
ZHANG Zhaoxing[1]	—	955	4,580	257	5,792
LIANG Yi[1]	—	1,108	4,290	273	5,671
TANG Shouchun	—	1,108	4,270	273	5,651
WANG Hongtao	—	1,306	—	—	1,306
ZHOU Jin	—	1,067	—	—	1,067
LI Xinmin[1] *(Note (i))*	—	900	2,964	215	4,079
HE Zili[1] *(Note (ii))*	—	593	1,360	140	2,093
YU Lup Fat Joseph	180	—	—	—	180
LEE Ka Lun	180	—	—	—	180
LAU Hon Chuen Ambrose[1]	180	—	—	—	180
Total	540	7,922	22,144	1,394	32,000

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) The remuneration of every Director received from GZI Transport Limited for the year ended 31 December 2009 is set out below:

Name of Director	**Fees HK$'000**	**Salaries HK$'000**	**Discretionary bonuses HK$'000**	**Pension costs HK$'000**	**Total HK$'000**
ZHANG Zhaoxing[1]	**—**	**660**	**1,388**	**—**	**2,048**
LIANG Yi[1]	**—**	**500**	**1,052**	**—**	**1,552**
LI Xinmin[1] *(Note (i))*	**—**	**660**	**1,388**	**—**	**2,048**
HE Zili[1] *(Note (ii))*	**—**	**384**	**891**	**—**	**1,275**
Total	**—**	**2,204**	**4,719**	**—**	**6,923**

Note:

(i) Resigned on 3 November 2009

(ii) Resigned on 14 August 2009

[1] Also acts as director of GZI Transport Limited which was disposed of in 2009

(b) The remuneration of every Director received from the Company for the year ended 31 December 2008 is set out below:

Name of Director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Pension costs HK$'000	Total HK$'000
LU Zhifeng *(Note (i))*	—	509	1,500	90	2,099
ZHANG Zhaoxing[1] *(Note (i))*	—	479	1,300	83	1,862
OU Bingchang[1] *(Note (ii))*	—	760	2,100	187	3,047
LIANG Yi[1]	—	1,096	3,000	284	4,380
TANG Shouchun	—	1,098	2,500	284	3,882
WANG Hongtao	—	827	2,500	—	3,327
ZHOU Jin	—	677	—	—	677
LI Xinmin[1]	—	1,095	2,500	284	3,879
HE Zili[1]	—	850	2,500	223	3,573
YU Lup Fat Joseph	180	—	—	—	180
LEE Ka Lun	180	—	—	—	180
LAU Hon Chuen Ambrose[1]	180	—	—	—	180
ZHANG Huoqiao *(Note (iii))*	50	—	—	—	50
Total	590	7,391	17,900	1,435	27,316

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) The remuneration of every Director received from GZI Transport Limited for the year ended 31 December 2008 is set out below:

Name of Director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Pension costs HK$'000	Total HK$'000
ZHANG Zhaoxing[1] *(Note (i))*	—	300	802	—	1,102
OU Bingchang[1] *(Note (ii))*	—	420	1,123	—	1,543
LIANG Yi[1]	—	600	1,604	—	2,204
LI Xinmin[1]	—	720	1,924	—	2,644
HE Zili[1]	—	600	1,604	—	2,204
LAU Hon Chuen Ambrose[1]	180	—	—	—	180
Total	180	2,640	7,057	—	9,877

Note:

(i) Appointed on 31 July 2008

(ii) Resigned on 31 July 2008

(iii) Appointed on 17 April 2008 and resigned on 29 September 2008

[1] Also acts as director of GZI Transport Limited

No Directors waived emoluments in respect of the years ended 31 December 2009 and 2008. No emoluments were paid or payable by the Group to any Director as an inducement to join or upon joining the Group, or as compensation for loss of office for both years presented.

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2009 and 2008 are also Directors whose emoluments are reflected in the analyses presented above.

15 INTANGIBLE OPERATING RIGHTS

	Group HK$'000
At 1 January 2008	
Cost	7,905,189
Accumulated amortisation	(1,109,905)
Closing net book amount	6,795,284
Year ended 31 December 2008	
Opening net book amount	6,795,284
Additions	3,818
Amortisation	(163,771)
Exchange differences	412,919
Closing net book amount	7,048,250
At 31 December 2008	
Cost	8,393,290
Accumulated amortisation	(1,345,040)
Net book amount	7,048,250
Year ended 31 December 2009	
Opening net book amount	**7,048,250**
Additions	**12,609**
Amortisation	**(208,934)**
Disposal	**(143,682)**
Impairment	**(172,200)**
Acquisition of a subsidiary *(Note 20(d))*	**648,260**
Disposal of a subsidiary *(Note 20(e))*	**(7,184,303)**
Closing net book amount	**—**
At 31 December 2009	
Cost	**—**
Accumulated amortisation	**—**
Net book amount	**—**

At 31 December 2009, a toll highway operating right with net book amount of nil (2008: HK$5,031 million) was pledged as collateral for the Group's bank borrowings.

16 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings HK$'000	Construction in progress HK$'000	Plant and machinery and tools HK$'000	Leasehold improvements, furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2008						
Cost	620,292	3,245,026	2,011,441	287,075	105,408	6,269,242
Accumulated depreciation and impairment	(192,873)	—	(595,134)	(198,483)	(59,842)	(1,046,332)
Net book amount	427,419	3,245,026	1,416,307	88,592	45,566	5,222,910
Year ended 31 December 2008						
Opening net book amount	427,419	3,245,026	1,416,307	88,592	45,566	5,222,910
Exchange differences	8,819	107,463	171,774	16,732	3,494	308,282
Additions	1,648	58,522	1,497	14,334	9,543	85,544
Disposals	(6,741)	—	—	(2,475)	(224)	(9,440)
Transfer to investment properties	(3,291)	—	—	—	—	(3,291)
Reclassification	—	(3,058,108)	3,050,255	7,853	—	—
Acquisition of a subsidiary (Note 20(c))	76,351	—	—	5,349	—	81,700
Disposal of a subsidiary (Note 20(b))	(36,778)	(252,287)	(4,257,607)	(38,296)	(22,741)	(4,607,709)
Depreciation						
- continuing operations	(23,576)	—	—	(7,330)	(6,221)	(37,127)
- discontinued operations	(734)	—	(129,589)	(18,672)	(4,133)	(153,128)
Impairment						
- continuing operations	(1,113)	—	—	—	—	(1,113)
- discontinued operations	—	—	(252,637)	—	—	(252,637)
Closing net book amount	442,004	100,616	—	66,087	25,284	633,991
At 31 December 2008						
Cost	665,408	100,616	—	186,078	72,444	1,024,546
Accumulated depreciation and impairment	(223,404)	—	—	(119,991)	(47,160)	(390,555)
Net book amount	442,004	100,616	—	66,087	25,284	633,991

16 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Group (continued)

	Buildings HK$'000	Construction in progress HK$'000	Plant and machinery and tools HK$'000	Leasehold improvements, furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2009						
Opening net book amount	442,004	100,616	—	66,087	25,284	633,991
Exchange differences	412	768	—	74	84	1,338
Additions	8,380	289,855	—	18,661	9,665	326,561
Disposals	(5,094)	—	—	(1,873)	(828)	(7,795)
Transfer from properties under development	—	619,554	—	—	—	619,554
Acquisition of a subsidiary (Note 20(d))	—	—	—	32,467	310	32,777
Disposal of a subsidiary (Note 20(e))	(9,736)	—	—	(55,262)	(5,680)	(70,678)
Depreciation						
- continuing operations	(33,014)	—	—	(9,564)	(6,382)	(48,960)
- discontinued operations	(673)	—	—	(6,042)	(857)	(7,572)
Impairment in continuing operations	(4,730)	—	—	—	—	(4,730)
Closing net book amount	397,549	1,010,793	—	44,548	21,596	1,474,486
At 31 December 2009						
Cost	643,487	1,010,793	—	139,725	68,815	1,862,820
Accumulated depreciation and impairment	(245,938)	—	—	(95,177)	(47,219)	(388,334)
Net book amount	397,549	1,010,793	—	44,548	21,596	1,474,486

16 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Company

	Buildings HK$'000	Leasehold improvements, furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2008				
Cost	15,613	1,701	6,738	24,052
Accumulated depreciation	(5,932)	(1,115)	(3,482)	(10,529)
Net book amount	9,681	586	3,256	13,523
Year ended 31 December 2008				
Opening net book amount	9,681	586	3,256	13,523
Additions	—	300	3,353	3,653
Disposal	—	(19)	—	(19)
Depreciation	(297)	(230)	(1,847)	(2,374)
Closing net book amount	9,384	637	4,762	14,783
At 31 December 2008				
Cost	15,613	1,751	7,531	24,895
Accumulated depreciation	(6,229)	(1,114)	(2,769)	(10,112)
Net book amount	9,384	637	4,762	14,783
Year ended 31 December 2009				
Opening net book amount	**9,384**	**637**	**4,762**	**14,783**
Additions	—	**511**	**909**	**1,420**
Disposal	—	**(1)**	—	**(1)**
Depreciation	**(297)**	**(285)**	**(2,590)**	**(3,172)**
Closing net book amount	**9,087**	**862**	**3,081**	**13,030**
At 31 December 2009				
Cost	**15,613**	**2,182**	**8,440**	**26,235**
Accumulated depreciation	**(6,526)**	**(1,320)**	**(5,359)**	**(13,205)**
Net book amount	**9,087**	**862**	**3,081**	**13,030**

Property, plant and equipment of the Group with an aggregate carrying amount of HK$879 million (2008: HK$95 million) were pledged as collateral for the Group's bank borrowings (Note 43).

17 INVESTMENT PROPERTIES

(a) Group

	2009 HK$'000	2008 HK$'000
Beginning of the year	**5,943,845**	5,984,228
Exchange differences	**10,874**	309,892
Additions	**42,152**	7,387
Transfer from property, plant and equipment	**—**	3,291
Transfer from properties held for sale, properties under development, leasehold land and land use rights	**2,415,394**	288,976
Disposals	**(210,282)**	(378,129)
Fair value gains/(losses)		
- continuing operations	**312,812**	(271,050)
- discontinued operations	**—**	(750)
Disposal of a subsidiary (Note 20(e))	**(8,800)**	—
End of the year	**8,505,995**	5,943,845

(b) Company

	2009 HK$'000	2008 HK$'000
Beginning of the year	**12,440**	12,530
Fair value gains/(losses)	**4,860**	(90)
End of the year	**17,300**	12,440

The investment properties were revalued at 31 December 2009 on an open market value basis by an independent firm of professional qualified surveyors, Greater China Appraisal Limited, employed by the Group. Valuations were performed using discounted cash flow projections based on estimates of future cash flows derived from the terms of any existing lease and other contracts and from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

As at 31 December 2009, investment properties with an aggregate net book amount of HK$5,165 million (2008: HK$2,979 million) were pledged as collateral for the Group's bank borrowings (Note 43).

17 INVESTMENT PROPERTIES (continued)

The Group's and the Company's interests in investment properties at their net book values are analysed as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
In Hong Kong:				
Leases of between 10 to 50 years	**443,866**	430,148	**—**	—
Leases of over 50 years	**152,200**	137,390	**17,300**	12,440
Outside Hong Kong *(Note)*:				
Leases or land use rights of between 10 to 50 years	**7,909,929**	5,376,307	**—**	—
	8,505,995	5,943,845	**17,300**	12,440

Note: Properties outside Hong Kong mainly comprise properties located in China.

18 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	2009	2008
	HK$'000	HK$'000
Beginning of the year	**11,331,301**	8,676,498
Additions	**3,308,253**	2,551,176
Recognise as cost of sales upon sales of properties	**(647,393)**	(342,385)
Transfer to investment properties	**(649,437)**	(105,272)
Amortisation charged to income statement		
- continuing operations	**(123,662)**	(116,326)
- discontinued operations	**(18)**	(1,415)
Amortisation capitalised in properties under development	**(86,452)**	(75,298)
Exchange differences	**17,644**	532,792
Reversal of/(provision for) impairment *(Note 6)*	**39,199**	(53,333)
Acquisition of a subsidiary *(Note 20(c))*	**—**	318,300
Disposal of a subsidiary *(Note 20(e),(b))*	**(649)**	(53,436)
End of the year	**13,188,786**	11,331,301
Analysed as:		
Non-current		
- in relation to properties held for development	**5,353,623**	3,942,287
- in relation to property, plant and equipment	**947,040**	661,634
	6,300,663	4,603,921
Current		
- in relation to properties under development (Note (i))	**6,717,068**	6,615,117
- in relation to properties held for sale	**171,055**	112,263
	6,888,123	6,727,380
	13,188,786	11,331,301

Note:

(i) Included in the balance is an amount of approximately HK$338 million (2008: HK$347 million) which represents the land use right that the Group has contributed into a property project in exchange for certain property units to be developed on the land upon completion of the project.

18 LEASEHOLD LAND AND LAND USE RIGHTS (continued)

The Group's leasehold land and land use rights at their net book values are analysed as follows:

	2009 HK$'000	2008 HK$'000
In China:		
Land use rights of over 50 years	**9,800,937**	6,962,210
Land use rights of between 10 to 50 years	**2,235,157**	3,231,002
In Hong Kong:		
Leases of over 50 years	**229,954**	239,124
Leases of between 10 to 50 years	**922,738**	898,965
	13,188,786	11,331,301

Land use rights with an aggregate net book amount of approximately HK$5,151 million (2008: HK$2,185 million) as at 31 December 2009 were pledged as collateral for the Group's bank borrowings (Note 43).

19 INTERESTS IN SUBSIDIARIES

	Company	
	2009 HK$'000	2008 HK$'000
Investments in unlisted shares, at cost	**67,818**	67,710
Amounts due from subsidiaries *(Note (a))*	**12,395,572**	13,872,233
	12,463,390	13,939,943
Amounts due to subsidiaries *(Note (b))*	**(37,268)**	(37,215)

19 INTERESTS IN SUBSIDIARIES (continued)

(a) The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Except for a total amount of approximately HK$8,983 million (2008: approximately HK$10,530 million) which are interest free, all amounts due from subsidiaries are interest bearing at 2.5 to 5.5 percent (2008: 2.92 to 5.92 percent) per annum.

These balances were not in default or impaired, except for an amount due from a subsidiary of approximately HK$111 million which had been fully provided for as at 31 December 2008.

The amounts due from subsidiaries are denominated in the following currencies:

	Company	
	2009	2008
	HK$'000	HK$'000
Hong Kong dollar	**5,251,154**	7,653,038
Renminbi	**6,846,161**	5,921,124
Others	**298,257**	298,071
	12,395,572	13,872,233

(b) The amounts due to subsidiaries are interest free, unsecured and repayable on demand.

The amounts due to subsidiaries are denominated in the following currencies:

	Company	
	2009	2008
	HK$'000	HK$'000
Hong Kong dollar	**38**	43
Renminbi	**37,230**	37,172
	37,268	37,215

(c) Details of the principal subsidiaries of the Group as at 31 December 2009 are set out on pages 151 to 158.

20 DISPOSALS AND ACQUISITIONS OF SUBSIDIARIES

(a) Disposal of Metrogold

On 1 June 2008, the Group disposed of the entire equity interest in Metrogold Development Limited ("Metrogold"), a subsidiary of the Group which is principally engaged in property development, to GZI Real Estate Investment Trust ("GZI REIT"), an associated entity of the Group, in exchange for cash and additional units in GZI REIT.

Details of the assets and liabilities of Metrogold disposed of and the gain on disposal are as follows:

	2008 HK$'000
Assets and liabilities disposed of	
Investment properties	730,255
Goodwill	7,402
Other receivables, prepayments and deposits	9,955
Cash and cash equivalents	29,439
Other payables and accrued charges	(29,935)
Taxation payable	(728)
Deferred tax liabilities	(69,587)
Net assets disposed of	676,801
Purchase consideration:	
Cash received	472,201
Fair value of additional units in GZI REIT (see below)	191,320
Total consideration	663,521
Direct costs attributable to the disposal	(8,501)
Less: Net assets disposed of	(676,801)
	(21,781)
Less: Unrealised portion	8,267
Add: Release of exchange reserve	42,066
Gain on disposal of a subsidiary	28,552
Inflow of cash arising from disposal of a subsidiary:	
Cash consideration	472,201
Direct costs attributable to the disposal	(8,501)
Cash and cash equivalents in the subsidiary disposed of	(29,439)
Net cash inflow from disposal of a subsidiary	434,261

20 DISPOSALS AND ACQUISITIONS OF SUBSIDIARIES (continued)

(a) Disposal of Metrogold (continued)

Details of the additional share of GZI REIT's net assets acquired and the resulting negative goodwill are as follows:

	2008 HK$'000
Share of the fair value of GZI REIT's net assets acquired *(Note (i))*	232,308
Purchase consideration - Fair value of additional units in GZI REIT received	(191,320)
Excess of the share of the fair value of net assets of an associated entity acquired over acquisition cost *(Note (ii))*	40,988

Notes:

(i) The share of the fair value of GZI REIT's net assets acquired represents the share of the net assets value of GZI REIT attributable to the additional units in GZI REIT as at 1 June 2008.

(ii) The amount is recognised in the consolidated income statement.

(b) Disposal of Goldkemp

On 24 December 2008, the Group disposed of the entire equity interest in Goldkemp Investment Limited ("Goldkemp"), a subsidiary of the Group, to Yue Xiu Enterprises (Holdings) Limited, a substantial shareholder of the Group, in exchange for cash and equity interests in Techcon Investment Limited ("Techcon"), a company incorporated in Hong Kong.

Goldkemp, through Pacific Max Industrial Limited, is beneficially interested in approximately 52.55% in Guangzhou Paper Co., Ltd. which is principally engaged in newsprint business whilst Techcon owns and operates the South China Hotel in Hong Kong.

Loss for the year from discontinued operations of Goldkemp comprised:

	2008 HK$'000
Gain on disposal of a subsidiary (Note (i))	90,379
Loss from discontinued operations (Note (ii))	(268,563)
	(178,184)

20 DISPOSALS AND ACQUISITIONS OF SUBSIDIARIES (continued)

(b) Disposal of Goldkemp (continued)

(i) Details of the assets and liabilities of Goldkemp disposed of and the gain on disposal are as follows:

	2008 HK$'000
Assets and liabilities disposed of:	
Property, plant and equipment	4,607,709
Leasehold land and land use rights	53,436
Deferred tax assets	31,815
Inventories	555,374
Trade and other receivables	507,224
Cash and cash equivalents	1,140,337
Trade and other payables	(724,085)
Borrowings	(4,807,999)
Minority interests	(674,199)
Net assets disposed of	689,612
Purchase consideration:	
Cash received	250,000
Fair value of net identifiable assets acquired *(Note (c))*	385,049
Total consideration	635,049
Direct costs attributable to the disposal	(1,879)
Less: Net assets disposed of	(689,612)
Add: Release of exchange reserve	146,821
Gain on disposal of a subsidiary	90,379

(ii) Analysis of the result of discontinued operations and the result recognised on the remeasurement of assets of disposal group, are as follows:

	2008 HK$'000
Revenue	2,852,711
Expenses	(3,156,325)
Loss before tax of discontinued operations	(303,614)
Taxation	35,051
Loss from discontinued operations	(268,563)

20 DISPOSALS AND ACQUISITIONS OF SUBSIDIARIES (continued)

(b) Disposal of Goldkemp (continued)

(ii) Analysis of the result of discontinued operations and the result recognised on the remeasurement of assets of disposal group, are as follows: (continued)

	2008 HK$'000
Operating cash flows	59,057
Investing cash flows	(60,752)
Financing cash flows	1,316,076
	1,314,381

(c) Acquisition of Techcon

(i) Details of assets and liabilities arising from the acquisition of Techcon are as follows:

	2008	
	Fair value HK$'000	Acquiree's carrying amount HK$'000
Property, plant and equipment	81,700	75,842
Leasehold land	318,300	191,264
Inventories	127	127
Other receivables, prepayments and deposits	3,652	3,652
Cash and cash equivalents	5,011	5,011
Trade payables	(1,813)	(1,813)
Deferred tax liabilities	(21,928)	—
Net identifiable assets acquired	385,049	274,083

(ii) Outflow of cash arising from disposal of Goldkemp and acquisition of Techcon:

	2008 HK$'000
Cash consideration	250,000
Direct costs attributable to the disposal	(1,879)
Cash and cash equivalents in the subsidiary disposed of	(1,140,337)
Cash and cash equivalents in the subsidiary acquired	5,011
Net cash outflow	(887,205)

20 DISPOSALS AND ACQUISITIONS OF SUBSIDIARIES (continued)

(c) Acquisition of Techcon (continued)

(ii) Outflow of cash arising from disposal of Goldkemp and acquisition of Techcon: (continued)

Techcon contributed revenue of approximately HK$1,101,000 and loss attributable to equity holders of the Company of approximately HK$289,000 for the period from the date of acquisition to 31 December 2008. If the acquisition had occurred on 1 January 2008, the revenue contributed by Techcon to the Group would have been approximately HK$23,237,000 and profit attributable to equity holders of the Company would have been approximately HK$8,171,000.

(d) Acquisition of Cangyu Expressway Co., Limited

On 10 December 2008, the Group entered into an equity transfer agreement with independent third parties in connection with the acquisition of 90% equity interest in Cangyu Expressway Co., Ltd. whose principal asset is the toll operating right of Cangyu Expressway. In accordance with the aforesaid agreement, the consideration for the acquisition and the additional registered capital contribution amounted to RMB173 million (equivalent to HK$194.6 million). The acquisition was completed on 19 January 2009.

Details of the net assets acquired and goodwill are as follows:

	2009 **HK$'000**
Purchase consideration:	
Cash paid	**194,610**
Direct costs relating to the acquisition	**1,587**
Total purchase consideration	**196,197**
Fair value of net identifiable assets acquired (see below)	**(153,720)**
Goodwill *(Note 24)*	**42,477**

The goodwill is attributable to the recognition of deferred tax liabilities on fair value gain from the acquisition of 90% equity interest in Cangyu Expressway Co., Ltd

20 DISPOSALS AND ACQUISITIONS OF SUBSIDIARIES (continued)

(d) Acquisition of Cangyu Expressway Co., Limited (continued)

The assets and liabilities arising from the acquisition are as follows:

	2009	
	Fair value HK$'000	Acquiree's carrying amount HK$'000
Intangible operating rights	648,260	494,884
Property, plant and equipment	32,777	32,777
Trade receivables	910	910
Other receivables, prepayments and deposits	26,070	26,070
Cash and cash equivalents	956	956
Trade and other payables and accrued charges	(50,179)	(50,179)
Amounts due to minority shareholders	(18,082)	(18,082)
Borrowings	(431,568)	(431,568)
Deferred income tax liabilities	(38,344)	—
Net identifiable assets acquired	170,800	55,768
Net identifiable assets attributable to the 90% equity interests acquired by the Group	153,720	50,191
Cash outflow to acquire business, net of cash acquired:		
Purchase consideration		196,197
Cash and cash equivalents in the subsidiary acquired		(956)
Cash outflow on acquisition		195,241

20 DISPOSALS AND ACQUISITIONS OF SUBSIDIARIES (continued)

(e) Disposal of Transport

On 26 November 2009, the Group disposed of the entire equity interest of 45.28% in Transport, a subsidiary of the Group by way of share distribution and share offer. Pursuant to the share distribution arrangement, the Company declared a special dividend that was effected by way of a distribution in specie of Transport shares to the shareholders with a cash alternative (Note 12). Pursuant to the share offer arrangement, the Company made an offer for sale of all the remaining Transport shares held by it to the shareholders in proportion to their shareholdings. Yue Xiu Enterprises (Holdings) Limited ("YXE"), a substantial shareholder of the Company, is the underwriter of the share offer.

(Loss)/profit for the year from discontinued operation of Transport comprised:

	2009 **HK$'000**	2008 HK$'000
Loss on disposal of a subsidiary (Note (i))	**(1,593,911)**	—
Profit from discontinued operation (Note (iii))	**500,291**	725,252
	(1,093,620)	725,252

20 DISPOSALS AND ACQUISITIONS OF SUBSIDIARIES (continued)

(e) Disposal of Transport (continued)

(i) Details of the assets and liabilities of Transport disposed of and the loss on disposal are as follows:

	2009 HK$'000
Assets and liabilities disposed of:	
Intangible operating rights	7,184,303
Property, plant and equipment	70,678
Investment properties	8,800
Leasehold land and land use rights	649
Interests in jointly controlled entities	334,148
Interests in associated entities	2,018,258
Goodwill	165,292
Available-for-sale financial assets	147,735
Other non-current assets	194,338
Trade and other receivables	94,725
Cash and cash equivalents	2,545,051
Trade and other payables	(190,076)
Borrowings	(1,419,443)
Taxation payable	(9,317)
Other current liabilities	(94)
Deferred tax liabilities	(866,719)
Minority interests	(6,390,756)
Net assets disposed of	3,887,572
Less: special dividend in specie of Transport shares *(Note 12)*	(437,980)
Adjusted net assets disposed of	3,449,592
Cash received *(Note)*	1,853,314
Direct costs attributable to the disposal	(21,234)
Less: Adjusted net assets disposed of	(3,449,592)
Add: Release of reserve	23,601
Loss on disposal of a subsidiary	(1,593,911)

Note: Pursuant to the share offer arrangement and underwriting agreement, 478,026,881 shares of Transport were acquired by YXE at a total consideration of approximately HK$1,434 million.

20 DISPOSALS AND ACQUISITIONS OF SUBSIDIARIES (continued)

(e) Disposal of Transport (continued)

	2009
	HK$'000
(ii) Outflow of cash arising from disposal of a subsidiary:	
Cash consideration	**1,853,314**
Direct costs attributable to the disposal	**(21,234)**
Cash and cash equivalents in the subsidiary disposed of	**(2,545,051)**
	(712,971)

(iii) Analysis of the result of discontinued operations and the result recognised on the remeasurement of assets of disposal group, are as follows:

	2009	2008
	HK$'000	HK$'000
Revenue	**989,840**	1,014,486
Expenses	**(404,021)**	(201,204)
Profit before tax of discontinued operations	**585,819**	813,282
Taxation	**(85,528)**	(88,030)
Profit from discontinued operations	**500,291**	725,252
Operating cash flows	**761,071**	696,918
Investing cash flows	**27,891**	(29,344)
Financing cash flows	**(599,278)**	(475,827)
	189,684	191,747

21 GAIN ON SALES OF INVESTMENT PROPERTIES

During the year, the Group disposed of certain investment properties with total sales proceeds of approximately HK$268 million (2008: HK$541 million) resulting in a total net gain of approximately HK$45 million (2008: HK$163 million).

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2009	2008
	HK$'000	HK$'000
Share of net assets	**37,227**	308,732
Amounts due from jointly controlled entities *(Note 44(c))*	**186,211**	185,285
Less: provision for impairment of amounts due from jointly controlled entities	**(36,420)**	(35,229)
	187,018	458,788
Amounts due to jointly controlled entities *(Note 44(c))*	**(148,284)**	(154,976)

The Group's interests in its jointly controlled entities, all of which are unlisted, are as follows:

	2009	2008
	HK$'000	HK$'000
Revenue	**33**	49
Expenses	**(2,014)**	(835)
Taxation	**—**	—
Loss for the year	**(1,981)**	(786)
Assets:		
Non-current assets	**1,920**	1,102,956
Current assets	**141,480**	180,715
	143,400	1,283,671
Liabilities:		
Non-current liabilities	**(54,734)**	(776,405)
Current liabilities	**(51,439)**	(198,534)
	(106,173)	(974,939)
Net assets	**37,227**	308,732

Details of the Group's jointly controlled entities as at 31 December 2009 are set out on page 159.

23 INTERESTS IN ASSOCIATED ENTITIES

	Group	
	2009	2008
	HK$'000	HK$'000
Share of net assets	**1,592,890**	3,646,580
Loans receivable from associated entities (Note 44(c))	**—**	1,973
Amounts due from associated entities (Note 44(c))	**68,839**	68,839
	1,661,729	3,717,392
Amounts due to associated entities (Note 44(c))	**(134,978)**	(112,150)

All the interests in associated entities held by the Group are unlisted except for an investment in an associated entity with a carrying value of approximately HK$1,455 million (2008: HK$1,439 million) which is listed on The Stock Exchange of Hong Kong Limited. The fair value of the interests in this associated entity amounted to approximately HK$1,115 million as at 31 December 2009 (2008: HK$679 million).

The Group's interests in its associated entities are as follows:

	2009	2008
	HK$'000	HK$'000
Revenue	**217,318**	181,442
Profit after tax	**123,245**	89,068
Assets	**2,606,549**	6,336,628
Liabilities	**(1,013,659)**	(2,690,048)
Net assets	**1,592,890**	3,646,580

Details of the Group's associated entities as at 31 December 2009 are set out on page 159.

The Group's associated entities did not have any significant capital commitments at 31 December 2009 (2008: Nil).

24 GOODWILL

	Group	
	2009	2008
	HK$'000	HK$'000
Beginning of the year	**125,994**	119,186
Acquisition of a subsidiary (Note 20(d))	**42,477**	—
Exchange differences	**(26)**	7,348
Impairment losses	**(3,153)**	(540)
Disposal of a subsidiary (Note 20(e))	**(165,292)**	—
End of the year	**—**	125,994

As at 31 December 2008, goodwill was mainly attributable to the recognition of deferred tax liabilities on fair value gain arising from the acquisition of 20 percent additional interest in Guangzhou Northern Second Ring Expressway Co., Ltd., a subsidiary of the Group.

25 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2009	2008
	HK$'000	HK$'000
Beginning of the year	**976,977**	979,903
Additions	**1,591**	52,658
Increase/(decrease) in fair value	**396,926**	(116,068)
Disposal of a subsidiary (Note 20(e))	**(147,735)**	—
Exchange differences	**1,636**	60,484
End of the year	**1,229,395**	976,977

Available-for-sale financial assets represent unlisted securities in companies located in China without external credit ratings.

26 PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

As at 31 December 2009, the Group's properties under development and properties held for sale of approximately HK$1,611 million (2008: HK$4,054 million) and HK$8 million (2008: Nil) respectively were pledged as collateral for the Group's bank borrowings (Note 43).

27 COMMITMENTS UNDER OPERATING LEASES

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings (except for the commitments disclosed in Note (i) below) as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Not later than one year (Note (i))	**3,132,053**	458,044
Later than one year and not later than five years	**29,276**	95,948
Later than five years	**56,852**	44,491
	3,218,181	598,483

Note:

(i) Included in this amount were commitments totaling approximately HK$3,016 million as at 31 December 2009 (2008: HK$429 million) relating to certain land use rights in China ranging from 50 to 75 years for which ownership certificates have not yet been obtained. As at 31 December 2009, total consideration for these land use rights amounted to approximately HK$4,579 million (2008: HK$2,313 million) for which the Group has prepaid approximately HK$1,563 million (2008: HK$1,884 million).

The Company did not have any significant commitments under operating leases at 31 December 2009 (2008: Nil).

28 INVENTORIES

	Group	
	2009	2008
	HK$'000	HK$'000
Raw materials	**479**	293
Work-in-progress	**55,248**	57,238
Finished goods	**47,554**	48,185
	103,281	105,716

The cost of inventories recognised as expense and included in 'cost of sales' for continuing operations amounted to approximately of HK$573,349,000 (2008: HK$530,155,000).

29 TRADE RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group	
	2009	2008
	HK$'000	HK$'000
Trade receivables	**135,108**	155,891
Less: provision for impairment of trade receivables	**(74,858)**	(88,981)
	60,250	66,910

The fair values of trade and other receivables approximate their carrying amounts.

The Group has defined credit policies for different businesses. The credit terms of the Group are generally within three months. The ageing analysis of trade receivables is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
0 - 30 days	**27,557**	35,385
31 - 90 days	**13,589**	6,219
91 - 180 days	**2,964**	539
181 - 365 days	**—**	15
Over 1 year	**90,998**	113,733
	135,108	155,891

As at 31 December 2009, trade receivables of approximately HK$41,146,000 (2008: HK$41,604,000) were fully performing.

As at 31 December 2009, trade receivables of approximately HK$19,104,000 (2008: HK$25,306,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables from the due date is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Up to 3 months	**2,964**	539
Over 3 months	**16,140**	24,767
	19,104	25,306

29 TRADE RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

As at 31 December 2009, trade receivables of approximately HK$74,858,000 (2008: HK$88,981,000) were impaired. The amount of the provision was HK$74,858,000 as at 31 December 2009 (2008: HK$88,981,000). The individual impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The ageing of these receivables from the due date is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Over 3 months	**74,858**	88,981

Movements in the provision for impairment of trade receivables are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Beginning of the year	**88,981**	102,568
Reversal of impairment in continuing operations (Note 6)	**(14,147)**	—
Exchange differences	**24**	6,651
Disposal of subsidiaries	**—**	(20,238)
End of the year	**74,858**	88,981

The creation and release of provision for impaired receivables have been included in general and administrative expenses in the consolidated income statement.

Except for a provision of impairment of HK$53,660,000 was provided for other receivables in 2008, other receivables, prepayments and deposits as at 31 December 2009 do not contain impaired assets.

The Group's trade receivables are denominated in Renminbi.

30 CHARGED BANK DEPOSITS

In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and settlement of construction fees of the relevant property projects. Such guarantee deposits will only be released after completion of related pre-sold properties or issuance of the real estate ownership certificate, whichever is the earlier.

31 CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank	**4,827,534**	1,598,524	**1,067,786**	168,443
Short-term bank deposits	**87,746**	1,898,023	**58,562**	65,160
	4,915,280	3,496,547	**1,126,348**	233,603

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**1,185,529**	2,057,686	**1,066,515**	166,802
Renminbi	**3,668,324**	1,190,854	**83**	90
United States dollar	**59,374**	246,129	**58,872**	65,327
Others	**2,053**	1,878	**878**	1,384
	4,915,280	3,496,547	**1,126,348**	233,603

The Group's Renminbi balances are placed with banks in China. The conversion of these Renminbi denominated balances into foreign currencies in China is subject to rules and regulations of foreign exchange control promulgated by the Chinese Government.

The effective interest rate on short-term bank deposits was 0.1 percent (2008: 3.13 percent).

The Group's bank deposits are mainly placed with major state-owned financial institutions.

32 TRADE PAYABLES

The fair values of trade payables approximate their carrying amounts.

The ageing analysis of the trade payables is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
0 - 30 days	**60,144**	60,083
31 - 90 days	**55,380**	32,024
91 - 180 days	**17,583**	—
181 - 365 days	**10**	19
1 - 2 years	**1,471**	4,519
Over 2 years	**4,092**	232
	138,680	96,877

Majority of the Group's trade payables are denominated in Renminbi.

33 OTHER PAYABLES AND ACCRUED CHARGES

	Group	
	2009	2008
	HK$'000	HK$'000
Accrual for construction related costs	**3,118,837**	3,192,698
Accrued employee benefits costs	**146,890**	174,435
Amounts due to related parties	**373,013**	361,014
Other payables	**861,468**	1,157,485
	4,500,208	4,885,632

34 BORROWINGS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Long-term bank borrowings				
– Secured	**9,141,342**	2,653,248	**2,160,081**	—
– Unsecured	**2,960,647**	1,379,975	**1,700,000**	—
Obligations under finance leases	**96**	45	**96**	45
Loans from a related company (Note 44(c))	**56,818**	56,162	**56,818**	56,162
Loans from minority shareholders of subsidiaries	**—**	355,220	**—**	—
	12,158,903	4,444,650	**3,916,995**	56,207
Current				
Bank overdrafts	**459**	406	**—**	—
Short-term bank borrowings				
– Secured	**79,500**	158,748	**—**	—
– Unsecured	**692,837**	56,696	**—**	—
Current portion of long-term bank borrowings				
– Secured	**874,503**	3,362,995	**—**	2,197,500
– Unsecured	**496,309**	2,117,153	**374,836**	1,924,388
Obligations under finance leases	**28**	30	**28**	30
	2,143,636	5,696,028	**374,864**	4,121,918
Total borrowings	**14,302,539**	10,140,678	**4,291,859**	4,178,125

34 BORROWINGS (continued)

The maturity of borrowings is as follows:

Group

	Bank borrowings and overdrafts		Other loans	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,143,608**	5,695,998	**28**	30
In the second year	**2,802,294**	1,572,626	**25**	29
In the third to fifth year	**6,471,756**	1,338,021	**56,889**	56,178
Over five years	**2,827,939**	1,122,576	**—**	—
With no fixed repayment terms *(Note (i))*	**—**	—	**—**	355,220
	14,245,597	9,729,221	**56,942**	411,457

Note:

(i) As at 31 December 2008, the carrying amounts of the interest free loans from minority shareholders of subsidiaries approximate their fair values which are calculated based on cash flows discounted using a rate of 5.31 percent per annum.

Company

	Bank borrowings and overdrafts		Other loans	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**374,836**	4,121,888	**28**	30
In the second year	**678,501**	—	**25**	29
In the third to fifth year	**3,181,580**	—	**56,889**	56,178
	4,234,917	4,121,888	**56,942**	56,237

34 BORROWINGS (continued)

The effective interest rates at the balance sheet date were as follows:

	2009		2008	
	HK$	**RMB**	HK$	RMB
Bank overdrafts	**3.43%**	**—**	6.66%	—
Bank borrowings	**0.95%**	**6.54%**	2.73%	7.08%
Other loans	**1.16%**	**—**	5.16%	—

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**4,292,318**	4,178,530	**4,291,859**	4,178,125
Renminbi	**10,010,221**	5,962,148	**—**	—
	14,302,539	10,140,678	**4,291,859**	4,178,125

The fair values of borrowings approximate their carrying amounts.

35 SHARE CAPITAL

	Number of shares	Amount
	'000	HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	10,000,000	1,000,000
Issued and fully paid:		
At 1 January 2008	7,121,918	712,192
Issue of shares upon exercise of share options (Note 36)	4,930	493
At 31 December 2008	7,126,848	712,685
At 1 January 2009	7,126,848	712,685
Issue of shares upon exercise of share options (Note 36)	9,734	973
At 31 December 2009	7,136,582	713,658

36 SHARE OPTIONS

Movements of share options are as follows:

	Number of share options '000
At 1 January 2008	79,032
Granted during the year	5,800
Exercised during the year	(4,930)
Lapsed during the year	(3,000)
At 31 December 2008	76,902
At 1 January 2009	**76,902**
Exercised during the year	**(9,734)**
At 31 December 2009	**67,168**

36 SHARE OPTIONS (continued)

Particulars of share options as at 31 December 2009 and 2008 are as follows:

Date of grant	Exercise period	Exercise price	Number of outstanding share options	
		HK$	**2009** '000	2008 '000
2 May 2003	2 May 2003 - 1 May 2013	0.4100	**10,870**	11,870
2 June 2003	2 June 2003 - 1 June 2013	0.5400	**7,000**	7,000
27 October 2003	27 October 2003 - 26 October 2013	0.8140	**1,840**	2,620
23 December 2003	23 December 2003 - 22 December 2013	0.8460	**9,978**	11,440
23 June 2004	23 June 2004 - 22 June 2014	0.6300	**36,360**	41,172
28 May 2008	28 May 2008 - 27 May 2018	1.5560	**1,120**	2,800
			67,168	76,902

On 26 June 2002, the Company adopted a share option scheme, under which it may grant options to employees (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10 percent of the number of shares in issue as at 26 June 2002. The exercise price will be determined by the Company's Board of Directors and shall at least be the highest of (i) the closing price of the Company's shares on the date of grant of the options, (ii) an average closing price of the Company's shares for the five business days immediately preceding the date of grant of the options, and (iii) the nominal value of the Company's shares.

As at 31 December 2009, 66,048,000 (2008: 74,942,000) of the outstanding share options were exercisable.

The fair value of options granted was determined using the Black-Scholes valuation model by an independent valuer, Greater China Appraisal Limited. The significant inputs into the model were share price at the grant date, exercise price, standard deviation of expected share price returns, expected life of options, expected dividend payout rate and annual risk-free rate. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over a period of one year before the date when the options were granted.

37 RESERVES

(a) Group

	Share premium HK$'000	Capital redemption reserve HK$'000	Statutory reserves (Note a) HK$'000	Exchange fluctuation reserve HK$'000	Asset revaluation reserve HK$'000	Available-for-sale financial assets fair value reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2009	6,533,828	1,815	223,527	1,485,591	539,599	514,927	11,376	4,455,770	13,766,433
Currency translation differences	—	—	—	(1,163)	—	3,517	—	—	2,354
Change in fair value of financial assets									
– gross	—	—	—	—	—	377,079	—	—	377,079
– tax	—	—	—	—	—	(94,270)	—	—	(94,270)
– effect of withholding tax	—	—	—	—	—	(33,254)	—	—	(33,254)
Loss attributable to shareholders	—	—	—	—	—	—	—	(697,414)	(697,414)
Disposal of subsidiaries	—	—	(17,762)	—	(536,402)	(23,601)	—	554,164	(23,601)
Transfer	—	—	9,889	—	(3,197)	—	—	(6,692)	—
Employee share options scheme									
- value of employee services	—	—	—	—	—	—	367	—	367
Issue of shares net of issuing expenses	6,949	—	—	—	—	—	—	—	6,949
Transfer upon exercise of share options	2,113	—	—	—	—	—	(2,113)	—	—
Dividends paid	—	—	—	—	—	—	—	(717,421)	(717,421)
At 31 December 2009	6,542,890	1,815	215,654	1,484,428	—	744,398	9,630	3,588,407	12,587,222

37 RESERVES (continued)

(a) Group (continued)

	Share premium HK$'000	Capital redemption reserve HK$'000	Statutory reserves (Note a) HK$'000	Exchange fluctuation reserve HK$'000	Cash-flow hedging reserve HK$'000	Asset revaluation reserve HK$'000	Available-for-sale financial assets fair value reserve HK$'000	Employee share-based compen-sation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008	6,530,583	1,815	208,693	1,006,290	(26,266)	540,465	580,160	11,368	4,224,455	13,077,563
Currency translation differences	—	—	—	668,188	—	—	30,051	—	—	698,239
Share of change in fair value of cash-flow hedges of an associated entity	—	—	—	—	26,266	—	—	—	—	26,266
Change in fair value of financial assets										
– gross	—	—	—	—	—	—	(122,560)	—	—	(122,560)
– tax	—	—	—	—	—	—	27,276	—	—	27,276
Profit attributable to shareholders	—	—	—	—	—	—	—	—	607,964	607,964
Disposal of subsidiaries	—	—	(54,716)	(188,887)	—	—	—	—	54,716	(188,887)
Transfer	—	—	69,550	—	—	(866)	—	—	(68,684)	—
Employee share options scheme - value of employee services	—	—	—	—	—	—	—	1,509	—	1,509
Issue of shares net of issuing expenses	2,524	—	—	—	—	—	—	—	—	2,524
Transfer upon exercise of share options	721	—	—	—	—	—	—	(721)	—	—
Transfer upon lapse of share options	—	—	—	—	—	—	—	(780)	780	—
Dividends paid	—	—	—	—	—	—	—	—	(363,461)	(363,461)
At 31 December 2008	6,533,828	1,815	223,527	1,485,591	—	539,599	514,927	11,376	4,455,770	13,766,433
Representing:										
2008 Final dividend proposed									57,015	
Others									4,398,755	
									4,455,770	

37 RESERVES (continued)

(a) Group (continued)

Note a

Statutory reserves represent enterprise expansion and general reserve funds set up by the subsidiaries, jointly controlled entities and associated entities in China. As stipulated by regulations in China, the Company's subsidiaries, jointly controlled entities and associated entities established and operated in China are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective boards of directors. According to the Regulations for the Implementation of the Law of The People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, upon approval, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion funds may be used for increasing capital only.

(b) Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2009	6,533,828	1,815	615,835	11,376	2,557,728	9,720,582
Currency translation differences	—	—	16,487	—	—	16,487
Issue of shares net of issuing expenses	6,949	—	—	—	—	6,949
Employee share options scheme						
- value of employee services	—	—	—	367	—	367
Transfer upon exercise of share options	2,113	—	—	(2,113)	—	—
Profit for the year	—	—	—	—	582,110	582,110
Dividends paid	—	—	—	—	(717,421)	(717,421)
At 31 December 2009	6,542,890	1,815	632,322	9,630	2,422,417	9,609,074

37 RESERVES (continued)

(b) Company (continued)

	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008	6,530,583	1,815	—	11,368	2,716,882	9,260,648
Currency translation differences	—	—	615,835	—	—	615,835
Issue of shares net of issuing expenses	2,524	—	—	—	—	2,524
Employee share options scheme						
- value of employee services	—	—	—	1,509	—	1,509
Transfer upon exercise of share options	721	—	—	(721)	—	—
Transfer upon lapse of share options	—	—	—	(780)	780	—
Profit for the year	—	—	—	—	203,527	203,527
Dividends paid	—	—	—	—	(363,461)	(363,461)
At 31 December 2008	6,533,828	1,815	615,835	11,376	2,557,728	9,720,582
Representing:						
2008 Final dividends proposed					57,015	
Others					2,500,713	
					2,557,728	

38 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable income tax rate.

The movements in the deferred tax liabilities/(assets) account are as follows:

	Group	
	2009 **HK$'000**	2008 HK$'000
Beginning of the year	**3,030,284**	3,240,296
Deferred taxation charged/(credited) to consolidated income statement		
– continuing operations (Note 9(d))	**217,608**	(429,700)
– discontinued operations	**10,669**	9,266
Acquisition of a subsidiary (Note 20(c),(d))	**38,344**	21,928
Disposal of a subsidiary (Note 20(b),(e))	**(866,719)**	31,815
Deferred taxation charged/(credited) to equity	**132,486**	(21,589)
Exchange differences	**2,564**	178,268
End of the year	**2,565,236**	3,030,284

38 DEFERRED TAXATION (continued)

The movements in deferred tax assets (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Group				
	Different bases in reporting expenses with tax authorities	**Provision for impairment of properties**	**Tax losses**	**Others**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	322,833	9,769	21,871	2,703	357,176
Exchange differences	15,064	523	1,229	3,552	20,368
(Charged)/credited to income statement					
– continuing operations	(19,473)	(2,339)	7,555	6,247	(8,010)
– discontinued operations	31,815	(127)	—	—	31,688
Disposal of a subsidiary	(31,815)	—	—	—	(31,815)
At 31 December 2008	318,424	7,826	30,655	12,502	369,407
At 1 January 2009	**318,424**	**7,826**	**30,655**	**12,502**	**369,407**
Exchange differences	**2,822**	**12**	**38**	**10**	**2,882**
Credited/(charged) to income statement					
– continuing operations	**48,086**	**(899)**	**(1,449)**	**(12,512)**	**33,226**
At 31 December 2009	**369,332**	**6,939**	**29,244**	**—**	**405,515**

38 DEFERRED TAXATION (continued)

The movements in deferred tax liabilities (prior to offsetting of balances within the same jurisdiction), during the year are as follows:

	Group							
	Revaluation of properties	Accelerated depreciation	Fair value gain on interest in a toll highway arising from acquisition of a subsidiary	Revaluation of investments	Different bases in reporting revenue with tax authorities	Others	Undistributed profits of subsidiaries, jointly controlled entities and associated entities	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	2,077,974	157,989	586,524	199,795	565,861	9,329	—	3,597,472
Exchange differences	121,583	6,029	36,031	10,960	22,343	1,690	—	198,636
(Credited)/charged to income statement								
– continuing operations	(141,728)	23,123	—	—	(317,111)	(1,994)	—	(437,710)
– discontinued operations	—	26,333	(12,295)	—	(2,984)	—	29,900	40,954
Credited to reserves	—	—	—	(21,589)	—	—	—	(21,589)
Acquisition of a subsidiary	—	21,928	—	—	—	—	—	21,928
At 31 December 2008	2,057,829	235,402	610,260	189,166	268,109	9,025	29,900	3,399,691
At 1 January 2009	**2,057,829**	**235,402**	**610,260**	**189,166**	**268,109**	**9,025**	**29,900**	**3,399,691**
Exchange differences	**3,105**	**695**	**—**	**779**	**692**	**27**	**148**	**5,446**
(Credited)/charged to income statement								
– continuing operations	**(190,270)**	**—**	**—**	**2,307**	**279,291**	**6,829**	**152,677**	**250,834**
– discontinued operations	**—**	**(7,351)**	**(9,690)**	**—**	**—**	**—**	**27,710**	**10,669**
Disposal of a subsidiary	**—**	**(156,166)**	**(638,914)**	**(14,031)**	**—**	**—**	**(57,608)**	**(866,719)**
Charged to reserves	**—**	**—**	**—**	**99,232**	**—**	**—**	**33,254**	**132,486**
Acquisition of a subsidiary	**—**	**—**	**38,344**	**—**	**—**	**—**	**—**	**38,344**
At 31 December 2009	**1,870,664**	**72,580**	**—**	**277,453**	**548,092**	**15,881**	**186,081**	**2,970,751**

38 DEFERRED TAXATION (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown on the consolidated balance sheet:

	Group	
	2009	2008
	HK$'000	HK$'000
Deferred tax assets		
– Hong Kong profits tax	**10,645**	12,278
– China enterprise income tax	**72,451**	78,314
	83,096	90,592
Deferred tax liabilities		
– Hong Kong profits tax	**45,697**	43,694
– China enterprise income tax	**2,042,812**	2,345,361
– China land appreciation tax	**559,823**	731,821
	2,648,332	3,120,876

Deferred income tax assets are recognised for tax losses carried forward and revaluation of properties to the extent that realisation of the related tax benefits through future taxation profits is probable. As at 31 December 2009, the Group had unrecognised deferred tax benefits of approximately HK$436 million (2008: HK$333 million) in respect of tax losses of approximately HK$2,640 million (2008: HK$2,020 million) and unrecognised deferred tax benefits of approximately HK$41 million (2008: HK$41 million) in respect of provision for impairment of properties of approximately HK$251 million (2008: HK$251 million) for Hong Kong profits tax purposes with no expiry date.

39 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit to net cash used in operation:

	2009	2008
	HK$'000	HK$'000
Operating profit	**1,395,193**	323,935
Depreciation and amortisation	**172,622**	153,453
Loss/(gain) on disposal of property, plant and equipment	**610**	(93)
Gain on sales of investment properties	**(44,580)**	(162,588)
Fair value (gains)/losses on revaluation of investment properties	**(312,812)**	271,050
Provision for impairment of properties under development and properties held for sale	**—**	3,037
Provision for impairment of property, plant and equipment	**4,730**	1,113
(Reversal of)/provision for impairment of leasehold land	**(39,199)**	53,333
Net increase in properties under development, properties held for sale, leasehold land and land use rights	**(4,001,903)**	(4,426,838)
Gain on disposal of a subsidiary	**—**	(28,552)
Provision for other receivables	**—**	41,920
Write-off of bad debts	**1,297**	—
Reversal of provision for trade receivables	**(14,147)**	—
Employee share option scheme	**367**	1,509
Decrease/(increase) in inventories	**2,435**	(426,913)
Net increase in trade receivables, other receivables, prepayments and deposits	**(177,058)**	(4,512)
Net increase in trade payables, other payables and accrued charges	**2,307,036**	2,165,131
Net movement in balances with related companies	**(20,860)**	18,510
(Decrease)/increase in amounts due to minority shareholders of subsidiaries	**(473,922)**	451,832
Net cash used in continuing operation	**(1,200,191)**	(1,564,673)
Net cash generated from discontinued operation	**761,071**	755,975
Net cash used in operation	**(439,120)**	(808,698)

40 FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

At 31 December 2009, the Group and the Company had future minimum rental payments receivable under certain non-cancellable leases as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**237,847**	221,429	**95**	685
Later than one year and not later than five years	**447,998**	390,049	**37**	7
Later than five years	**92,800**	61,620	**—**	—
	778,645	673,098	**132**	692

In 2006, the Group entered into a fifteen years' lease agreement with a third party, whereby a property is leased to the third party who acts as the head tenant and operates a shopping mall in the property. In return, the Group is entitled to share a portion of the sub-lease rental income to be received by the third party during the lease period which has been included in the above analysis.

41 OTHER COMMITMENTS

	Group	
	2009	2008
	HK$'000	HK$'000
Capital commitments in respect of property, plant and equipment and investment properties:		
Contracted but not provided for	**1,849,699**	226,809
Authorised but not contracted for	**1,764,549**	401,049
	3,614,248	627,858

At 31 December 2009, the Group had no financial commitments in respect of equity capital to be injected into any jointly controlled entity or associated entity (2008: HK$238,632,000).

The Company did not have any significant capital commitments at 31 December 2009 (2008: Nil).

42 CONTINGENT LIABILITIES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (Note (a))	**1,175,545**	883,068	**—**	—
Guarantees for banking and loan facilities granted to subsidiaries (Note (b))	**—**	—	**41,365**	40,152
	1,175,545	883,068	**41,365**	40,152

Note:

(a) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

(b) The Company provided guarantees in respect of certain banking and loan facilities granted to subsidiaries.

(c) In connection with the disposal of a subsidiary to GZI REIT in 2008, the Group entered into a Deed of Indemnity to indemnify GZI REIT against certain liabilities for land premium and deferred taxation with an estimated total amount of approximately HK$74 million (2008: HK$74 million). The Deed of Indemnity will expire on 30 May 2014.

43 SECURITIES FOR BANKING FACILITIES

At 31 December 2009, certain banking facilities and loans granted to the Group and the Company were secured by:

(a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties, property, plant and equipment with aggregate carrying values of approximately HK$1,611 million (2008: HK$4,054 million), HK$8 million (2008: Nil), HK$5,165 million (2008: HK$2,979 million) and HK$879 million (2008: HK$95 million) respectively;

(b) mortgages of certain of the Group's leasehold land and land use rights with an aggregate carrying value of approximately HK$5,151 million (2008: HK$2,185 million); and

(c) assignment of shareholder's loans between certain companies in the consolidated group with an aggregate amount of approximately HK$3,162 million (2008: HK$3,529 million).

44 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. The table below summarises the names of significant related parties, with whom the Group has significant transactions during the year, and their relationship with the Company as at 31 December 2009:

Significant related parties	Relationship with the Company
Yue Xiu Enterprises (Holdings) Limited ("YXE")	A substantial shareholder
Yue Xiu Finance Company Limited ("YXF")	A subsidiary of YXE
Yue Xiu International Development Limited ("YXIDL")	A subsidiary of YXE
Yue Xiu Cold Storage and Warehousing Limited ("YXCSWL")	A subsidiary of YXE
Yue Xiu (SEC) Company Limited ("YXSEC")	A subsidiary of YXE
Hi-Watt Battery Industry Company Limited ("HWB")	A subsidiary of YXE
Guangdong Humen Bridge Co., Ltd. ("GHB")	An associated entity disposed of during 2009
Guangdong Shantou Bay Bridge Co., Ltd. ("GSB")	An associated entity disposed of during 2009
GZI Real Estate Investment Trust ("GZI REIT")	An associated entity

44 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

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

	2009	2008
	HK$'000	HK$'000
(I) Transactions with YXE		
(i) Rental expenses and property management fees paid to YXE	**(1,628)**	(2,213)
(ii) Rental income received from YXE	**—**	24
(iii) Service fees paid to YXE	**(600)**	(600)
(II) Transactions with YXF		
(i) Service fees paid to YXF	**(362)**	(362)
(ii) Rental income received from YXF	**48**	80
(III) Transaction with YXIDL		
(i) Loan interest paid to YXIDL	**(656)**	(1,763)
(ii) Advertising expenses paid to YXIDL	**(200)**	—
(IV) Transactions with GZI REIT		
(i) Asset management fees received from GZI REIT	**32,200**	32,158
(ii) Tenancy service fees received from GZI REIT	**18,110**	16,944
(iii) Rental expenses paid to GZI REIT	**(3,858)**	(3,129)
(V) Transaction with GHB		
Loan interest received from GHB	**17**	5,829
(VI) Transaction with GSB		
Loan interest received from GSB	**—**	133
(VII) Transaction with YXCSWL		
Rental income received from YXCSWL	**3,048**	3,048
(VIII) Transaction with YXSEC		
Rental income received from YXSEC	**—**	28
(IX) Transaction with HWB		
Rental income received from HWB	**1,405**	7,332

44 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

	Group	
	2009	2008
	HK$'000	HK$'000
Amount due to a substantial shareholder (Note (i) and (v))	**(83,544)**	(81,569)
Loan receivables from associated entities (Note (iv), (vi) and (ix))	**—**	1,973
Amounts due from associated entities (Note (ii), (vii) and (ix))	**86,502**	89,245
Amounts due to associated entities (Note (ii) and (v))	**(134,978)**	(112,150)
Amounts due from jointly controlled entities (Note (ii), (vi) and (ix))	**186,211**	185,285
Amounts due to jointly controlled entities (Note (ii) and (v))	**(148,284)**	(154,976)
Loan from a related company (Note (iii) and (viii))	**(56,818)**	(56,162)
Amounts due from related companies (Note (ii), (v) and (ix))	**—**	2,915
Amounts due to related companies (Note (ii) and (v))	**(6,207)**	(12,319)

	Company	
	2009	2008
	HK$'000	HK$'000
Amount due to a substantial shareholder (Note (i) and (v))	**(82,572)**	(80,318)
Loan from a related company (Note (iii) and (viii))	**(56,818)**	(56,162)

Except for the amount due to a substantial shareholder, amounts due from associated entities and loans from a related company which are denominated in Hong Kong dollar, all others related party balances are denominated in Renminbi.

Note:

(i) The balance at 31 December 2009 and 2008 is unsecured, interest free and repayable on demand.

(ii) All balances are unsecured, interest free and have no fixed repayment terms.

(iii) The loan balance at 31 December 2009 and 2008 is unsecured, interest bearing at Hong Kong Interbank Offered Rate plus 1 percent per annum. The balance in 31 December 2008 is repayable within one year and the balance in 31 December 2009 is not repayable within the next twelve months.

(iv) As at 31 December 2008, the loan receivables are unsecured, have no fixed repayment terms and bear interest at the prevailing US dollar prime rate of 3.25 percent per annum or the lending rates of financial institutions in mainland China of 5.31 percent per annum.

(v) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.

(vi) These balances are included in interests in jointly controlled entities or interests in associated entities, as appropriate.

(vii) The balance is included in interests in associated entities except for an amount of approximately HK$17,663,000 as at 31 December 2009 (2008: HK$20,406,000) which is included in other receivables, prepayments and deposits.

(viii) The balance is included in long-term borrowings.

(ix) These balances were not in default or impaired as at 31 December 2009 and 2008, except for a provision for impairment losses of approximately HK$36,420,000 (2008: HK$35,229,000) made for an amount due from a jointly controlled entity as at 31 December 2009 and 2008 respectively.

44 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(d) Key management compensation

The aggregate amounts of emoluments paid or payable to key management of the Group are as follows:

	2009	2008
	HK$'000	HK$'000
Fees	**540**	770
Other emoluments:		
Basis salaries, housing allowances, other allowances and benefits in kind	**36,989**	34,988
Pension costs	**1,394**	1,435
	38,923	37,193

PRINCIPAL SUBSIDIARIES

As at 31 December 2009, the Company held shares/interests in the following principal subsidiaries:

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2009		2008		
			Direct	**Indirect**	Direct	Indirect	
Able Step Investment Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Beexiu Industrial (Shenzhen) Co., Ltd.	China, limited liability company	Registered capital HK$7,000,000	—	**100**	—	100	Property development
Bond Master Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Charm Smart Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Property development
Companhia de Fomento Predial Yue Xiu (Macau), Limitada	Macau	1 share of MOP198,000 and 1 share of MOP2,000	—	**100**	—	100	Property development
Companhia de Gestao Imobiliaria Hang Sao, Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	—	**100**	—	100	Property management
Crystal Path Investment Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Dalian Perfect Base Property Development Co., Ltd.	China, limited liability company	Registered capital US$7,500,000	—	**100**	—	100	Property development
Dragon Yield Holding Limited	British Virgin Islands	1 Ordinary share of US$1 each	**100**	—	100	—	Investment holding
Easy Excel Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Elsburg Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Fundscore Development Limited	Hong Kong	500,000 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Glory Mission Development Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company 2009 Direct	2009 Indirect	2008 Direct	2008 Indirect	Principal activities
Green Park Development Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Guangzhou Bright Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB88,315,800	—	**95**	—	95	Property development
Guangzhou Carry Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	**95**	—	95	Property development
Guangzhou Central Funds City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB37,236,300	—	**95**	—	95	Property development
Guangzhou Charcon Real Estate Co., Ltd.	China, limited liability company	Registered capital HK$259,670,000	—	**100**	—	100	Property development
Guangzhou Charfar Real Estate Company Limited	China, limited liability company	Registered capital RMB111,450,000	—	**75**	—	75	Property development
Guangzhou Charho Real Estate Company Limited	China, limited liability company	Registered capital US$5,000,000	—	**100**	—	100	Property development
Guangzhou City Construction & Development Co. Ltd.	China, limited liability company	Registered capital RMB1,631,012,700	—	**95**	—	95	Property development
Guangzhou City Construction & Development Consulting Ltd.	China, limited liability company	Registered capital RMB2,145,800	—	**98.13**	—	98.13	Consulting services in property development
Guangzhou City Construction & Development Decoration Ltd.	China, limited liability company	Registered capital RMB35,882,800	—	**98.62**	—	98.62	Decoration and design
Guangzhou City Construction & Development Group Nansha Co. Ltd	China, limited liability company	Registered capital RMB25,000,000	—	**95**	—	95	Property development
Guangzhou City Construction & Development Homecity Supermarket Ltd.	China, limited liability company	Registered capital RMB33,178,900	—	**98.13**	—	98.13	Supermarket operator
Guangzhou City Construction & Development Jingcheng Property Co. Ltd.	China, limited liability company	Registered capital RMB13,712,500	—	**95**	—	95	Property development

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company 2009 Direct	2009 Indirect	2008 Direct	2008 Indirect	Principal activities
Guangzhou City Construction & Development Property Ltd.	China, limited liability company	Registered capital RMB12,994,800	—	**95**	—	95	Property development and investment
Guangzhou City Construction Project Management Co., Ltd.	China, limited liability company	Registered capital RMB8,921,500	—	**65**	—	65	Project management
Guangzhou City Construction & Development Weicheng Enterprise Ltd.	China, limited liability company	Registered capital RMB955,300	—	**80**	—	80	Property investment
Guangzhou City Construction & Development Xingye Property Agent Ltd.	China, limited liability company	Registered capital RMB37,520,000	—	**52**	—	52	Real estate agency
Guangzhou Construction & Development Holdings (China) Limited	British Virgin Islands	1 Ordinary share of US$1 each	**100**	—	100	—	Investment holding
Guangzhou Cowan City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	**95**	—	95	Property development
Guangzhou Eastern Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,734,400	—	**95**	—	95	Property development
Guangzhou Faithbond City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,231,400	—	**95**	—	95	Property development
GZ City Construction & Development Grandcity Parking Property Management Co., Ltd.	China, limited liability company	Registered capital RMB2,730,600	—	**81.26**	—	81.26	Car parking management
Guangzhou Grandcity Development Ltd.	China, limited liability company	Registered capital RMB539,578,600	—	**100**	—	100	Property development
Guangzhou Guangxiu City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB18,287,700	—	**95**	—	95	Property development
Guangzhou Honour City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,386,800	—	**95**	—	95	Property development

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company 2009 Direct	2009 Indirect	2008 Direct	2008 Indirect	Principal activities
Guangzhou Investment (China Property) Company Limited	British Virgin Islands	5,000 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Guangzhou Investment Finance Company Limited	Hong Kong	2 Ordinary shares of HK$1 each	**100**	—	100	—	Financial services
Guangzhou Investment (HK Property) Company Limited	British Virgin Islands	1 Ordinary share of HK$1 each	—	**100**	—	100	Investment holding
Guangzhou Investment (Macau Property) Company Limited	British Virgin Islands	1 Ordinary share of HK$1 each	—	**100**	—	100	Investment holding
Guangzhou Investment Property Holdings Limited	British Virgin Islands	1 Ordinary share of US$1 each	**100**	—	100	—	Investment Holding
Guangzhou Keen Asia City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	**95**	—	95	Property development
Guangzhou May Hua City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,853,900	—	**95**	—	95	Property development
Guangzhou Million Top City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	**95**	—	95	Property development
Guangzhou Perfect City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,448,600	—	**95**	—	95	Property development
Guangzhou Seaport City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB23,074,600	—	**95**	—	95	Property development
Guangzhou Sincere Land City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	**95**	—	95	Property development
Guangzhou Sun Peak City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,440,300	—	**95**	—	95	Property development
Guangzhou Talent Gather City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	**95**	—	95	Property development

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company 2009 Direct	2009 Indirect	2008 Direct	2008 Indirect	Principal activities
Guangzhou Tiyu Building Company Limited	China, limited liability company	Registered capital US$26,700,000	—	**100**	—	100	Property development and investment
Guangzhou Top Jade City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	**95**	—	95	Property development
Guangzhou Tung Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	**95**	—	95	Property development
Guangzhou Unionwin City Real Estates Co. Ltd	China, limited liability company	Registered capital RMB19,776,700	—	**95**	—	95	Property development
Guangzhou White Horse Clothings Market Ltd.	China, limited liability company	Registered capital RMB118,873,900	—	**100**	—	100	Property investment
Guangzhou White Horse Property Management Co.,Ltd.	China, limited liability company	Registered capital RMB5,000,000	—	**96.75**	—	96.75	Property management
Guangzhou Winbase City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	**95**	—	95	Property development
Guangzhou Winner City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	**95**	—	95	Property development
Guangzhou Xingcheng Enterprise Development Ltd.	China, limited liability company	Registered capital RMB154,612,700	—	**95**	—	95	Property Investment
Guangzhou Yicheng Property Management Ltd.	China, limited liability company	Registered capital RMB3,403,700	—	**85.68**	—	85.68	Property management
Guangzhou Yieldwise City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	**95**	—	95	Property development
Guangzhou Yuecheng Industrial Ltd.	China, limited liability company	Registered capital HK$300,000,000	—	**100**	—	100	Investment holding
Guangzhou Yuesheng Industrial Ltd.	China, limited liability company	Registered capital0 HK$300,000,000	—	**100**	—	100	Investment holding
Guangzhou Yuehui Industrial Ltd.	China, limited liability company	Registered capital HK$300,000,000	—	**100**	—	100	Investment holding

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company 2009 Direct	2009 Indirect	2008 Direct	2008 Indirect	Principal activities
Guangzhou Yuehui Property Development Limited	China, limited liability company	Registered capital RMB 612,244,000	—	**97.55**	—	95	Property development
Guangzhou Yueli Industrial Ltd.	China, limited liability company	Registered capital HK$300,000,000	—	**100**	—	100	Investment holding
Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd.	China, limited liability company	Registered capital RMB2,000,000,000	—	**99**	—	99	Property development
Guangzhou Ziwei City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB59,618,800	—	**95**	—	95	Property development
GZI REIT Asset Management Limited	Hong Kong	10,000,000 Ordinary shares of HK$1 each	**100**	—	100	—	Asset management
Hangzhou Linan Yue Xiu Industry Co. Ltd.	China	Registered capital US$49,800,000	—	**100**	—	—	Property development
Honstar Investments Limited	British Virgin Islands	1 Ordinary share of US$1 each	—	**100**	—	100	Investment holding
Hoover (China) Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Jamsin Limited	Hong Kong	2 Ordinary shares of HK$1 each	**100**	—	100	—	Property holding
Jiangmen Yue Xiu City Construction Property Development Limited	China	Registered capital RMB 100,000,000	—	**95**	—	—	Property Development
Jumbo Good Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Jumbo King Development Limited	Hong Kong, Singapore	2 Ordinary shares of HK$1 each	**100**	—	100	—	Property investment
Kingswell Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Lucken Limited	Hong Kong	3 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company 2009 Direct	2009 Indirect	2008 Direct	2008 Indirect	Principal activities
Merry Growth Development Limited	Hong Kong	100 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Nation Harvest Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Sino Peace Development Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Smart Rise Development Limited	Hong Kong	100 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Sociedade de Fomento Predial Codo(Macau) Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	—	**100**	—	100	Property development
Solution Investment Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Super Gain Development Limited	British Virgin Islands	350,000 Ordinary share of HK$1 each	—	**100**	—	100	Investment holding
Techcon Investment Limited	Hong Kong	1,000 Ordinary shares of HK$1 each	—	**100**	—	—	Hotel operations
Viclong Company Limited	Hong Kong	100 Ordinary shares of HK$100 each	—	**100**	—	100	Property investment
Winston Investment Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Yue Xiu APT Parking Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Car parking management

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2009		2008		
			Direct	Indirect	Direct	Indirect	
Yue Xiu Property Agency Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Property agency services
Yue Xiu Property Consultants Limited	Hong Kong	100 Ordinary shares of HK$1 each and 500,000 Non-voting deferred shares of HK$1 each	—	**100**	—	100	Property management consultancy services
Yue Xiu Property Management Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Building management services
廣州華振科技投資有限公司	China	Registered capital RMB 20,000,000	—	**100**	—	100	Investment holding

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

PRINCIPAL JOINTLY CONTROLLED ENTITIES

As at 31 December 2009, the Group held the following principal jointly controlled entities:

Name of jointly controlled entity	Place of establishment and operation	Percentage of voting power	Effective percentage of interest in ownership / profit sharing				Principal activities
			2009		2008		
			Direct	**Indirect**	Direct	Indirect	
Hainan China City Property Development Co., Ltd.	China	57.14	**—**	**52**	—	52	Property development
Guangdong Xinshidai Real Estate Ltd.	China	33.33	**—**	**45** **44**	—	45 44	Property development
Guangzhou South House Property Industry Co., Ltd	China	28.57	**—**	**30**	—	30	Property development and management

PRINCIPAL ASSOCIATED ENTITIES

As at 31 December 2009, the Group held shares/interests in the following principal associated entities:

Name of associated entity	Place of establishment and operation	Effective percentage of interest in ownership/ voting power / profit sharing				Principal activities
		2009		2008		
		Direct	**Indirect**	Direct	Indirect	
Guangzhou Xin Yue Real Estate Development Co. Ltd	China	**—**	**28.20**	—	28.20	Property development
GZI Real Estate Investment Trust	Hong Kong	**—**	**35.58**	—	35.58	Property investment

Corporate and Investor Relations Information

BOARD OF DIRECTORS

Executive directors

Mr Lu Zhifeng *(Chairman)*
Mr Zhang Zhaoxing
Mr Liang Yi
Mr Tang Shouchun
Mr Liang Youpan
(appointed with effect from 1 January 2010)
Mr Lam Yau Fung Curt
(appointed with effect from 1 January 2010)

Independent non-executive directors & audit committee members

Mr Yu Lup Fat Joseph
Mr Lee Ka Lun
Mr Lau Hon Chuen Ambrose

COMPANY SECRETARY

Mr Yu Tat Fung

QUALIFIED ACCOUNTANT

Miss Lam Sing Wah

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

HONG KONG LEGAL ADVISORS

Baker & McKenzie
Jones Day

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Bank of East Asia Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Wing Lung Bank Limited

WEBSITES TO ACCESS COMPANY INFORMATION

http://www.yuexiuproperty.com
http://www.irasia.com/listco/hk/yuexiuproperty
http://www.hkexnews.hk

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160 Lockhart Road
Wanchai, Hong Kong

SHARE REGISTRAR

Tricor Abacus Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

SHARE LISTING

The Company's shares are listed on:
The Stock Exchange of Hong Kong Limited
Singapore Exchange Securities Trading Limited

The stock codes are:
The Stock Exchange of Hong Kong Limited – 00123
Reuters – 123.HK
Bloomberg – 123 HK

INVESTOR RELATIONS

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