THIS CIRCULAR IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in Shanghai Industrial Holdings Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for shares.

上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

MAJOR TRANSACTION

(1) POSSIBLE ACQUISITION OF SHARES IN NEO-CHINA LAND GROUP (HOLDINGS) LIMITED BY NOVEL GOOD LIMITED, A WHOLLY-OWNED SUBSIDIARY OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(2) POSSIBLE SUBSCRIPTION OF SHARES IN NEO-CHINA LAND GROUP (HOLDINGS) LIMITED BY NOVEL GOOD LIMITED

(3) POSSIBLE DISPOSAL OF INTEREST IN QI AO ISLAND PROJECT BY NEO-CHINA LAND GROUP (HOLDINGS) LIMITED

(4) POSSIBLE MANDATORY CONDITIONAL CASH OFFER BY UBS AG, HONG KONG BRANCH AND NOMURA INTERNATIONAL (HONG KONG) LIMITED FOR AND ON BEHALF OF NOVEL GOOD LIMITED FOR ALL OF THE ISSUED SHARES IN, AND ALL OF THE OUTSTANDING CONVERTIBLE BONDS AND WARRANTS OF, NEO-CHINA LAND GROUP (HOLDINGS) LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED BY OR AGREED TO BE ACQUIRED OR SUBSCRIBED BY NOVEL GOOD LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND FOR THE CANCELLATION OF OUTSTANDING SHARE OPTIONS OF NEO-CHINA LAND GROUP (HOLDINGS) LIMITED

Joint Financial Advisers to
Shanghai Industrial Holdings Limited and Novel Good Limited

UBS Investment Bank   NOMURA

A letter from the Board is set out on pages 7 to 26 of this circular.

30 April 2010

CONTENTS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

"Acquisition"	the acquisition of the Sale Shares pursuant to the terms and conditions of the Sale and Purchase Agreement
"acting in concert"	the meaning ascribed to it under the Takeovers Code
"Allbright"	Allbright Law Offices
"associates"	the meaning ascribed to it under the Takeovers Code
"Business Day"	a day other than a Saturday or Sunday, on which banks in Hong Kong are open for business generally
"Company" or "SIH"	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition and the Subscription
"connected person(s)"	the meaning ascribed to it under the Listing Rules
"Convertible Bonds"	HK$1,340,000,000 zero coupon convertible bonds due 2011 issued by Neo-China, of which HK$52,160,000 principal amount remains outstanding
"CB Holders"	the holders of the Convertible Bonds
"CB Offer"	the possible mandatory conditional cash offer for all the Convertible Bonds (other than those already owned or agreed to be acquired by Novel Good and parties acting in concert with it) to be made by UBS and Nomura for and on behalf of Novel Good
"CCIF"	CCIF CPA Limited
"Crowe Horwath"	Crowe Horwath (HK) CPA Limited
"Deloitte"	Deloitte Touche Tohmatsu
"Directors" or "SIH Directors"	the directors of SIH
"DTZ"	DTZ Debenham Tie Leung Limited

"Encumbrances"	all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to the securities as at the Latest Practicable Date and all rights subsequently attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the offer document for the Offers
"Enlarged Group"	the SIH Group immediately after the completion of the Transactions
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
"First Closing Date"	the date to be stated in the document for the Offers as the first closing date of the Offers (or any subsequent closing date as may be decided and announced by Novel Good and approved by the Executive)
"Group" or "SIH Group"	SIH and its subsidiaries
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the board committee of Neo-China formed to advise the Independent Neo-China Shareholders in respect of the Subscription, the Qi Ao Agreement and the Share Offer
"Independent Financial Adviser"	Anglo-Chinese Corporate Finance, Limited, the independent financial adviser appointed by Neo-China to advise the Independent Board Committee and the Independent Neo-China Shareholders in respect of the Subscription, the Qi Ao Agreement and the Share Offer
"Independent Neo-China Shareholders"	the holders of Neo-China Shares other than Mr. Li, connected persons of Mr. Li and persons acting in concert with any of them
"Joint Announcement"	the announcement dated 19 January 2010 made jointly by SIH, Novel Good and Neo-China
"Last Trading Day"	22 January 2008, the last trading day immediately prior to the suspension of trading in the Neo-China Shares
"Latest Practicable Date"	28th April 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longstop Date"	30 September 2010 (or such other date as may be agreed among the Vendor, the Purchaser and Neo-China)
"Mr. Li"	Mr. Li Song Xiao, a former executive director and chairman of Neo-China, who resigned with effect from 22 August 2009
"Nanyang Tobacco"	Nanyang Brothers Tobacco Company, Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"Neo-China"	Neo-China Land Group (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Neo-China Board"	the board of directors of Neo-China
"Neo-China Group"	Neo-China and its subsidiaries
"Neo-China Shareholders"	the holders of Neo-China Shares
"Neo-China Shares"	ordinary shares of HK$0.04 each in the share capital of Neo-China
"Nomura"	Nomura International (Hong Kong) Limited, an entity licensed under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities
"Novel Good"	Novel Good Limited 穎佳有限公司, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of SIH
"Offers"	collectively, the Share Offer, the CB Offer, the Warrant Offer and the Option Offer
"Option Holder"	holders of the Share Options

"Option Offer"	the possible mandatory conditional cash offer for the cancellation of all the outstanding Share Options (other than those already owned or agreed to be acquired by Novel Good and parties acting in concert with it) to be made by UBS and Nomura for and on behalf of Novel Good
"PRC"	the People's Republic of China
"Qi Ao Agreement"	an agreement dated 19 January 2010 between Turbo Wise, Neo-China and Mr. Li relating to the sale and purchase of the Neo-China Group's interest in Qi Ao Island Project and the related shareholders' loans
"Qi Ao Island Project"	all that plot of land situated at Lot No. A0203001 at east of Qi Ao East Line Road, Wangchiling Hills, Qi Ao Island, Zhuhai, Guangdong Province of the PRC occupying an area of approximately 2.2 million square metres
"Qi Ao Loan Agreement"	a RMB1,500,000,000 equivalent Term Loan Agreement dated 29 November 2007 in relation to financing for the Qi Ao Island Project between Moral Luck Group Limited (運德集團有限公司), Rich Win Investments Limited (富勝投資有限公司), both of which are wholly-owned subsidiaries of Neo-China and will remain wholly-owned subsidiaries of Neo-China immediately after Completion, and Oceana Assets Corp., as amended and supplemented by an amendment agreement dated 27 August 2008 and a second amendment agreement dated 2 December 2009
"Retained Shares"	554,920,495 Neo-China Shares representing approximately 28.52% of the issued share capital of Neo-China as at the Latest Practicable Date and approximately 21.10% of the issued share capital of Neo-China as enlarged by the Subscribed Shares to be retained by Mr. Li and the Vendor immediately after Completion
"Sale Shares"	500,000,000 Neo-China Shares, legally and beneficially owned by the Vendor prior to Completion, representing approximately 25.70% of the issued share capital of Neo-China as at the Latest Practicable Date

"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 19 January 2010 and entered into between the Vendor, Novel Good and Mr. Li in relation to the acquisition by Novel Good of the Sale Shares from the Vendor
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Offer"	the possible mandatory conditional cash offer for all the issued Neo-China Shares (other than those already owned or agreed to be acquired or subscribed by Novel Good and parties acting in concert with it) to be made by UBS and Nomura for and on behalf of Novel Good
"Share Options"	the outstanding share options granted under the share option scheme adopted by Neo-China on 12 December 2002
"Shareholders" or "SIH Shareholders"	the shareholders of SIH
"Shares"	shares of HK$0.10 each in the capital of the Company
"SIIC"	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong which is the controlling Shareholder
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribed Shares"	683,692,000 Neo-China Shares to be subscribed by Novel Good at completion of the Subscription
"Subscription"	the subscription of the Subscribed Shares pursuant to the terms and conditions of the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement dated 19 January 2010 and entered into between Neo-China and Novel Good in relation to the subscription of the Subscribed Shares by Novel Good
"Subscription Price"	HK$1,586,165,440, which is the aggregate subscription price for the whole of the Subscribed Shares
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

"Transactions"	collectively, the Acquisition, the Subscription and the Offers
"Turbo Wise"	Turbo Wise Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Li
"UBS"	UBS AG, Hong Kong branch, an entity licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading service) and type 9 (asset management) of the regulated activities
"Vendor"	Invest Gain Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Li
"Warrants"	66,000,000 warrants expiring on 22 July 2012 to subscribe new Neo-China Shares at a price of HK$6.72 each, subject to adjustments
"Warrant Holders"	the holders of the Warrants
"Warrant Offer"	the possible mandatory conditional cash offer for all the outstanding Warrants (other than those already owned or agreed to be acquired by Novel Good and parties acting in concert with it) to be made by UBS and Nomura for and on behalf of Novel Good
"Wing Fat Printing"	The Wing Fat Printing Company, Limited, a company incorporated in Hong Kong and a subsidiary of the Company
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	renminbi, the lawful currency of the PRC
"%"	per cent

English names of the PRC established companies/entities in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

In this circular, unless otherwise stated, amounts in RMB have been converted to HK$ at the rate of RMB0.8804 to HK$1 for illustration purpose only. No representation is made that any amounts in RMB or HK$ have been, could have been or could be, converted at the relevant dates at the above rate or at any other rates or at all.

上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

Executive Directors:
Mr. Teng Yi Long *(Chairman)*
Mr. Cai Yu Tian *(Vice Chairman and Chief Executive Officer)*
Mr. Lu Ming Fang
Mr. Zhou Jie *(Executive Deputy CEO)*
Mr. Qian Shi Zheng *(Deputy CEO)*
Mr. Zhou Jun *(Deputy CEO)*
Mr. Qian Yi *(Deputy CEO)*

Independent Non-Executive Directors:
Dr. Lo Ka Shui
Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis

Registered office:
26th Floor
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

30 April 2010

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

(1) POSSIBLE ACQUISITION OF SHARES IN NEO-CHINA LAND GROUP (HOLDINGS) LIMITED BY NOVEL GOOD LIMITED, A WHOLLY-OWNED SUBSIDIARY OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED

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INTRODUCTION

On 19 January 2010, Novel Good, a wholly-owned subsidiary of SIH, entered into the Sale and Purchase Agreement with the Vendor pursuant to which, amongst other things, the Vendor has conditionally agreed to sell, and Novel Good has conditionally agreed to purchase, the Sale Shares at a total consideration of HK$1,160,000,000, equivalent to approximately HK$2.32 per Sale Share. On the same date, Novel Good entered into the Subscription Agreement with Neo-China, pursuant to which, amongst other things, Neo-China has conditionally agreed subject to completion of the Sale and Purchase Agreement to allot and issue to Novel Good, and Novel Good has conditionally agreed to subscribe the Subscribed Shares. Subject to Completion, Novel Good will be required to make the Share Offer for all the issued Neo-China Shares (other than those already owned or agreed to be acquired by it and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code.

As the applicable percentage ratios for the Acquisition, the Subscription and the Offers in aggregate are more than 25% but less than 100%, the Acquisition, the Subscription and the Offers together constitute a major transaction for SIH and are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

To the best of the SIH Directors' knowledge, information and belief, no SIH Shareholder is required to abstain from voting if SIH were to convene a general meeting. Accordingly, the Acquisition, the Subscription and the Offers have been approved by written shareholders' approval in accordance with Rule 14.44 of the Listing Rules. No shareholders' meeting of SIH will be convened to consider the Acquisition, the Subscription and the Offers.

This circular provides you with information regarding the Acquisition, the Subscription and the Offers, and certain other information as required under the Listing Rules.

(1) THE SALE AND PURCHASE AGREEMENT

Date

19 January 2010

Parties

Vendor	:	Invest Gain Limited
Purchaser	:	Novel Good
Vendor's guarantor	:	Mr. Li, as the guarantor of the Vendor's title to the Sale Shares

The Vendor is an investment holding company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li. The Vendor and Mr. Li are third parties independent of SIH and its connected persons.

Novel Good is an investment holding company, and a wholly-owned subsidiary of SIH. Novel Good, SIH and their ultimate beneficial owners are third parties independent of Neo-China and its connected persons.

Sale Shares

Pursuant to the Sale and Purchase Agreement, Novel Good has conditionally agreed to acquire from the Vendor an aggregate of 500,000,000 Neo-China Shares, representing approximately 25.70% of the issued share capital of Neo-China as at the Latest Practicable Date and approximately 19.02% of the issued share capital of Neo-China as enlarged by the Subscribed Shares (assuming none of the outstanding Convertible Bonds, Warrants or Share Options are exercised and no Neo-China Shares are repurchased by Neo-China before issue of the Subscribed Shares).

Consideration

The aggregate consideration for the Sale Shares pursuant to the Sale and Purchase Agreement is HK$1,160,000,000, equivalent to HK$2.32 per Sale Share, which is payable in cash at Completion. Such cash consideration was agreed between Novel Good and the Vendor after arm's length negotiations, taking into consideration the historical and most recently published financial information of Neo-China available at that time, and Novel Good's review of Neo-China's assets and business prospects.

Conditions precedent

Completion is subject to the following conditions being satisfied and/or waived (other than (v) below which cannot be waived):

(i) the Stock Exchange has cleared the joint announcement to be issued by SIH and Neo-China regarding the completion of the sale and purchase of the Sale Shares and the Subscription, which shall contain the statement to the effect that an application has been made for trading of the shares in Neo-China to be resumed on the date stated therein;

(ii) the Neo-China Group has unencumbered and unrestricted aggregate free cash of an amount not less than HK$3 billion (assuming none of the outstanding Convertible Bonds have been redeemed or repurchased) or HK$2.94 billion (assuming all of the outstanding Convertible Bonds have been redeemed or repurchased) as evidenced by the management accounts of Neo-China dated the month end immediately prior to Completion;

(iii) aggregate loan and indebtedness of the Neo-China Group does not exceed HK$6.5 billion (assuming none of the outstanding Convertible Bonds have been redeemed or repurchased) or HK$6.45 billion (assuming all of the outstanding Convertible Bonds have been redeemed or repurchased) as evidenced by the management accounts of Neo-China dated the month end immediately prior to Completion;

(iv) no assets and/or documents have been confiscated or retained by any governmental or regulatory authority after the date of the Sale and Purchase Agreement that will have a material adverse impact on the business or financial condition or prospects of the Neo-China Group;

(v) the Subscription and the Qi Ao Agreement have been approved by the Independent Neo-China Shareholders and the Stock Exchange has granted listing approval for, and permission to deal in, the Neo-China Shares to be issued pursuant to the Subscription;

(vi) the Qi Ao Agreement has become unconditional (other than the condition requiring completion of the Acquisition and the Subscription);

(vii) any applicable waiting periods for a response from the Ministry of Commerce of the PRC having expired or been terminated and/or any anti-trust consent or approval of the Ministry of Commerce of the PRC in connection with the Transactions or the completion thereof has been obtained on an unconditional basis pursuant to the provisions of any laws or regulations in the PRC;

(viii) the due diligence on the financial, legal and business affairs of the Neo-China Group by Novel Good has been completed and Novel Good is satisfied with the results of such due diligence in all respects;

(ix) all warranties remaining true and correct at all times as from the signing of the Sale and Purchase Agreement up to the month end immediately prior to Completion;

(x) all the consents required to give effect to the Acquisition and the Subscription and/or that are necessary to avoid events of default or acceleration of debt by the Neo-China Group have been obtained, and the Vendor has provided a written confirmation that it has not intentionally withheld any material information in respect of the consents; and

(xi) there has been no material adverse change in the general affairs, management, business, financial, trading condition or prospects of the Neo-China Group since the end of the financial period for which the latest published interim report or annual report of Neo-China is prepared up to the month end immediately prior to Completion.

In the event that any of the conditions referred to above shall not have been fulfilled or waived (as the case may be) on or before the Longstop Date, the rights and obligations of the parties under the Sale and Purchase Agreement will lapse and the Sale and Purchase Agreement shall thereupon terminate and be of no further effect. As at the Latest Practicable Date, Novel Good has no intention to waive condition (i) above.

Completion

Completion shall take place immediately before completion of the Subscription after all the above conditions have been fulfilled and on the fifth Business Day after and excluding the day on which the condition set out in (i) above is fulfilled or waived (or such other date as may be agreed between the parties).

At completion of the Acquisition, the Vendor shall equitably mortgage and charge 50 million of its shares in Neo-China to Novel Good to secure the compliance of the Vendor in respect of a final judgment or settlement agreement and all amounts payable under such share charge if there is a breach by the Vendor of the Sale and Purchase Agreement.

(2) THE SUBSCRIPTION AGREEMENT

Date

19 January 2010

Parties

Issuer	:	Neo-China
Subscriber	:	Novel Good

Neo-China is independent of SIH and its connected persons.

Subscribed Shares

Pursuant to the Subscription Agreement, Neo-China has conditionally agreed to allot and issue to Novel Good, and Novel Good has conditionally agreed to subscribe from Neo-China, the Subscribed Shares, representing approximately 35.14% of the issued share capital of Neo-China as at the Latest Practicable Date and approximately 26.00% of the issued share capital of Neo-China as enlarged by the Subscribed Shares (assuming none of the outstanding Convertible Bonds, Warrants or Share Options are exercised and no Neo-China Shares are repurchased by Neo-China before the issue of the Subscribed Shares).

Consideration

The aggregate consideration for the Subscribed Shares pursuant to the Subscription Agreement is HK$1,586,165,440, equivalent to HK$2.32 per Subscribed Share, which is payable in cash at Completion. Such cash consideration was agreed between Novel Good and the Vendor after arm's length negotiations, taking into consideration the historical and most recently published financial information of Neo-China available at that time, Novel Good's review of Neo-China's assets and business prospects.

Conditions precedent

Completion of the Subscription is conditional only upon completion of the Acquisition.

Completion

Completion of the Subscription shall take place immediately after completion of the Acquisition.

(3) DISPOSAL OF INTEREST IN QI AO ISLAND PROJECT

On 19 January 2010, Turbo Wise, an entity wholly owned by Mr. Li, entered into the Qi Ao Agreement with Neo-China, pursuant to which, amongst other things, Neo-China has conditionally agreed subject to completion of the Sale and Purchase Agreement and the Subscription Agreement to sell to Turbo Wise Neo-China's entire interest in the Qi Ao Island Project at a consideration of HK$2,500,000,000, whilst retaining certain liabilities related to the Qi Ao Island Project under the Qi Ao Loan Agreement.

At the Latest Practicable Date the unpaid principal and accrued interest under the Qi Ao Loan Agreement, for which the Neo-China Group will remain liable despite the disposal of Neo-China's entire interest in the Qi Ao Island Project is approximately RMB1,570 million (equivalent to approximately HK$1,783.28 million).

The consideration payable by Turbo Wise for the Qi Ao Island Project was determined after arm's length negotiations between SIH and the parties to the Qi Ao Agreement with reference to the market value of the Qi Ao Island Project of RMB2,250,000,000 (equivalent to approximately HK$2,555,660,000) as at 31 December 2009 in the opinion of DTZ, an independent property valuer. A copy of the latest valuation report of Neo-China's properties, including the Qi Ao Island Project, is set out in Appendix V of this circular. The consideration of HK$2,500,000,000 payable by by Turbo Wise represents a discount of approximately HK$65,000,000 to the market value of the Qi Ao Island Project of RMB2,250,000,000 (equivalent to approximately HK$2,555,660,000) as at 31 December 2009.

Of the HK$2,500,000,000 consideration payable by Turbo Wise for the Qi Ao Island Project only HK$100,000,000 is payable at completion of the Qi Ao Agreement, and the balance of HK$2,400,000,000 is payable on deferred terms. Turbo Wise will be required, beginning on the last Business Day in the 13th calendar month after the end of the month in which completion of the Qi Ao Agreement occurs and on the last Business Day of every calendar month thereafter, to pay to Neo-China HK$100,000,000 until it has paid a total of HK$2,500,000,000 to Neo-China. The consideration payable by Turbo Wise for the Qi Ao Island Project will thus not be payable in full by Turbo Wise until about three years after completion of the Qi Ao Agreement.

At completion of the Qi Ao Agreement, Turbo Wise will provide charges over the equity interest in holding companies of the Qi Ao Island Project and procure that the Vendor will, among other things, charge 300 million of the Retained Shares (representing approximately 15.42% of the issued share capital of Neo-China as at the Latest Practicable Date and approximately 11.41% of the issued share capital of Neo-China as enlarged by the Subscribed Shares) to Neo-China as a security for the deferred payment obligations of Turbo Wise under the Qi Ao Agreement. Based on the offer price under the Share Offer, the value of those 300 million Neo-China Shares is HK$696 million in aggregate, and based on the closing price of HK$5.10 per Neo-China Share as stated in the Stock Exchange's daily quotations sheet for the Last Trading Day, the value of those 300 million Neo-China Shares is HK$1,530 million in aggregate. As such, the value of the 300 million share charge by the Vendor is likely to be significantly less than the consideration.

The lender under the Qi Ao Loan Agreement has given its in-principle consent to the Transactions subject to and conditional upon all amendments required to the Qi Ao Loan Agreement and certain related documents as a result of the Transactions (including any new security and inter-creditor arrangements that the lender considers to be required to adequately secure and protect its interests) being in form and substance satisfactory to it and the same being legal, valid and binding on all parties thereto and all such security being duly approved, registered and otherwise perfected in accordance with applicable law or regulation on or before Completion. There is thus a risk that the lender under the Qi Ao Loan Agreement will ultimately not grant its consent and that the Transactions do not proceed.

(4) POSSIBLE MANDATORY CONDITIONAL CASH OFFER

As at the Latest Practicable Date, none of Novel Good and parties acting in concert with it owns any voting rights, rights over shares or rights over which it has control or direction in Neo-China apart from the Sale Shares to be purchased under the Sale and Purchase Agreement, the Subscribed Shares to be subscribed under the Subscription Agreement and the share charge relating to the Acquisition as set out in the section headed "(1) The Sale and Purchase Agreement" above.

Upon Completion, Novel Good and parties acting in concert with it will be interested in an aggregate of 1,183,692,000 Neo-China Shares, representing approximately 45.02% of the issued share capital of Neo-China as enlarged by the Subscribed Shares (assuming none of the outstanding Convertible Bonds, Warrants or Share Options are exercised and no Neo-China Shares are repurchased by Neo-China before issue of the Subscribed Shares). Subject to Completion, Novel Good will be required to make the Share Offer for all the issued Neo-China Shares (other than those already owned or agreed to be acquired or subscribed by it and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code. Under Rule 13.1 of the Takeovers Code and subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects, Novel Good will also be required to make the CB Offer, the Warrant Offer and the Option Offer to acquire, or for the cancellation of, all the outstanding Convertible Bonds, Warrants and Share Options.

Upon Completion, Mr. Li and the Vendor will together hold the Retained Shares (i.e. the remaining 554,920,495 Neo-China Shares held by them and not agreed to be sold), representing approximately 21.10% of the issued share capital of Neo-China as enlarged by the Subscribed Shares (assuming none of the outstanding Convertible Bonds, Warrants or Share Options are exercised and no Neo-China Shares are repurchased by Neo-China before the issue of the Subscribed Shares). Each of Mr. Li and the Vendor has undertaken and covenanted with Novel Good that they will not, amongst other things, accept the Share Offer in respect of the Retained Shares, and that they will not dispose of the Retained Shares, 50 million of which will be equitably mortgaged and charged to Novel Good to secure the compliance of the Vendor in respect of a final judgment or settlement agreement and all amounts payable under such share charge if there is a breach by the Vendor of the Sale and Purchase Agreement and 300 million of which will be charged to Neo-China to cover the deferred payment obligations of Turbo Wise under the Qi Ao Agreement, until the closing date of the Offers.

WARNING

The Offers will only be made if Completion takes place. Completion is subject to, as applicable, satisfaction and/or waiver of the conditions, including subjective conditions, contained in the Sale and Purchase Agreement and the Subscription Agreement and on the receipt of certain consents, as detailed in this circular. Accordingly, the Offers may or may not be made or implemented. The issue of this circular does not in any way imply that the Offers will be made. The SIH Shareholders, the Neo-China Shareholders, the CB Holders, the Warrant Holders, the Option Holders and potential investors should exercise extreme caution when dealing in the relevant securities. A further announcement will be issued if the Offers are made or implemented.

Consideration for the Offers

UBS and Nomura have been appointed as the joint financial advisers to Novel Good in respect of the Offers. Subject to Completion, UBS and Nomura will make the Offers for and on behalf of Novel Good in compliance with the Takeovers Code on the terms as follows:

Share Offer

For each Neo-China Share . . . . .HK$2.32 in cash

CB Offer

The appropriate consideration for the purposes of the CB Offer will be determined with reference to the conversion price of the Convertible Bonds and the date on which a change of control occurs. Under the terms of the Convertible Bonds, where there is a change in control (which, so far as relevant, includes a person other than the Vendor acquiring control of more than 50% of the issued share capital of Neo-China or the right to appoint and/or remove all or the majority of the members of the board of directors of Neo-China), the conversion price shall be adjusted based on a following formula:

NCP = OCP/(1 + (CP x c/t))

where:

NCP = the conversion price of the Convertible Bonds after such adjustment.

OCP = the conversion price of the Convertible Bonds before such adjustment.

Conversion Premium ("**CP**") = 32.0% expressed as a fraction.

c = the number of days from and including the first day of the change of control conversion period (being the date on which the change of control notice is given to the CB Holders) to but excluding 12 June 2011, being the maturity date of the Convertible Bonds.

t = the number of days from and including 12 June 2006 to but excluding 12 June 2011.

Accordingly, the consideration under the CB Offer cannot yet be quantified and will need to be calculated on the date of Completion, i.e. when Novel Good completes the Acquisition and the Subscription. For illustrative purposes only, assuming the change of control had occurred on 30 April 2010, based on an OCP of HK$6.0193, the NCP as set out in the above formula would be approximately HK$5.6176 and the number of Neo-China Shares that would be issued upon full conversion of the Convertible Bonds would be 9,285,045. Based on the above, the consideration payable under the CB Offer would be approximately HK$4,129.85 per HK$10,000 nominal amount of the Convertible Bonds, which represents the offer price under the Share Offer of HK$2.32 multiplied by the number of Neo-China Shares that would be issued upon conversion of HK$10,000 nominal amount of each Convertible Bond. The total consideration payable under the CB Offer would be HK$21,541,303.

Warrant Offer

For each Warrant . . . . .HK$0.01 in cash

Option Offer

For cancellation of each Share Option . . . . .HK$0.01 in cash

As at the Latest Practicable Date, there are 1,945,640,189 Neo-China Shares in issue, 125,625,000 outstanding Share Options, 66,000,000 outstanding Warrants and outstanding Convertible Bonds at principal amount of HK$52,160,000. Other than the above, Neo-China has no other options, warrants, convertible bonds or other securities that carry a right to subscribe for or which are convertible into Neo-China Shares.

Comparisons of value

Share Offer

The offer price of the Neo-China Shares under the Share Offer is the same as the acquisition price per Neo-China Share under the Acquisition and the subscription price per Neo-China Share under the Subscription, i.e. HK$2.32.

The offer price of HK$2.32 per Neo-China Share under the Share Offer represents:

(i) a discount of approximately 54.51% over the closing price of HK$5.10 per Neo-China Share, as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 53.13% over the closing price of HK$4.95 per Neo-China Share, after the declaration of a final dividend of HK14 cents per Neo-China Share, as quoted on the Stock Exchange on 11 September 2008 (adjusted due to the aforesaid declaration of a final dividend, notwithstanding the suspension of trading in the Neo-China Shares and the Convertible Bonds since 22 January 2008);

(iii) a discount of approximately 59.24% over the average closing price of approximately HK$5.69 per Neo-China Share, based on the daily closing prices as quoted on the Stock Exchange for the last 5 trading days immediately prior to and including the Last Trading Day;

(iv) a discount of approximately 61.27% over the average closing price of approximately HK$5.99 per Neo-China Share, based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Trading Day;

(v) a discount of approximately 64.08% over the average closing price of approximately HK$6.46 per Neo-China Share, based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Day; and

(vi) a discount of approximately 32.22% over the Neo-China Group's audited consolidated net assets of approximately HK$3.42 per Neo-China Share calculated based on the Neo-China Group's audited consolidated net assets of approximately HK$6,659.98 million as at 31 December 2009 and 1,945,640,189 Neo-China Shares in issue as at the Latest Practicable Date.

CB Offer

The consideration under the CB Offer cannot yet be quantified and will need to be calculated on the date of Completion, i.e. when Novel Good completes the Acquisition and the Subscription. For illustrative purposes only, if the change of control had occurred on 30 April 2010, the consideration payable under the CB Offer would be approximately HK$4,129.85 per HK$10,000 nominal amount of the Convertible Bonds, and the total consideration payable under the CB Offer would be HK$21,541,303.

Warrant Offer

The exercise price of the Warrants is HK$6.72, which is higher than the offer price of HK$2.32 per Neo-China Share under the Share Offer, and the Warrants are therefore "out of the money". In the circumstances, the Warrant Offer will be made only at a nominal price of HK$0.01 for each Warrant.

Options Offer

As at the Latest Practicable Date, there are 125,625,000 Share Options outstanding and the exercise price of these options is as follows:

	Number of Share Options outstanding as at the Latest Practicable Date	*Exercise price (HK$)*
	13,125,000	3.60
	65,000,000	3.72
	47,500,000	3.92
Total	**125,625,000**	

The exercise price of the respective Share Options as stated above is higher than the offer price of HK$2.32 per Neo-China Share under the Share Offer. In the circumstances, the Option Offer will be made only at a nominal price of HK$0.01 for the cancellation of each Share Option.

Following acceptance of the Option Offer, the relevant Share Options together with the rights attaching thereto will be entirely cancelled and renounced.

Highest and lowest Neo-China Share prices

The highest and lowest closing prices of the Neo-China Shares as quoted on the Stock Exchange during the six-month period preceding the Last Trading Day were HK$10.08 on 9 October 2007 and HK$5.68 on 18 January 2008 respectively.

Total consideration

On the basis of the offer price of HK$2.32 per Neo-China Share and Neo-China's issued share capital of 2,629,332,189 shares as enlarged by the Subscribed Shares, the Share Offer values the entire issued share capital of Neo-China at approximately HK$6,100.05 million (assuming none of the outstanding Convertible Bonds, Warrants or Share Options is exercised prior to the First Closing Date). Full acceptance of the Share Offer would require Novel Good to pay an aggregate amount of approximately HK$3,353.89 million (assuming no outstanding Convertible Bonds, Warrants or Share Options are exercised prior to the First Closing Date).

As at the Latest Practicable Date, there are Convertible Bonds of HK$52,160,000 aggregate principal amount outstanding. As set out above, the consideration under the CB Offer cannot yet be quantified and will need to be calculated on the date of Completion, i.e. when Novel Good completes the Acquisition and the Subscription. For illustrative purposes only, if the change of control had occurred on 30 April 2010, the consideration payable under the CB Offer would be approximately HK$4,129.85 per HK$10,000 nominal amount of the Convertible Bonds. In such case, the CB Offer is valued at approximately HK$21,541,303.

As at the Latest Practicable Date, there are 66,000,000 Warrants outstanding which are convertible into 66,000,000 Neo-China Shares. Assuming none of the Warrants are exercised prior to the First Closing Date and the Warrant Offer is accepted in full, on the basis of a consideration of HK$0.01 for each Warrant, the Warrant Offer is valued at HK$0.66 million.

As at the Latest Practicable Date, there are 125,625,000 Share Options outstanding which relate to 125,625,000 Neo-China Shares. Assuming none of the Share Options are exercised prior to the First Closing Date and the Option Offer is accepted in full, on the basis of a consideration of HK$0.01 for each Share Option, the Option Offer is valued at approximately HK$1.26 million.

Assuming that all Warrants and the Share Options are exercised in full by the Warrants Holders and the Option Holders and no Neo-China Shares are repurchased by Neo-China prior to the First Closing Date and the Share Offer is accepted in full, the consideration payable by Novel Good pursuant to the Offers, except for the CB Offers, will increase to approximately HK$2,514.47 million. No consideration will then be payable under the Warrant Offer and the Option Offer. The number of Neo-China Shares that could be converted upon the exercise of all the outstanding Convertible Bonds will be determined with reference to the terms of the Convertible Bonds and the date on which a change of control occurs, and therefore cannot yet be quantified and will need to be calculated on the date of Completion, i.e. when Novel Good completes the Acquisition and the Subscription. The number of Neo-China Shares that could be converted upon the exercise of all the outstanding Convertible Bonds is 9,285,045, assuming the change of control had occurred on 30 April 2010.

Save for the Convertible Bonds, the Warrants and the Share Options, Neo-China has no outstanding securities, share options, derivatives or warrants which are convertible or exchangeable into Neo-China Shares, and has not entered into any agreement for the issue of such securities, share options, derivatives or warrants of Neo-China.

Financial resources

Novel Good intends to finance the Offers from the loan proceeds made available to Novel Good by financial institutions. UBS and Nomura, the joint financial advisers to Novel Good, are satisfied that sufficient financial resources are available to Novel Good to satisfy full acceptance of the Offers, save for the Retained Shares.

Pre-condition to the Offers

The Offers will not be made unless and until Completion occurs. If such pre-condition is not satisfied or any of the conditions precedent for Completion is not fulfilled or waived (as the case may be) prior to the Longstop Date, the Offers will not be made and a separate announcement will be published as soon as practicable thereafter.

Condition of the Offers

The Share Offer will be conditional upon Novel Good having received (and, where permitted, such acceptances not having been withdrawn), at or before 4:00 p.m. on the First Closing Date (or such other time as Novel Good may, subject to the Takeovers Code, decide), valid acceptances in respect of the Neo-China Shares which, together with the Neo-China Shares agreed to be acquired through the Acquisition and the Subscription, will result in Novel Good and any person acting with it holding more than 50% of the Neo-China Shares.

If such condition is not satisfied on or before the First Closing Date, the Share Offer will lapse unless the offer period is extended by Novel Good. In that case, Novel Good will issue an announcement as soon as practicable thereafter.

The CB Offer, the Option Offer and the Warrant Offer will be subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects.

Effects of accepting the Offers

Acceptance of the Share Offer by any Neo-China Shareholder will be deemed to constitute a warranty by such person that all the Neo-China Shares to be sold by such person under the Share Offer will be free from Encumbrances. Similarly, acceptances of the CB Offer, the Warrant Offer and the Option Offer by any CB Holder, any Warrant Holder and any Option Holder respectively will be deemed to constitute a warranty by such person that the Convertible Bonds, the Warrants or the Share Options (as the case may be) sold or cancelled, as the case may be, by them under the CB Offer, the Warrant Offer or the Option Offer (as the case may be) will be free from Encumbrances.

Under the terms of the Option Offer, the Share Options held by the accepting Option Holders, together with all rights attaching thereto, will be entirely cancelled and removed.

Hong Kong stamp duty

Novel Good will pay seller's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offers at a rate of HK$1 for every HK$1,000 (or part thereof) of the value of the consideration payable in respect of the relevant acceptance, which amount will be deducted from the amount payable to the relevant accepting shareholder or bondholder. Novel Good will bear all buyers' Hong Kong ad valorem stamp duty and will arrange for the payment of the vendor's ad valorem stamp duty (which will be deducted from the consideration payable by Novel Good) in connection with such sale and purchases.

Availability of the Offers

Novel Good intends to make available the Offers to all Neo-China Shareholders, all CB Holders, all Warrant Holders and all Option Holders, including those who are resident outside Hong Kong, to the extent practicable. The availability of the Offers to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdictions. Persons who are not resident in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions.

Novel Good reserves the right, subject to the consent of the Executive and to legal requirements, to make special arrangements regarding the terms of the Offers in relation to the Neo-China Shareholders, the CB Holders, the Warrant Holders and the Option Holders whose receipt of the Offers or the document for the Offers is subject to the laws of an overseas jurisdiction. In addition, Novel Good also reserves the right, subject to the consent of the Executive, to notify any matter, including the making of the Offers, to the Neo-China Shareholders, the CB Holders, the Warrant Holders and the Option Holders having a registered overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction of which such persons are resident.

In the event that the receipt of the document of the Offers by overseas Neo-China Shareholders, CB Holders, Warrant Holders or Option Holders is prohibited by any relevant law or may only be effected after compliance with conditions or requirements that the directors of Novel Good regard as unduly onerous or burdensome or otherwise not in the best interests of Novel Good or the shareholders of Novel Good as a whole, the document for the Offers will not be despatched to such overseas Neo-China Shareholders, CB Holders, Warrant Holders or Option Holders. Novel Good will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time to permit the document not to be despatched to such overseas Neo-China Shareholders, CB Holders, Warrant Holders or Option Holders. The Executive would not normally waive such requirements unless it is satisfied that it would be unduly burdensome to despatch the document for the Offers to such overseas Neo-China Shareholders, CB Holders, Warrant Holders or Option Holders.

Agreements or arrangements

Save that Mr. Li and the Vendor have irrevocably undertaken to Novel Good that they will not, amongst other things, accept the Share Offer and save for the Acquisition, the Subscription, the Qi Ao Agreement and the transactions relating thereto as set out in details above, as at the Latest Practicable Date:

(i) there are no outstanding derivatives in respect of securities in Neo-China entered into by Novel Good or any person acting in concert with it;

(ii) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the shares of Novel Good or Neo-China Shares which might be material to the Offers;

(iii) there are no agreements or arrangements to which Novel Good is a party which relate to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers; and

(iv) there are no relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) in Neo-China which Novel Good or any person acting in concert with it has borrowed or lent.

Novel Good confirms that (a) neither Novel Good nor any party acting in concert with it has received any irrevocable commitment to accept the Offers; (b) neither Novel Good nor any party acting in concert with it holds any convertible securities, warrants or options of Neo-China; and (c) save for the Acquisition and the Subscription and the transactions relating thereto as set out in detail above, Novel Good and parties acting in concert with it have not dealt in any Neo-China Shares during the six months prior to and up to the Latest Practicable Date.

INFORMATION ON SIH

SIH and its subsidiaries are principally engaged in the business of, infrastructure facilities, real estate and consumer products.

INFORMATION ON THE NEO-CHINA GROUP

The Neo-China Group is principally engaged in the business of property development, property investment and hotel operations.

As at 31 December 2009, the audited net asset value of Neo-China Group was approximately HK$6,659.88 million.

For the financial years ended 30 April 2008 and 30 April 2009, and the financial period ended 31 December 2009, the audited consolidated net profits/(net losses) (both before and after taxation and extraordinary items) of the Neo-China Group were approximately as follows:

Audited net profits/(net losses) before taxation and extraordinary items *(HK$ in million)*			**Audited net profits/(net losses) after taxation and extraordinary items** *(HK$ in million)*		
For the financial year ended 30 April		**For the financial period ended 31 December**	**For the financial year ended 30 April**		**For the financial period ended 31 December**
2008	**2009**	**2009**	**2008**	**2009**	**2009**
2,376	339	(2,034)	1,567	90	(2,184)

For the financial years ended 30 April 2008 and 30 April 2009, and the financial period ended 31 December 2009, the audited earnings/(loss) per Neo-China Share were approximately as follows:

Audited earnings/(loss) – basic *(Hong Kong cents)*			Audited earnings/(loss) – diluted *(Hong Kong cents)*		
For the financial year ended 30 April		**For the financial period ended**	**For the financial year ended 30 April**		**For the financial period ended**
2008	**2009**	**31 December 2009**	**2008**	**2009**	**31 December 2009**
84.23	6.51	(108.26)	68.19	5.56	(127.94)

SHAREHOLDING STRUCTURE OF NEO-CHINA

Assuming that none of the Convertible Bonds, Warrants and Share Options are converted or exercised and no Neo-China Shares are repurchased prior to Completion, based on notifications made under the provisions of part XV of the Securities and Futures Ordinance prior to the Latest Practicable Date, the existing shareholding structure of Neo-China and the anticipated shareholding structure of Neo-China after completion of the Acquisition and the Subscription but before the Offers, will be as follows:

	Existing Shareholding structure		**Anticipated shareholding structure after completion of the Acquisition and Subscription but before the Offers**	
	Number of Neo-China Shares	*%*	*Number of Neo-China Shares*	*%*
Novel Good and parties acting in concert with it	–	–	1,183,692,000	45.02
Vendor and Mr. Li and their respective concert parties	1,054,920,495	54.22	554,920,495	21.10
Public	890,719,694	45.78	890,719,694	33.88
	1,945,640,189	100.00	2,629,332,189	100.00

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

SIH is committed to optimising its business structure and strengthening its core businesses, with a focus on the infrastructure facilities, real estate and consumer products segments, making them key growth drivers and sources of income for SIH in the future. Currently, the real estate segment comprises property development, property investment and hotel operations, featuring both residential and commercial properties and SIH is also actively pursuing opportunities to acquire more land reserves and high quality projects for further expansion. The acquisition of a significant stake in Neo-China through the Acquisition, the Subscription and, potentially, the Offers is therefore in line with SIH's strategy of building up its core business and optimising its business structure.

In addition, the acquisition of a significant stake in Neo-China would allow SIH to build up a more concrete platform for the future through the acquisition of quality assets of Neo-China. With an interest in quality assets of Neo-China, SIH will also be able to optimise its property assets resources which will in turn contribute to SIH's earnings and add value to the business of SIH. There is a strong commitment from SIH to assist in further developing Neo-China's land reserves and its existing development projects.

There will be no variation in the aggregate remuneration payable to the Directors in consequence of the Transactions.

The directors of SIH (including the independent non-executive directors of SIH) consider that the Acquisition, the Subscription and the Offers were entered into on an arm's length basis and on normal commercial terms and are fair and reasonable and are in the interest of SIH and the shareholders of SIH taken as a whole.

INTENTIONS OF NOVEL GOOD AND SIH IN RELATION TO NEO-CHINA

If the Offers are completed, SIH intends that Neo-China will continue to carry on its current business, subject to a continuing review of its operations and the development of a plan to realise synergies with SIH's real estate business in the PRC. Subject to due compliance with the Listing Rules, this may or may not include the injection of assets or businesses into the Neo-China Group by SIH or the acquisition or disposal of assets by Neo-China. SIH will keep its shareholders informed by further announcement if it decides on anything that requires disclosure pursuant to the Takeovers Code or the Listing Rules.

MAINTAINING THE LISTING STATUS OF NEO-CHINA

Novel Good intends Neo-China to remain listed on the Main Board of the Stock Exchange after the closing of the Offers. The directors of Neo-China, for so long as they remain directors of Neo-China, and the new directors (if any) to be appointed to the board of directors of Neo-China will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Neo-China Shares.

SIH will, together with Neo-China, use reasonable endeavours to maintain the listing of the Neo-China Shares on the Stock Exchange and will ensure that not less than 25% of the Neo-China Shares will be held by the public in compliance with the Listing Rules.

Trading in the Neo-China Shares and the Convertible Bonds on the Main Board of the Stock Exchange was suspended with effect from 10:10 a.m. on 22 January 2008 at the request of Neo-China pending the release of an announcement in respect of certain price sensitive information. Trading of the Neo-China Shares and the Convertible Bonds will continue to be suspended until further notice.

If, at the close of the Offers, less than 25% of the Neo-China Shares are held by the public or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Neo-China Shares, or
- there are insufficient Neo-China Shares in public hands to maintain an orderly market,

then the Stock Exchange may exercise its discretion to suspend dealings in the Neo-China Shares. In this connection, it should be noted that upon completion of the Offers, there may be insufficient public float for the Neo-China Shares and therefore, trading in the Neo-China Shares may be suspended, or remain suspended, until a prescribed level of public float is attained.

POSSIBLE CHANGE OF BOARD COMPOSITION OF NEO-CHINA

The Neo-China Board currently comprises seven executive directors, one non-executive director and two independent non-executive directors. Subject to Completion and the Takeovers Code, some or all of the existing directors of Neo-China, if so required by Novel Good, may tender their resignation, which will take effect from the earlier of the closing date of the Offers or such other date as approved by the Executive. No decision has been made by Novel Good as at the Latest Practicable Date as to the number and identity of the existing directors of Neo-China who will be required to resign.

Novel Good intends to nominate new director(s) to the Neo-China Board but a decision has not been made as at the Latest Practicable Date as to the number and identity of its nominees. Any arrangement regarding the change of the board composition of Neo-China will be made in compliance with the relevant requirements of the Listing Rules and/or the Takeovers Code.

FINANCIAL EFFECT ON THE EARNINGS AND ASSETS AND LIABILITIES OF SIH

Financial effects of the Transactions

Upon completion of the Acquisition, the Subscription and the Offers, it is expected that the financial accounts of Neo-China will be consolidated into that of the Group if the Group's equity interest in Neo-China is over 50% of the share capital of Neo-China as enlarged by the Subscription or the Company assumes control over Neo-China, that is the Company has the power to govern the financial and operating policies of Neo-China so as to benefit from its activities.

(i) Net assets value

The unaudited pro-forma statement of the Enlarged Group as set out in Appendix IV to this circular is prepared on the assumption that the CB Offer, the Warrant Offer and the Option Offer will not be accepted by their respective holders as the price of each offer will not be favourable to the holders, and a maximum of 53.9% equity interest in Neo China is acquired by the Company after the completion of the Transactions while a minimum of 25%

equity interest is held by independent minority shareholders. Based on this unaudited pro-forma statement of the Enlarged Group, it is estimated that the unaudited pro-forma total assets and total liabilities of the Enlarged Group will increase by approximately HK$26,024 million and HK$19,964 million respectively and the unaudited pro-forma minority interests of the Enlarged Group will increase by approximately HK$4,694 million. It is estimated that there will be an increase of approximately HK$1,366 million of equity attributable to owners of the Company arising from the discount on acquisition of interests in Neo-China, and as such the unaudited pro-forma equity attributable to owners of the Company of the Enlarged Group will be approximately HK$26,257 million. However, the amount of discount on acquisition of interests in Neo-China to be booked will be subject to the percentage of equity interest of Neo-China acquired by the Group and the financial position and the fair value of the properties and financial derivates held by Neo-China at completion of the Acquisition, the Subscription and the Offers.

(ii) Earnings

Upon Completion, the financial results of the Enlarged Group shall include the share of the financial results of Neo-China calculated based on the percentage of equity interests held by the Group.

GENERAL

Despatch of offer document

An offer document for the Offers will be despatched to the Neo-China Shareholders, the CB Holders, the Warrant Holders and the Option Holders on in June 2010.

The Subscribed Shares

The Subscribed Shares are Neo-China Shares of HK$0.04 each and rank pari passu in all respects with the Neo-China Shares in issue at the date of issue of the Subscribed Shares and entitle the holders thereof to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Subscribed Shares.

An application will be made to the Stock Exchange for the listing of, and for permission to deal in, the Subscribed Shares.

Approval has to be obtained from the Neo-China Shareholders for, amongst other things, the Subscription Agreement.

Disclosure of dealings in the securities of Neo-China

The respective associates of Novel Good and Neo-China are hereby reminded to disclose their dealings in the securities of Neo-China under Rule 22 of the Takeovers Code.

LISTING RULES AND TAKEOVERS CODE IMPLICATIONS

As the applicable percentage ratios for the Acquisition, the Subscription and the Offers in aggregate are more than 25% but less than 100%, the Acquisition, the Subscription and the Offers together constitute a major transaction for SIH and are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

To the best of the SIH Directors' knowledge, information and belief, no SIH Shareholder is required to abstain from voting if SIH were to convene a general meeting. Accordingly, the Acquisition, the Subscription and the Offers have been approved by written shareholders' approval in accordance with Rule 14.44 of the Listing Rules. No shareholders' meeting of SIH will be convened to consider the Acquisition, the Subscription and the Offers. SIH's controlling shareholder, SIIC, which owns 555,994,371 Shares in SIH, in total representing approximately 51.49% of the issued share capital of SIH as at the Latest Practicable Date, has granted its approval to SIH of the Acquisition, the Subscription and the Offers as required under the Listing Rules.

RECOMMENDATION

Based on the relevant information disclosed herein (including the findings in the PRC legal opinion), the Directors, including the independent non-executive Directors, believe that the respective terms of the Sale and Purchase Agreement, the Subscription Agreement and the Offers are on normal commercial terms, which are fair and reasonable and in the interests of SIH and the Shareholders as a whole. The Directors would recommend the Shareholders to vote in favour of the Acquisition, Subscription and the Offers if a physical meeting were to be held.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Shanghai Industrial Holdings Limited
TENG YI LONG
Chairman

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECMBER 2007, 31 DECEMBER 2008 AND 31 DECEMBER 2009

The table set out below is the summary of the financial information of the Group for the three years ended 31 December 2007, 31 December 2008 and 31 December 2009, as extracted from the annual reports of the Company for each of the year ended 31 December 2007, 31 December 2008 and 31 December 2009 respectively.

Consolidated Income Statement

		Year ended 31st December		
	NOTES	**2009**	**2008**	**2007**
		HK$'000	*HK$'000*	*HK$'000*
Continuing operations				
Revenue	*6*	6,917,885	7,452,105	8,432,300
Cost of sales		(4,247,154)	(5,005,282)	(5,175,131)
Gross profit		2,670,731	2,446,823	3,257,169
Net investment income	*7*	763,324	236,189	598,485
Other income		902,051	552,728	445,412
Increase in fair value of properties under development upon transfer to investment properties		–	497,073	–
Selling and distribution costs		(490,142)	(414,496)	(1,112,848)
Administrative expenses		(668,403)	(673,018)	(893,411)
Finance costs	*8*	(238,398)	(300,669)	(158,466)
Share of results of jointly controlled entities		43,552	15,343	277,456
Share of results of associates		(155,776)	(106,804)	158,161
Discount on acquisition of interests in associates	*9*	–	1,410,222	–
Discount on acquisition of interest in a subsidiary		–	902	2,563
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities	*10*	988,176	548,005	159,332
Impairment loss recognised in respect of available-for-sale investments	*9*	–	(1,527,388)	–
Impairment loss recognised in respect of goodwill relating to a subsidiary	*23*	–	(1,115)	(157,614)
Profit before taxation		3,815,115	2,683,795	2,576,239
Income tax expense	*11*	(1,098,996)	(420,151)	(295,130)

	NOTES	Year ended 31st December 2009	2008	2007
Profit for the year from continuing operations		2,716,119	2,263,644	2,281,109
Discontinued operations				
Profit for the year from discontinued operations	*12*	1,005,177	594,122	–
Profit for the year	*13*	3,721,296	2,857,766	2,281,109
Profit for the year attributable to				
– Owners of the Company		2,860,128	2,101,546	1,963,023
– Minority interests		861,168	756,220	318,086
		3,721,296	2,857,766	2,281,109
		HK$	*HK$*	*HK$*
Earnings per share	*16*			
From continuing and discontinued operations				
– Basic		2.65	1.96	1.94
– Diluted		2.65	1.95	1.93
From continuing operations				
– Basic		2.06	1.71	1.94
– Diluted		2.06	1.71	1.93

Consolidated Statement of Financial Position

		At 31st December		
	NOTES	**31.12.2009**	**31.12.2008**	**31.12.2007**
		HK$'000	*HK$'000*	*HK$'000*
			(restated)	
Non-Current Assets				
Investment properties	*17*	2,135,393	1,986,896	540,268
Property, plant and equipment	*18*	4,260,054	3,737,481	4,058,066
Prepaid lease payments – non-current portion	*19*	409,609	628,476	580,548
Toll road operating rights	*20*	9,467,968	9,681,461	7,434,490
Other intangible assets	*21*	120,222	145,216	145,329
Goodwill	*22*	13,723	400,692	391,734
Interests in jointly controlled entities	*25*	1,026,433	1,152,494	1,498,470
Interests in associates	*26*	298,734	4,044,789	3,828,644
Investments	*27*	3,256,718	584,274	442,742
Loan receivables – non-current portion	*28*	–	3,085	3,323
Deposits paid on acquisition of property, plant and equipment	*29*	149,111	857,057	808,526
Deposit paid on acquisition of additional interest in an associate		–	–	484,802
Restricted bank deposits	*30*	73,376	73,109	68,272
Deferred tax assets	*39*	96,953	86,631	83,937
		21,308,294	23,381,661	20,369,151
Current Assets				
Inventories	*31*	17,487,594	14,353,180	14,363,794
Trade and other receivables	*32*	3,668,144	4,150,592	2,355,554
Prepaid lease payments – current portion	*19*	13,779	28,580	36,719
Investments	*27*	158,759	162,715	3,136,221
Loan receivables – current portion	*28*	–	–	32,051
Taxation recoverable		65,543	2,616	57,388
Pledged bank deposits	*33*	911,828	800,541	51,975
Short-term bank deposits	*33*	262,234	1,547,332	659,092
Bank balances and cash	*33*	9,256,359	7,289,127	6,223,115
		31,824,240	28,334,683	26,915,909
Assets classified as held for sale	*12*	7,096,169	–	203,887
		38,920,409	28,334,683	27,119,796

	NOTES	At 31st December 31.12.2009 HK$'000	31.12.2008 HK$'000	31.12.2007 HK$'000
Current Liabilities				
Trade and other payables	34	7,679,155	7,345,718	8,923,087
Taxation payable		852,077	614,651	397,074
Bank and other borrowings	35	3,490,737	3,824,193	2,353,553
		12,021,969	11,784,562	11,673,714
Liabilities associated with assets classified as held for sale	12	1,734,249	–	–
		13,756,218	11,784,562	11,673,714
Net Current Assets		25,164,191	16,550,121	15,446,082
Total Assets less Current Liabilities		46,472,485	39,931,782	35,815,233
Capital and Reserves				
Share capital	36	107,977	107,644	107,126
Share premium and reserves		24,783,269	23,293,714	22,518,605
Equity attributable to owners of the Company		24,891,246	23,401,358	22,625,731
Minority interests		9,196,106	8,479,654	7,459,143
Total Equity		34,087,352	31,881,012	30,084,874
Non-Current Liabilities				
Bank and other borrowings	35	10,136,987	5,829,901	3,687,693
Deferred tax liabilities	39	2,248,146	2,220,869	2,042,666
		12,385,133	8,050,770	5,730,359
Total Equity and Non-Current Liabilities		46,472,485	39,931,782	35,815,233

2. EXTRACT FROM THE ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2009

The following is an extract of the latest published audited consolidated financial statements of the Group for the year ended 31 December 2009 together with the notes therein, from the 2009 annual report of SIH.

Consolidated Income Statement

For the year ended 31st December 2009

	NOTES	**2009** *HK$'000*	**2008** *HK$'000*
Continuing operations			
Revenue	*6*	6,917,885	7,452,105
Cost of sales		(4,247,154)	(5,005,282)
Gross profit		2,670,731	2,446,823
Net investment income	*7*	763,324	236,189
Other income		902,051	552,728
Increase in fair value of properties under development upon transfer to investment properties		–	497,073
Selling and distribution costs		(490,142)	(414,496)
Administrative expenses		(668,403)	(673,018)
Finance costs	*8*	(238,398)	(300,669)
Share of results of jointly controlled entities		43,552	15,343
Share of results of associates		(155,776)	(106,804)
Discount on acquisition of interests in associates	*9*	–	1,410,222
Discount on acquisition of interest in a subsidiary		–	902
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities	*10*	988,176	548,005
Impairment loss recognised in respect of available-for-sale investments	*9*	–	(1,527,388)
Impairment loss recognised in respect of goodwill relating to a subsidiary	*23*	–	(1,115)
Profit before taxation		3,815,115	2,683,795
Income tax expense	*11*	(1,098,996)	(420,151)
Profit for the year from continuing operations		2,716,119	2,263,644
Discontinued operations			
Profit for the year from discontinued operations	*12*	1,005,177	594,122
Profit for the year	*13*	3,721,296	2,857,766

	NOTES	2009	2008
		HK$'000	HK$'000
Profit for the year attributable to			
– Owners of the Company		2,860,128	2,101,546
– Minority interests		861,168	756,220
		3,721,296	2,857,766
		HK$	HK$
Earnings per share	16		
From continuing and discontinued operations			
– Basic		2.65	1.96
– Diluted		2.65	1.95
From continuing operations			
– Basic		2.06	1.71
– Diluted		2.06	1.71

Consolidated Statement of Comprehensive Income
For the year ended 31st December 2009

	2009 *HK$'000*	2008 *HK$'000*
Profit for the year	3,721,296	2,857,766
Other comprehensive income		
Exchange differences arising from translation of foreign operations		
– subsidiaries	(11,715)	1,309,965
– jointly controlled entities	–	92,265
– associates	–	95,938
Fair value adjustment on available-for-sale investments	4,150	(1,664,162)
Loss on cash flow hedges	(15,013)	–
Reclassification of other comprehensive income upon disposals of		
– available-for-sale investments	10,168	(83,391)
– interests in subsidiaries (exchange difference included in translation reserve)	(15,271)	(64,288)
– interests in associates (exchange difference included in translation reserve)	(166,075)	–
– interests in jointly controlled entities (exchange difference included in translation reserve)	–	(48,697)
Recognition of impairment loss on available-for-sale investments	–	1,527,388
Other comprehensive (expense) income for the year	(193,756)	1,165,018
Total comprehensive income for the year	3,527,540	4,022,784
Total comprehensive income attributable to:		
– Owners of the Company	2,666,372	2,835,912
– Minority interests	861,168	1,186,872
	3,527,540	4,022,784

Consolidated Statement of Financial Position
At 31st December 2009

	NOTES	**31.12.2009**	**31.12.2008**	**1.1.2008**
		HK$'000	*HK$'000*	*HK$'000*
			(restated)	
Non-Current Assets				
Investment properties	*17*	2,135,393	1,986,896	540,268
Property, plant and equipment	*18*	4,260,054	3,737,481	4,058,066
Prepaid lease payments – non-current portion	*19*	409,609	628,476	580,548
Toll road operating rights	*20*	9,467,968	9,681,461	7,434,490
Other intangible assets	*21*	120,222	145,216	145,329
Goodwill	*22*	13,723	400,692	391,734
Interests in jointly controlled entities	*25*	1,026,433	1,152,494	1,498,470
Interests in associates	*26*	298,734	4,044,789	3,828,644
Investments	*27*	3,256,718	584,274	442,742
Loan receivables – non-current portion	*28*	–	3,085	3,323
Deposits paid on acquisition of property, plant and equipment	*29*	149,111	857,057	808,526
Deposit paid on acquisition of additional interest in an associate		–	–	484,802
Restricted bank deposits	*30*	73,376	73,109	68,272
Deferred tax assets	*39*	96,953	86,631	83,937
		21,308,294	23,381,661	20,369,151
Current Assets				
Inventories	*31*	17,487,594	14,353,180	14,363,794
Trade and other receivables	*32*	3,668,144	4,150,592	2,355,554
Prepaid lease payments – current portion	*19*	13,779	28,580	36,719
Investments	*27*	158,759	162,715	3,136,221
Loan receivables – current portion	*28*	–	–	32,051
Taxation recoverable		65,543	2,616	57,388
Pledged bank deposits	*33*	911,828	800,541	51,975
Short-term bank deposits	*33*	262,234	1,547,332	659,092
Bank balances and cash	*33*	9,256,359	7,289,127	6,223,115
		31,824,240	28,334,683	26,915,909
Assets classified as held for sale	*12*	7,096,169	–	203,887
		38,920,409	28,334,683	27,119,796

	NOTES	31.12.2009 HK$'000	31.12.2008 HK$'000 (restated)	1.1.2008 HK$'000
Current Liabilities				
Trade and other payables	34	7,679,155	7,345,718	8,923,087
Taxation payable		852,077	614,651	397,074
Bank and other borrowings	35	3,490,737	3,824,193	2,353,553
		12,021,969	11,784,562	11,673,714
Liabilities associated with assets classified as held for sale	12	1,734,249	–	–
		13,756,218	11,784,562	11,673,714
Net Current Assets		25,164,191	16,550,121	15,446,082
Total Assets less Current Liabilities		46,472,485	39,931,782	35,815,233
Capital and Reserves				
Share capital	36	107,977	107,644	107,126
Share premium and reserves		24,783,269	23,293,714	22,518,605
Equity attributable to owners of the Company		24,891,246	23,401,358	22,625,731
Minority interests		9,196,106	8,479,654	7,459,143
Total Equity		34,087,352	31,881,012	30,084,874
Non-Current Liabilities				
Bank and other borrowings	35	10,136,987	5,829,901	3,687,693
Deferred tax liabilities	39	2,248,146	2,220,869	2,042,666
		12,385,133	8,050,770	5,730,359
Total Equity and Non-Current Liabilities		46,472,485	39,931,782	35,815,233

Statement of Financial Position
As 31st December 2009

	NOTES	**31.12.2009** *HK$'000*	**31.12.2008** *HK$'000*	**1.1.2008** *HK$'000*
Non-Current Assets				
Property, plant and equipment	*18*	3,508	3,675	4,731
Investments in subsidiaries	*24*	5,288,857	5,288,857	4,476,268
Investment in a jointly controlled entity	*25*	–	–	–
Amount due from a subsidiary	*40*	350,000	–	–
		5,642,365	5,292,532	4,480,999
Current Assets				
Deposits, prepayments and other receivables		7,624	11,842	11,633
Amounts due from subsidiaries	*40*	19,559,771	15,734,899	13,459,602
Investments	*27*	482	–	2,280,379
Short-term bank deposits	*33*	–	658,158	479,570
Bank balances and cash	*33*	1,848,240	446,623	243,757
		21,416,117	16,851,522	16,474,941
Current Liabilities				
Other payables and accrued charges		33,010	706,289	52,108
Amounts due to subsidiaries	*40*	6,388,571	1,123,911	1,451,932
		6,421,581	1,830,200	1,504,040
Net Current Assets		14,994,536	15,021,322	14,970,901
		20,636,901	20,313,854	19,451,900
Capital and Reserves				
Share capital	*36*	107,977	107,644	107,126
Share premium and reserves	*38*	20,528,924	20,206,210	19,344,774
		20,636,901	20,313,854	19,451,900

Consolidated Statement of Changes in Equity

For the year ended 31st December 2009

	Attributable to owners of the Company														
	Share capital	Share premium	Share options reserve	Capital redemption reserve	Other revaluation reserve	Other reserve	Merger reserve	Hedging reserve	Investment revaluation reserve	Translation reserve	PRC statutory reserves	Retained profits	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(note i)	*(note ii)*	*(note iii)*				*(note iv)*				
At 1st January 2008	107,126	13,198,450	15,241	1,071	13,668	122,496	(14,255)	–	169,319	1,041,234	354,065	7,617,316	22,625,731	7,459,143	30,084,874
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	2,101,546	2,101,546	756,220	2,857,766
Exchange differences arising from translation of foreign operations															
– subsidiaries	–	–	–	–	–	–	–	–	–	879,313	–	–	879,313	430,652	1,309,965
– jointly controlled entities	–	–	–	–	–	–	–	–	–	92,265	–	–	92,265	–	92,265
– associates	–	–	–	–	–	–	–	–	–	95,938	–	–	95,938	–	95,938
Fair value adjustment on available-for-sale investments	–	–	–	–	–	–	–	–	(1,664,162)	–	–	–	(1,664,162)	–	(1,664,162)
Transfer to profit or loss on disposal of available-for-sale investments	–	–	–	–	–	–	–	–	(83,391)	–	–	–	(83,391)	–	(83,391)
Realised on disposal of interests in subsidiaries	–	–	–	–	–	(122,496)	–	–	–	(64,288)	(16,964)	139,460	(64,288)	–	(64,288)
Realised on disposal of interests in jointly controlled entities	–	–	–	–	–	–	–	–	–	(48,697)	–	–	(48,697)	–	(48,697)
Recognition of impairment loss on available-for-sale investments	–	–	–	–	–	–	–	–	1,527,388	–	–	–	1,527,388	–	1,527,388
Total comprehensive income for the year	–	–	–	–	–	(122,496)	–	–	(220,165)	954,531	(16,964)	2,241,006	2,835,912	1,186,872	4,022,784
Issue of shares upon exercise of share options	518	79,904	–	–	–	–	–	–	–	–	–	–	80,422	–	80,422
Release of share options reserve on exercise of share options	–	7,159	(7,159)	–	–	–	–	–	–	–	–	–	–	–	–
Expenses incurred in connection with the issue of new shares	–	(73)	–	–	–	–	–	–	–	–	–	–	(73)	–	(73)
Recognition of equity-settled share-based payment expenses	–	–	1,953	–	–	–	–	–	–	–	–	–	1,953	–	1,953
Transfers	–	–	–	–	–	–	–	–	–	–	138,470	(138,470)	–	–	–
Capital contributions by minority interests	–	–	–	–	–	–	–	–	–	–	–	–	–	76,200	76,200
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(178,451)	(178,451)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(46,487)	(46,487)
Acquisition of subsidiaries	–	–	–	–	–	–	(1,195,794)	–	–	–	–	–	(1,195,794)	–	(1,195,794)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(17,623)	(17,623)
Dividends paid *(note 15)*	–	–	–	–	–	–	–	–	–	–	–	(946,793)	(946,793)	–	(946,793)
At 31st December 2008	107,644	13,285,440	10,035	1,071	13,668	–	(1,210,049)	–	(50,846)	1,995,765	475,571	8,773,059	23,401,358	8,479,654	31,881,012

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Capital redemption reserve HK$'000	Other revaluation reserve HK$'000 *(note i)*	Other reserve HK$'000 *(note ii)*	Merger reserve HK$'000 *(note iii)*	Hedging reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 *(note iv)*	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	2,860,128	2,860,128	861,168	3,721,296
Exchange differences arising from translation of foreign operations															
– subsidiaries	–	–	–	–	–	–	–	–	–	(11,715)	–	–	(11,715)	–	(11,715)
Fair value adjustment on available-for-sale investments	–	–	–	–	–	–	–	–	4,150	–	–	–	4,150	–	4,150
Transfer to profit or loss on disposal of available-for-sale investments	–	–	–	–	–	–	–	–	10,168	–	–	–	10,168	–	10,168
Loss on cash flow hedges	–	–	–	–	–	–	–	(15,013)	–	–	–	–	(15,013)	–	(15,013)
Realised on disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	(15,271)	–	–	(15,271)	–	(15,271)
Realised on disposal of interests in associates	–	–	–	–	–	–	–	–	–	(166,075)	(93,590)	93,590	(166,075)	–	(166,075)
Total comprehensive income for the year	–	–	–	–	–	–	–	(15,013)	14,318	(193,061)	(93,590)	2,953,718	2,666,372	861,168	3,527,540
Issue of shares upon exercise of share options	333	53,671	–	–	–	–	–	–	–	–	–	–	54,004	–	54,004
Release of share options reserve on exercise of share options	–	5,843	(5,843)	–	–	–	–	–	–	–	–	–	–	–	–
Expenses incurred in connection with the issue of new shares	–	(68)	–	–	–	–	–	–	–	–	–	–	(68)	–	(68)
Share options lapsed	–	–	(101)	–	–	–	–	–	–	–	–	101	–	–	–
Transfers	–	–	–	–	–	–	–	–	–	–	95,103	(95,103)	–	–	–
Capital contributions by minority interests	–	–	–	–	–	–	–	–	–	–	–	–	–	121,328	121,328
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(200,994)	(200,994)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(66,614)	(66,614)
Acquisition of a subsidiary *(note 41A)*	–	–	–	–	–	–	–	–	–	–	–	–	–	1,564	1,564
Acquisition of subsidiaries *(note 2)*	–	–	–	–	–	–	(326,731)	–	–	–	–	–	(326,731)	–	(326,731)
Acquisition of an associate	–	–	–	–	–	2,944	–	–	–	–	–	–	2,944	–	2,944
Dividends paid *(note 15)*	–	–	–	–	–	–	–	–	–	–	–	(906,633)	(906,633)	–	(906,633)
At 31st December 2009	107,977	13,344,886	4,091	1,071	13,668	2,944	(1,536,780)	(15,013)	(36,528)	1,802,704	477,084	10,725,142	24,891,246	9,196,106	34,087,352

Notes:

(i) Other revaluation reserve represents fair value adjustment on acquisition of subsidiaries relating to interests previously held by the Group as associates/jointly controlled entity.

(ii) Other reserve as at 1st January 2008 represented the share of deemed contribution from a shareholder of a jointly controlled entity resulted from the transfer of an entity by that shareholder to the jointly controlled entity at a consideration below the fair value of the identifiable assets and liabilities of that entity. Other reserve arose during the year ended 31st December 2009 represents the difference between the amount of cash consideration paid to SIIC, as defined in note 1, for the acquisition of 20% equity interest in an associate, 上海星河數碼投資有限公司, and the net assets of this company.

(iii) Merger reserve represents the difference in the fair value of the consideration paid to SIIC for the acquisition of subsidiaries/businesses controlled by SIIC and the share capital of the subsidiaries under the acquisitions.

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

Consolidated Statement of Cash Flows
For the year ended 31st December 2009

	2009	**2008**
	HK$'000	*HK$'000*
		(restated)
OPERATING ACTIVITIES		
Profit for the year	3,721,296	2,857,766
Income tax expense from continuing operations	1,098,996	420,151
Income tax expense from discontinued operations	130,291	113,670
	4,950,583	3,391,587
Adjustments for:		
Amortisation of other intangible assets	6,321	7,888
Amortisation of toll road operating rights	213,493	208,653
Change in fair value of a financial asset at fair value through profit or loss under the Transaction *(defined in note 27)*	(408,905)	–
Contracted income from available-for-sale investments	(2,110)	(4,879)
Depreciation of property, plant and equipment	318,582	367,463
Discount on acquisition of interest in a subsidiary	–	(902)
Discount on acquisition of interests in associates	–	(1,410,222)
Dividend income from listed equity investments	(1,438)	(6,934)
Dividend income from unlisted equity investments	(9,472)	(372)
Equity-settled share-based payment expense	–	1,953
Finance costs	254,352	322,224
Impairment loss on bad and doubtful debts	2,937	19,106
Impairment loss recognised in respect of available-for-sale investments	–	1,527,388
Impairment losses recognised in respect of goodwill relating to subsidiaries	17,759	1,115
Increase in fair value of investment properties	(224,216)	(12,788)
Increase in fair value of properties under development upon transfer to investment properties	–	(497,073)
Interest income	(290,219)	(355,449)
Loss (gain) on disposal of available-for-sale investments	10,168	(83,391)
Loss on disposal of investment properties	10,339	8,830
Loss on disposal of property, plant and equipment	5,384	1,786
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities	(1,371,142)	(556,618)
Release of prepaid lease payments	28,579	28,551
Reversal of impairment loss on bad and doubtful debts	(7,464)	(36,450)
Share of results of associates	148,768	106,396
Share of results of jointly controlled entities	(78,645)	(64,968)

	NOTES	2009 HK$'000	2008 HK$'000 (restated)
Operating cash flows before movements in working capital		3,573,654	2,962,894
(Increase) decrease in inventories		(3,656,625)	199,645
(Increase) decrease in financial assets at fair value through profit or loss		(123,064)	2,643,954
Decrease (increase) in trade and other receivables		440,066	(198,369)
Increase (decrease) in trade and other payables		3,336,127	(595,156)
Cash generated from operations		3,570,158	5,012,968
PRC income tax paid		(870,819)	(181,238)
Hong Kong Profits Tax paid		(95,875)	(114,669)
Hong Kong Profits Tax refunded		336	–
PRC income tax refunded		–	1,731
NET CASH FROM OPERATING ACTIVITIES		2,603,800	4,718,792
INVESTING ACTIVITIES			
Acquisition of Good Cheer and Hu-Hang	41A	(2,773,156)	(2,740,076)
Purchase of property, plant and equipment		(2,309,055)	(1,864,495)
Acquisition of assets through acquisition of a subsidiary (net of cash and cash equivalents acquired)	41B	(2,271,234)	–
Purchase of available-for-sale investments		(629,659)	(4,545)
Acquisition of Feng Mao and Feng Qi	2	(445,749)	–
Acquisition of additional interests in subsidiaries		(80,537)	(48,081)
Acquisition of an associate		(18,173)	–
Increase in prepaid lease payments		(16,142)	(30,565)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	42	2,665,377	756,923
Proceeds from disposal of interests in associates		1,314,005	12,745
Decrease (increase) in deposits paid on acquisition of property, plant and equipment		707,946	(48,531)
Proceeds from disposal of available-for-sale investments		432,751	117,137
Decrease (increase) in bank deposits		318,391	(1,641,643)
Interest received		122,381	355,449
Proceeds from a held-for-maturity investment upon maturity		117,173	–
Dividends received from associates		78,712	93,068
Proceeds from disposal of property, plant and equipment		52,022	31,263
Dividends received from unlisted equity investments		9,472	372
Dividends received from jointly controlled entities		8,834	44,723
Proceeds from disposal of investment properties		6,017	22,643
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	41A	4,970	(3,576)

	NOTES	2009 HK$'000	2008 HK$'000 (restated)
Contracted income received from available-for sale investments		2,110	4,879
Dividends received from listed equity investments		1,438	6,934
Proceeds from disposal of interests in jointly controlled entities		916	228,370
Repayment of loan receivables		190	34,313
Prepayment paid for an investment in the PRC		–	(1,206,077)
Capital contributions to jointly controlled entities		–	(284,913)
Capital contributions to associates		–	(7,323)
Proceeds from disposal of assets classified as held-for-sale		–	203,887
NET CASH USED IN INVESTING ACTIVITIES		(2,701,000)	(5,967,119)
FINANCING ACTIVITIES			
Borrowings raised		13,704,975	7,534,750
Advance from a fellow subsidiary		1,249,427	–
Capital contributions by minority shareholders of subsidiaries		121,328	76,200
Proceeds from issue of shares		54,004	80,422
Repayment of bank and other borrowings		(9,497,369)	(4,193,582)
Dividends paid		(906,633)	(946,793)
Interest paid on bank and other borrowings		(448,032)	(471,038)
Dividends paid to minority interests		(208,468)	(188,163)
Expenses incurred in connection with the issue of shares		(68)	(73)
NET CASH FROM FINANCING ACTIVITIES		4,069,164	1,891,723
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,971,964	643,396
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,289,127	6,223,115
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		–	422,616
CASH AND CASH EQUIVALENTS AT END OF YEAR		11,261,091	7,289,127
Represented by:			
Bank balances and cash		9,256,359	7,289,127
Bank balances and cash classified as assets held-for-sale		2,004,732	–
		11,261,091	7,289,127

Notes to the Financial Statements

For the year ended 31st December 2009

1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate parent is Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), a private limited company also incorporated in Hong Kong. The addresses of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 51.

2. Merger Accounting and Restatements

The Group accounts for all its business combinations involving entities under common control under the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In the current year, the Group acquired S.I. Feng Mao Properties (BVI) Limited ("Feng Mao") together with its subsidiary, Shanghai Feng Mao Properties Company Limited ("Shanghai Feng Mao"), and S.I. Feng Qi Properties (BVI) Limited ("Feng Qi") together with its subsidiary, Shanghai Feng Qi Properties Company Limited ("Shanghai Feng Qi"), from a wholly-owned subsidiary of SIIC (see note i) and accordingly, the Group has applied the principle of merger accounting in accordance with the requirements set out in AG 5 to the acquisitions.

Feng Mao and Feng Qi were incorporated on 6th April 2009 and 25th March 2009, respectively. Shanghai Feng Mao and Shanghai Feng Qi were established on 24th June 2008 and 27th August 2008, respectively.

The consolidated statement of financial position of the Group as at 31st December 2008 has been restated to include the assets and liabilities of Shanghai Feng Mao and Shanghai Feng Qi as if they were within the Group on that date (see below for the financial impact). The consolidated statement of cash flows for the year ended 31st December 2008 has been restated to include the related cash flows of Shanghai Feng Mao and Shanghai Feng Qi from their respective date of establishment. The application of the merger accounting on acquisitions of Feng Mao and Feng Qi does not have any significant effect on the consolidated income statement and consolidated statement of comprehensive income for the two years ended 31st December 2008 and 31st December 2009.

The effect of the application of merger accounting on the consolidated statement of financial position as at 31st December 2008 is summarised below:

		Adjustments on merger accounting	
	HK$'000	*HK$'000*	*HK$'000*
	(originally stated)	*(note ii)*	*(restated)*
ASSETS			
Bank balances and cash	7,220,765	68,362	7,289,127
Other assets	44,427,217	–	44,427,217
	51,647,982	68,362	51,716,344
LIABILITIES			
Trade and other payables	7,277,356	68,362	7,345,718
Other liabilities	12,489,614	–	12,489,614
	19,766,970	68,362	19,835,332
NET ASSETS	31,881,012	–	31,881,012
CAPITAL AND RESERVES			
Share capital and reserves	23,401,358	–	23,401,358
Minority interests	8,479,654	–	8,479,654
	31,881,012	–	31,881,012

Notes:

(i) Pursuant to the sale and purchase agreements entered into on 12th August 2009, S.I. Urban Development Holdings Limited, a wholly-owned subsidiary of the Company, agreed to acquire from Glory Shine Holdings Limited ("Glory Shine"), a wholly-owned subsidiary of SIIC, the 100% equity interests in Feng Mao and Feng Qi for an aggregate cash consideration of approximately HK$445.7 million (collectively referred to as the "Acquisition").

Feng Mao owns two development projects on two pieces of land located at Qingpu District, Shanghai, the People's Republic of China (the "PRC") with a total site area of 511,877 sq.m.. Feng Qi owns a development project on a piece of land also located at Qingpu District, Shanghai, the PRC with a site area of 434,855 sq.m..

(ii) The adjustments are to include assets and liabilities of Shanghai Feng Mao and Shanghai Feng Qi as at 31st December 2008.

Since Feng Mao and Feng Qi and their subsidiaries are all companies newly set up after 1st January 2008, the application of the merger accounting does not have any effect on the Group's equity as at 1st January 2008.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

In addition, the adoption of HKAS 1 (Revised 2007) has resulted in the presentation of a third statement of financial position as at 1st January 2008 as the Group has made a retrospective restatement of items in its financial statements during the current financial year as a result of the application of merger accounting (see note 2).

HKFRS 8 "Operating Segments"

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 55).

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 "Financial Instruments: Disclosures")

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

Amendment to HKAS 40 "Investment Property"

As part of Improvements to HKFRSs (2008), HKAS 40 has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value model is used and the fair values of the properties are reliably determinable).

The Group has applied the amendment to HKAS 40 prospectively from 1st January 2009 in accordance with the relevant transitional provision and the amendment has had no material impact on the consolidated financial statements.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[5]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

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

2 Amendments that are effective for annual periods beginning on or after 1st July 2009 and 1st January 2010, as appropriate

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

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

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

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

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

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1st January 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments required the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. Significant Accounting Policies

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of Consolidation

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

The results of subsidiaries (except those accounted for as business combination involving entities under common control) acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

Business Combinations (Except for Combinations Involving Entities under Common Control)

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

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

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Merger Accounting for Business Combination involving Entities under Common Control

Business combination involving entities under common control includes acquisition of subsidiaries/business controlled by SIIC.

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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

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

Investments in Subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Acquisition of Additional Interests in Subsidiaries

On acquisition of additional interests in subsidiaries, goodwill was calculated as the difference between the cost of additional interest acquired and the increase in the Group's share of the carrying amount of the identifiable assets, liabilities and contingent liabilities. If the increase in the Group's share of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the additional interest, the excess is recognised immediately in the consolidated income statement.

Interests in Jointly Controlled Entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. Goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the jointly controlled entity. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

The Company's investment in a jointly controlled entity is stated at cost, as reduced by any identified impairment loss. The results of the jointly controlled entity are accounted for by the Company on the basis of dividend received and receivable.

Interests in Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Non-Current Assets Held for Sale

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

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

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered and title has been passed.

Revenue from sale of properties in the ordinary course of business is recognised when:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income and income from hotel operation are recognised when services are provided.

Toll fee income from the operation of toll roads, net of business tax payable in the PRC, is recognised at the time of usage and when the toll fee is received.

Interest income from a financial asset including financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Contracted income from available-for-sale investments attributable to the current year is recognised when the Group's right to receive payment can reasonably be foreseen.

Rental income, including rental invoiced in advance from letting of properties and plant and machinery under operating leases, is recognised on a straight line basis over the period of the relevant lease.

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Starting from 1st January 2009, investment properties under construction are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in the period in which they arise.

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

Property, Plant and Equipment

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

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

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

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

Leasing

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

The Group as Lessor

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

The Group as Lessee

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Leasehold Land and Building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight line basis except for those that are classified and accounted for as investment properties under the fair value model.

Foreign Currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity (translation reserve) and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government Grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement Benefits Costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Intangible Assets

Intangible assets acquired separately and from a business combination are recognised at cost and at fair value, respectively. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

Toll Road Operating Right

Toll road operating right is stated at cost less amortisation and any accumulated impairment losses. Amortisation is provided to write off the cost of toll road operating right on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the periods for which the Group is granted the rights to operate the toll road.

Inventories

Properties Held for Sale and Properties under Development Held for Sale

Properties held for sale and properties under development held for sale are stated at the lower of cost and net realisable value on an individual basis. Cost comprises the acquisition cost and other direct costs attributable to such properties.

The Group transfers a property from inventories to investment properties when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Others

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

Financial Instruments

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

Financial Assets

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

Effective Interest Method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is excluded from net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivables, restricted bank deposits, pledged bank deposits, short-term bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

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

Impairment of Financial Assets

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

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

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 180 days and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

Reclassification of Financial Assets

Reclassification of Financial Assets out of FVTPL

Financial assets held for trading which is no longer held for the purpose of selling or repurchasing it in the near term are reclassified as available-for-sale financial assets and/or held-to-maturity investments at its fair value on the date of reclassification only in rare circumstances.

Any gain or loss already recognised in profit or loss before the reclassification is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

Effective Interest Rate

For debt instruments carried at amortised cost, a new effective interest rate is determined at the date of reclassification. If the Group subsequently increases its estimate of the recoverability of future cash flows, the effect of the increase is recognised as an adjustment to the effective interest rate from the date of change, such that the effect of the increase in recoverability is recognised over the expected remaining life of the debt instrument.

Financial Liabilities and Equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective Interest Method

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

Interest expense is recognised on an effective interest basis.

Financial Liabilities

The Group's financial liabilities, including trade and other payables and bank and other borrowings, are subsequently measured at amortised cost, using the effective interest method.

Equity Instruments

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

Hedge Accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Derecognition

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

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

Equity-Settled Share-Based Payment Transactions

The fair value of services received from employees and other eligible participants (of which the fair value of services received cannot be estimated reliably) determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share options reserve).

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

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

Impairment Losses on Tangible and Intangible Assets other than Goodwill (see the Accounting Policy in respect of Goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

Critical Judgments in Applying the Group's Accounting Policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Consolidation of a Subsidiary

As at 31st December 2009, the Group's equity interest in Shanghai Industrial Pharmaceutical Investment Co., Ltd. ("SI Pharmaceutical"), a subsidiary of the Company listed on the A Shares Market of the Shanghai Stock Exchange, was 43.62% (31.12.2008: 43.62%).

The directors of the Company are of the opinion that the Group still retains control over SI Pharmaceutical subsequent to the share reform in 2006 as the remaining 56.38% shareholding of SI Pharmaceutical is dispersed and it is highly unlikely for the other shareholders to organise their interests to exercise control over the board of SI Pharmaceutical. Hence, the directors of the Company consider that control over SI Pharmaceutical still exists through the right to appoint or remove the majority of the members of the board of directors of SI Pharmaceutical. Accordingly, SI Pharmaceutical continues to be accounted for as a subsidiary of the Company and the results and assets and liabilities of SI Pharmaceutical were consolidated in the consolidated financial statements.

Equity Accounting for an Associate

The directors of the Company were of the opinion that the Group could exercise significant influence over the financial and operating policy decisions of Semiconductor Manufacturing International Corporation ("SMIC") through the Group's ability to appoint a board representative at 31st December 2008. Accordingly, SMIC was classified as an associate and accounted for under the equity method as from 31st December 2008. Details of the classification are set out in note 9.

SMIC was disposed of through the disposal of a subsidiary, S.I. Technology Production Holdings Limited ("S.I. Technology"), in September 2009. Details of the transaction are set out in note 42.

Held-to-maturity Investments

The directors of the Company have reviewed the Group's held-to-maturity investments in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity investments is approximately HK$28 million as at 31st December 2009 (31.12.2008: HK$143 million).

Details of these assets are set out in note 27.

Reclassification of Financial Assets

Due to the turmoil in the world's financial market in the third quarter of 2008, the directors of the Company had reviewed the Group's investment strategy. After taking into account the Group's liquidity position, the directors of the Company considered that the financial turmoil during the third quarter of 2008 was a rare circumstance. The directors confirmed that certain held-for-trading securities and debentures of approximately HK$304 million and HK$143 million, respectively, were no longer held for short-term profit taking. Such investments had been reclassified as available-for-sale financial assets and held-to-maturity investments in July 2008.

Details and the financial impact of the above reclassifications are set out in note 57(b).

Key Sources of Estimation Uncertainty

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

Amortisation of Toll Road Operating Rights

Toll road operating rights amounting to approximately HK$9,468 million as at 31st December 2009 (31.12.2008: HK$9,681 million) is amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the operating period of the toll road. If the actual traffic volume differs from the original projection, such difference will impact the amortisation for the remaining period to be amortised.

Allowance for Properties under Development and Properties Held for Sale

Management regularly reviews the recoverability of the Group's properties under development and properties held for sale with reference to the current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. Appropriate allowance for properties under development and properties held for sale is made if the estimated recoverable amount is lower than its carrying amount. As at 31st December 2009, the aggregate carrying amount of properties under development and properties held for sale is approximately HK$16,394 million (31.12.2008: HK$12,468 million).

Estimated Fair Value of Financial Asset Designated at FVTPL

The fair value of a financial asset designated at FVTPL obtained under the Transaction is estimated using a discounted future cash flows analysis. The discounted future cash flows analysis requires the Group to estimate the credit rating and apply a suitable discount rate to calculate the fair value. As at 31st December 2009, the fair value of the financial asset was estimated at HK$2,680,600,000. Details of the Transaction are disclosed in note 27.

6. Revenue

Revenue represents the aggregate of the net amounts received and receivable from third parties and an analysis of the Group's revenue for the year from continuing operations is as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Sales of goods	3,790,289	3,551,309
Sales of properties and rental income	2,099,098	2,637,921
Income from infrastructure facilities	818,509	938,802
Income from hotel operation	209,989	324,073
	6,917,885	7,452,105

7. Net Investment Income

	2009	**2008**
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank deposits	73,939	133,082
Interest on financial assets at FVTPL	11,421	81,069
Other interest income	167,845	116,910
Total interest income	253,205	331,061
(Loss) gain on disposal of available-for-sale investments	(10,168)	83,391
Dividend income from unlisted equity investments	9,270	–
Dividend income from listed equity investments	1,131	6,631
Change in fair value of financial assets designated as at FVTPL	422,725	(30,743)
Change in fair value of financial assets classified as held-for-trading	84,755	(159,362)
Rental income from property, plant and equipment	296	332
Contracted income from available-for-sale investments	2,110	4,879
	763,324	236,189

Investment income earned on financial assets, analysed by category of asset, is as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Continuing operations		
Available-for-sale financial assets	1,212	88,270
Loans and receivables (including cash and bank balances)	239,780	249,992
Financial assets at FVTPL	520,032	(102,405)
Held-to-maturity financial assets	2,004	–
	763,028	235,857
Investment income earned on non-financial assets	296	332
	763,324	236,189

Included above is gain from listed investments (other than impairment loss) of HK$87,890,000 (2008: loss of HK$152,731,000) and income from unlisted investments of HK$435,358,000 (2008: HK$138,596,000).

8. Finance Costs

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank and other borrowings		
– wholly repayable within five years	325,237	297,305
– not wholly repayable within five years	120,893	154,278
	446,130	451,583
Less: amounts capitalised in		
– construction in progress	(37,235)	–
– properties under development held for sale	(170,497)	(150,914)
	238,398	300,669

Borrowing costs capitalised during the year arose on specific borrowings on qualifying assets.

9. Discount on Acquisition of Interests in Associates/Impairment Loss Recognised in Respect of Available-For-Sale Investments

	2009	2008
	HK$'000	*HK$'000*
Impairment loss recognised in respect of the following available-for-sale investments:		
SMIC *(note)*	–	1,463,040
Others	–	64,348
	–	1,527,388
Discount on acquisition in respect of the following interests in associates:		
SMIC *(note)*	–	1,410,170
Other	–	52
	–	1,410,222

Note:

In May 2008, the Group reclassified its investment in SMIC from interests in associates to available-for-sale investments as the Group ceased to have significant influence over SMIC. The carrying amount of the investment in SMIC at that date of approximately HK$2,116 million was reclassified to available-for-sale investments and subsequently measured at fair value. The change in fair value of the investment in SMIC of approximately HK$1,463 million was recognised in the investment revaluation reserve.

In December 2008, the Group increased its shareholdings in SMIC to 8.21% and with SIIC vesting its 1.88% voting rights of SMIC to the Group, the directors concluded that the Group from then on was in a position to exercise significant influence over the financial reporting and operating policies decision of SMIC. On the date when the above significant influence was gained, management assessed the fair value of the identifiable assets, liabilities and contingent liabilities of SMIC. For certain property, plant and equipment, the fair values were estimated by reference to professional valuation reports prepared by independent qualified professional valuers not connected to the Group using comparable market values. The fair value of the identifiable assets, liabilities and contingent liabilities of SMIC attributable to the Group exceeded the cost of investment and accordingly, a discount on acquisition of approximately HK$1,410 million was recognised to the consolidated income statement for the year ended 31st December 2008.

In September 2009, SMIC was disposed of through the disposal of S.I. Technology. Details of the transaction are set out in note 42.

10. NET GAIN ON DISPOSAL OF INTERESTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	2009	**2008**
	HK$'000	*HK$'000*
Continuing operations		
(Loss) gain on disposal of interests in subsidiaries *(note 42)*	(230,171)	331,977
Gain on disposal of interests in associates *(note)*	1,216,326	–
Gain (loss) on deemed disposal of interests in associates	2,209	(2,571)
(Loss) gain on disposal of interests in jointly controlled entities	(188)	218,599
	988,176	548,005

Note: Included in the balance is gain on disposal of a listed associate, 光明乳業股份有限公司 (Bright Dairy and Food Co., Ltd.) ("Bright Dairy") amounted to HK$1,210,666,000 in total. In June 2009, 5% equity interest of Bright Dairy was disposed of through the A Shares Market of the Shanghai Stock Exchange at a consideration of HK$390,087,000. In December 2009, the group's remaining 30.176% equity interest in Bright Dairy was disposal of to an independent third party for a consideration of HK$1,755,820,000.

11. Income Tax Expense

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Current tax		
– Hong Kong	75,563	88,607
– PRC Land appreciation tax ("PRC LAT")	251,243	46,917
– PRC Enterprise income tax (including PRC withholding tax of HK$41,526,000 (2008: Nil))	764,562	302,773
	1,091,368	438,297
Overprovision in prior years		
– Hong Kong	(1,015)	(5,605)
– PRC Enterprise income tax	(1,028)	(1,091)
	(2,043)	(6,696)
Deferred taxation *(note 39)*		
– Current year	9,671	(7,178)
– Attributable to a change in tax rate	–	(4,272)
	9,671	(11,450)
	1,098,996	420,151

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January 2008 onwards. For companies that were qualified under old law or regulations for incentive tax rate of 15%, the tax rate will progressively increase to 18%, 20%, 22%, 24% and 25% in year 2008, 2009, 2010, 2011 and 2012, respectively. For companies that were still entitled to certain exemption and reliefs ("Tax Benefit") from PRC income tax, the EIT Law allowed the companies to continue to enjoy the Tax Benefit and afterwards change the tax rate to 25%.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights and property development expenditures.

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

	2009	2008
	HK$'000	*HK$'000*
Profit before taxation (from continuing operations)	3,815,115	2,683,795
Tax at PRC Statutory Tax rate of 25%	953,779	670,949
Tax effect of share of results of jointly controlled entities and associates	28,056	22,865
Tax effect of expenses not deductible for tax purpose	182,638	367,306
Tax effect of income not taxable for tax purpose	(193,300)	(627,477)
Overprovision in respect of prior years	(2,043)	(6,696)
Tax effect of tax losses not recognised as deferred tax assets	4,747	6,908
Utilisation of tax losses previously not recognised as deferred tax assets	(48)	(5,805)
Effect of Tax Benefit granted to PRC subsidiaries	(89,120)	(102,050)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(34,543)	(31,941)
Effect of change in tax rate for deferred taxation	–	(6,030)
PRC LAT	251,243	46,917
Deferred tax (credit) charge on dividend withholding tax	(2,390)	85,219
Others	(23)	(14)
Income tax expense for the year (relating to continuing operations)	1,098,996	420,151

12. Discontinued Operations/Disposal Group Held for Sale/Assets Classified As Held for Sale

For the year ended 31st December 2009

On 15th October 2009, the Company, SIIC Shanghai (Holdings) Co., Ltd. ("SIIC Shanghai"), a wholly-owned subsidiary of SIIC, and Shanghai Pharmaceutical Co., Ltd. ("Shanghai Pharmaceutical"), a subsidiary of SIIC listed on the A Shares Market of the Shanghai Stock Exchange, entered into a share issue and asset acquisition agreement, under which (1) SIIC Shanghai shall subscribe for 169,028,200 A shares in Shanghai Pharmaceutical at RMB11.83 per share, and (2) the entire equity interest in a subsidiary, SIIC Medical Science and Technology (Group) Limited ("SIIC MedTech"), a 70.41% equity interest in a subsidiary, Mergen Biotech Limited ("Mergen Biotech"), and a 9.28% equity interest in an available-for-sale investment, Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd., (collectively referred to as "Subject Equity Interests") shall be transferred by subsidiaries of the Company to Shanghai Pharmaceutical at a consideration of RMB1,999,604,000 (equivalent to approximately HK$2.27 billion).

On the same day, SI Pharmaceutical entered into a share swap merger agreement with Shanghai Pharmaceutical and Zhongxi Pharmaceutical Co., Ltd. ("Zhongxi Pharmaceutical"), a subsidiary of SIIC listed on the A Shares Market of the Shanghai Stock Exchange, pursuant to which SI Pharmaceutical and Zhongxi Pharmaceutical shall merge with Shanghai Pharmaceutical by way of share swap (the "Absorption Merger"). Shanghai Pharmaceutical shall issue new A shares and offer a cash option alternative to the existing shareholders of SI Pharmaceutical and Zhongxi Pharmaceutical. Upon completion of the Absorption Merger, Shanghai Pharmaceutical shall be the surviving entity, and SI Pharmaceutical and Zhongxi Pharmaceutical shall be de-registered. The Company has undertaken to procure Shanghai Industrial YKB Limited ("Shanghai YKB"), a subsidiary of the Company and the immediate holding company of SI Pharmaceutical to fully exercise the cash option in respect of all its shares held in SI Pharmaceutical under the Absorption Merger. Upon completion of the Absorption Merger, the Group will not hold any equity interest in Shanghai Pharmaceutical.

The Subject Equity Interests and SI Pharmaceutical (collectively the "Disposed Business") carried out the Group's operations in medicine business segment. The disposal is effected to realign the Group's business focus and resources in other businesses and is in line with the Group's business strategy, and was completed in February 2010. The assets and liabilities attributable to the Disposed Business have been classified as a disposal group held for sale as at 31st December 2009 and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

Details of above transactions are set out in an announcement of the Company dated 15th October 2009.

The results of the Disposed Business for the year were as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Revenue	5,844,309	5,280,547
Cost of sales	(3,453,912)	(3,078,944)
Gross profit	2,390,397	2,201,603
Net investment income	41,791	48,296
Other income	72,130	71,732
Selling and distribution costs	(1,157,344)	(985,122)
Administrative expenses	(602,860)	(665,808)
Finance costs	(15,954)	(21,555)
Share of results of jointly controlled entities	35,093	49,625
Share of results of associates	7,008	408
Gain on disposal of interest in a subsidiary	382,966	–
Gain on disposal of interest in a jointly controlled entity	–	8,613
Impairment loss recognised in respect of goodwill relating to a subsidiary	(17,759)	–
Profit before taxation	1,135,468	707,792
Income tax expense	(130,291)	(113,670)
Profit for the year from discontinued operations	1,005,177	594,122
Attributable to		
– Owners of the Company	638,838	264,285
– Minority interests	366,339	329,837
	1,005,177	594,122

Profit for the year from discontinued operations has been arrived at after charging (crediting):

	2009	2008
	HK$'000	*HK$'000*
Employee benefits expense for the year, including directors' emoluments:		
Basic salaries and allowances	557,653	537,294
Bonuses	25,487	59,449
Retirement benefits scheme contributions	12,884	14,423
	596,024	611,166
Amortisation of other intangible assets (included in administrative expenses)	5,132	6,715
Depreciation of property, plant and equipment	84,456	151,804
Release of prepaid lease payments	14,881	15,076
Total depreciation and amortisation	104,469	173,595
Auditor's remuneration	2,117	2,642
Impairment loss on bad and doubtful debts	426	7,089
(Increase) decrease in fair value of investment properties	(3,407)	1,364
Loss on disposal of investment properties	16,205	8,830
Loss on disposal of property, plant and equipment	6,239	4,816
Operating lease rentals in respect of land and buildings	14,679	12,471
Research and developments costs	85,129	75,457
Share of PRC income tax of jointly controlled entities (included in share of results of jointly controlled entities)	8,001	7,059
Share of PRC income tax of associates (included in share of results of associates)	1,195	102
Net foreign exchange losses	104	7,102
Cost of inventories recognised as an expense	3,453,912	3,078,944

During the year, the Disposed Business contributed approximately HK$747 million (2008: HK$759 million) to the Group's net operating cash flows, generated approximately HK$365 million (2008: paid HK$162 million) in respect of investing activities and raised approximately HK$127 million (2008: HK$266 million) in respect of financing activities.

The major classes of assets and liabilities of the Disposed Business as at 31st December 2009, which have been presented separately in the consolidated statement of financial position, are as follows:

	2009
	HK$'000
Investment properties	117,553
Property, plant and equipment	1,345,906
Prepaid lease payments	218,116
Other intangible assets	18,673
Goodwill	383,133
Interests in jointly controlled entities	38,034
Interests in associates	16,471
Investments	210,154
Loan receivables	2,895
Deferred tax assets	2,917
Inventories	749,434
Trade and other receivables	1,132,998
Pledged bank deposits	22,944
Short-term bank deposits	832,209
Bank balances and cash	2,004,732
Total assets classified as held for sale	7,096,169
Trade and other payables	1,411,829
Taxation payable	68,120
Bank and other borrowings	248,028
Deferred tax liabilities	6,272
Total liabilities associated with assets classified as held for sale	1,734,249

The investment properties are situated in the PRC and held under medium-term land use rights. Included in property, plant and equipment are properties of HK$29,720,000 erected on land held under medium-term land use rights in the PRC.

The carrying amount of the bank and other borrowings repayable:

	HK$'000
Within one year	184,889
More than one year but not more than two years	60,614
More than two years but not more than five years	2,064
Over five years	461
	248,028

As at 1st January 2008

In November 2007, the board of directors of Shanghai Urban Development (Holdings) Company Limited ("Shanghai Urban Development"), a 40% owned jointly controlled entity of the Group, resolved to dispose of its entire 45.67% equity interest in an associate, 上海家得利超市有限公司 (Shanghai Jiadeli Supermarket Co., Ltd.) ("Shanghai Jiadeli"). Shanghai Jiadeli is engaged in the supermarket business. Accordingly, Shanghai Urban Development's interest in Shanghai Jiadeli of HK$51,509,000 had been classified as assets held for sale and was presented separately in the statement of financial position of Shanghai Urban Development. Upon the acquisition of additional 19% equity interest in Shanghai Urban Development by the Group in December 2007, Shanghai Urban Development became a subsidiary of the Company and the carrying amount of interest in Shanghai Jiadeli was measured at fair value less costs to sell of HK$203,887,000 and presented as assets classified as held for sale on the Group's consolidated statement of financial position. The transaction was completed in June 2008.

13. Profit for the Year

	2009 *HK$'000*	2008 *HK$'000*
Continuing operations		
Profit for the year has been arrived at after charging (crediting):		
Employee benefits expense for the year, including directors' emoluments:		
Basic salaries and allowances	335,262	255,513
Bonuses	26,552	45,148
Equity-settled share-based payment expense	–	1,460
Retirement benefits scheme contributions, net of forfeited contributions of HK$2,051,000 (2008: HK$715,000)	31,612	24,337
	393,426	326,458
Amortisation of toll road operating rights (included in cost of sales)	213,493	208,653
Amortisation of other intangible assets (included in administrative expenses)	1,189	1,173
Depreciation of property, plant and equipment	234,126	215,659
Release of prepaid lease payments	13,698	13,475
Total depreciation and amortisation	462,506	438,960
Auditor's remuneration	6,654	6,587
Equity-settled share-based payment expense in respect of options granted to eligible participants other than employees	–	493
Impairment loss on bad and doubtful debts	2,511	12,017
Reversal of impairment loss on bad and doubtful debts (included in other income)	(7,464)	(36,450)
Increase in fair value of investment properties (included in other income)	(220,809)	(14,152)
Gain on disposal of investment properties (included in other income)	(5,866)	–
Gain on disposal of property, plant and equipment	(855)	(3,030)
Operating lease rentals in respect of land and buildings to		
– ultimate holding company	1,289	–
– fellow subsidiaries	34,892	33,676
– others	41,676	34,289
Research and development costs	–	3,120
Share of PRC income tax of jointly controlled entities (included in share of results of jointly controlled entities)	12,247	(15,969)
Share of PRC income tax of associates (included in share of results of associates)	31,662	(24,247)
Net foreign exchange gains	(19,115)	(165,125)
Cost of inventories recognised as an expense	3,771,912	4,681,768

14. Directors' Emoluments and Employees' Emoluments

Directors' Emoluments

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

	Teng Yi Long	Cai Yu Tian	Lu Ming Fang	Zhou Jie	Qian Shi Zheng	Zhou Jun	Qian Yi	Ding Zhong De	Tang Jun	Yao Fang	Lo Ka Shui	Woo Chia-Wei	Leung Pak To, Francis	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
						(note i)	*(note ii)*	*(note iii)*	*(note iv)*	*(note v)*				
Directors' fees and committee remuneration of independent non-executive directors	–	–	–	–	–	–	–	–	–	–	374	360	360	1,094
Other emoluments of executive directors:														
Directors' fee and committee remuneration	–	–	200	–	–	–	–	–	58	200	–	–	–	458
Basic salaries and allowances	3,103	2,251	524	1,847	1,797	1,277	249	1,577	–	–	–	–	–	12,625
Bonuses	2,000	1,900	–	900	800	569	111	689	–	–	–	–	–	6,969
Retirement benefits scheme contributions	174	132	125	110	106	61	5	106	–	–	–	–	–	819
Total directors' emoluments	5,277	4,283	849	2,857	2,703	1,907	365	2,372	58	200	374	360	360	21,965

	Teng Yi Long	Cai Lai Xing	Cai Yu Tian	Lu Ming Fang	Ding Zhong De	Zhou Jie	Qian Shi Zheng	Yao Fang	Tang Jun	Lo Ka Shui	Woo Chia-Wei	Leung Pak To, Francis	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note vi)	*(note vii)*											
Directors' fees and committee remuneration of independent non-executive directors	–	–	–	–	–	–	–	–	–	326	312	312	950
Other emoluments of executive directors:													
Directors' fee and committee remuneration	–	–	–	200	–	–	–	200	200	–	–	–	600
Basic salaries and allowances	1,518	1,276	2,251	513	1,831	1,847	1,797	1,002	–	–	–	–	12,035
Bonuses	979	823	1,900	–	800	900	800	125	–	–	–	–	6,327
Equity-settled share-based payment expense	–	11	463	8	356	6	5	–	5	–	–	–	854
Retirement benefits scheme contributions	130	109	193	89	157	158	154	42	–	–	–	–	1,032
Total directors' emoluments	2,627	2,219	4,807	810	3,144	2,911	2,756	1,369	205	326	312	312	21,798

Notes:

(i) Zhou Jun was appointed as a director of the Company on 15th April 2009.

(ii) Qian Yi was appointed as a director of the Company on 11th November 2009.

(iii) Ding Zhong De retired as a director of the Company on 11th November 2009.

(iv) Tang Jun resigned as a director of the Company on 15th April 2009.

(v) Yao Fang resigned as a director of the Company on 1st January 2010.

(vi) Teng Yi Long was appointed as a director of the Company on 30th May 2008.

(vii) Cai Lai Xing resigned as a director of the Company on 30th May 2008.

In the two years ended 31st December 2009, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any emoluments during the two years.

Bonuses were determined with reference to the Group's operating results, individual performance and comparable market statistics.

Employees' Emoluments

The five highest paid individuals of the Group for both years were all directors of the Company and details of their emoluments are set out above.

15. Dividends

	2009	**2008**
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2009 interim dividend of HK48 cents (2008: 2008 interim dividend of HK45 cents) per share	518,287	484,362
2008 final dividend of HK36 cents (2008: 2007 final dividend of HK43 cents) per share	388,346	462,431
	906,633	946,793

The final dividend of HK60 cents in respect of the year ended 31st December 2009 (2008: final dividend of HK36 cents in respect of the year ended 31st December 2008) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

16. Earnings Per Share

For Continuing and Discontinued Operations

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2009	**2008**
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	2,860,128	2,101,546
Effect of dilutive potential ordinary shares		
– adjustment to the share of results of a jointly controlled entity based on potential dilution of its earnings per share *(note)*	(284)	(865)
Earnings for the purpose of diluted earnings per share	2,859,844	2,100,681

	2009	2008
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,078,637,764	1,074,822,708
Effect of dilutive potential ordinary shares – share options	779,832	1,914,212
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,079,417,596	1,076,736,920

For Continuing Operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	2009 *HK$'000*	2008 *HK$'000*
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company	2,860,128	2,101,546
Less: Profit for the year from discontinued operations attributable to owners of the Company	(638,838)	(264,285)
Earnings for the purpose of basic earnings per share from continuing operations	2,221,290	1,837,261
Effect of dilutive potential ordinary shares – adjustment to the share of results of a jointly controlled entity based on potential dilution of its earnings per share *(note)*	(284)	(865)
Earnings for the purpose of diluted earnings per share from continuing operations	2,221,006	1,836,396

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From Discontinued Operations

Basic earnings per share for the discontinued operations is HK$0.59 per share (2008: HK$0.25 per share) and diluted earnings per share for the discontinued operations is HK$0.59 per share (2008: HK$0.24 per share), based on the profit for the year from the discontinued operations attributable to owners of the Company of HK$638,838,000 (2008: HK$264,285,000) and the denominators detailed above for basic and diluted earnings per share.

Note: The dilutive impact on the share of results of a jointly controlled entity is effected from share options issued by the jointly controlled entity.

17. Investment Properties

	HK$'000
FAIR VALUE	
At 1st January 2008	540,268
Exchange adjustments	71,212
Transfer from property, plant and equipment	13,343
Transfer from properties under development held for sale	1,380,758
Disposals	(31,473)
Net increase in fair value recognised in profit or loss	12,788
At 31st December 2008	1,986,896
Transfer from property, plant and equipment	58,190
Disposals	(16,356)
Net increase in fair value recognised in profit or loss	224,216
Reclassified as held-for-sale	(117,553)
At 31st December 2009	2,135,393

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

The Group's investment properties are situated in the PRC and are held under medium-term land use rights.

The fair value of the Group's investment properties at 31st December 2009 and 2008 have been arrived at on the basis of a valuation carried out on that date by Messrs. Debenham Tie Leung Limited, an independent firm of qualified professional valuers not connected with the Group. Messrs. Debenham Tie Leung Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to the Valuation Standards on Properties of the Hong Kong Institute of Surveyors, was arrived at by reference to comparable sales transactions as available in the relevant market.

The property rental income earned by the Group from its investment properties (excluding those classified as a part of a disposal group), all of which are held for rental income under operating leases, amounted to HK$132,908,000 (2008: HK$115,822,000) with negligible direct operating expenses.

18. Property, Plant and Equipment

	Hotel property HK$'000	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST							
At 1st January 2008	482,636	932,547	524,230	157,590	2,873,083	915,869	5,885,955
Exchange adjustments	30,449	42,199	16,473	7,628	112,961	65,886	275,596
Acquired on acquisition of subsidiaries	–	5,691	265	267	9,802	–	16,025
Additions	–	10,116	57,209	23,939	99,168	1,674,063	1,864,495
Transfers/reclassifications	–	38,837	5,015	–	123,401	(2,178,719)	(2,011,466)
Attributable to disposal of subsidiaries	–	–	(1,946)	(1,321)	(15,481)	–	(18,748)
Disposals	(2,261)	(1,229)	(18,272)	(19,476)	(35,662)	–	(76,900)
At 31st December 2008	510,824	1,028,161	582,974	168,627	3,167,272	477,099	5,934,957
Acquired on acquisition of a subsidiary	–	2,584	124	814	2,632	–	6,154
Additions	–	2,373	29,678	22,287	83,017	2,208,935	2,346,290
Transfers/reclassifications	9,864	231,793	50,891	2,528	1,047,549	(1,450,602)	(107,977)
Reclassified as held-for-sale	–	(409,003)	(121,013)	(73,536)	(1,194,422)	(57,694)	(1,855,668)
Disposals	–	(24,672)	(19,055)	(19,516)	(93,435)	–	(156,678)
At 31st December 2009	520,688	831,236	523,599	101,204	3,012,613	1,177,738	6,167,078
DEPRECIATION AND AMORTISATION							
At 1st January 2008	120,679	178,634	340,969	76,236	1,111,371	–	1,827,889
Exchange adjustments	7,913	8,930	10,453	3,388	29,674	–	60,358
Provided for the year	22,515	40,785	71,461	24,249	208,453	–	367,463
Attributable to disposal of subsidiaries	–	–	(1,434)	(516)	(12,423)	–	(14,373)
Eliminated on disposals	(1,254)	–	(6,417)	(14,299)	(21,891)	–	(43,861)
At 31st December 2008	149,853	228,349	415,032	89,058	1,315,184	–	2,197,476
Provided for the year	22,749	43,680	38,185	22,243	191,725	–	318,582
Reclassified as held-for-sale	–	(111,882)	(72,346)	(41,572)	(283,962)	–	(509,762)
Eliminated on disposals	–	(1,442)	(17,872)	(15,775)	(64,183)	–	(99,272)
At 31st December 2009	172,602	158,705	362,999	53,954	1,158,764	–	1,907,024
CARRYING VALUES							
At 31st December 2009	348,086	672,531	160,600	47,250	1,853,849	1,177,738	4,260,054
At 31st December 2008	360,971	799,812	167,942	79,569	1,852,088	477,099	3,737,481
At 1st January 2008	361,957	753,913	183,261	81,354	1,761,712	915,869	4,058,066

At 31st December 2008, certain owner-occupied leasehold land and buildings amounting to HK$968,000 was included in property, plant and equipment, as in the opinion of the directors, allocation between the land and buildings elements could not be made reliably.

At 31st December 2009, leasehold land and buildings included certain assets carried at cost of HK$3,550,000 (31.12.2008: HK$3,550,000) in aggregate with accumulated depreciation of HK$1,284,000 (31.12.2008: HK$1,187,000) in respect of assets rented out under operating leases. Depreciation charged in respect of those assets in the year amounted to HK$97,000 (2008: HK$96,000).

	Leasehold land and buildings *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
THE COMPANY				
COST				
At 1st January 2008	2,803	24,904	8,855	36,562
Additions	–	154	356	510
Disposals	–	(56)	(412)	(468)
At 31st December 2008	2,803	25,002	8,799	36,604
Additions	–	296	541	837
Disposals	–	(24)	(1,917)	(1,941)
At 31st December 2009	2,803	25,274	7,423	35,500
DEPRECIATION				
At 1st January 2008	709	22,989	8,133	31,831
Provided for the year	112	737	717	1,566
Eliminated on disposals	–	(56)	(412)	(468)
At 31st December 2008	821	23,670	8,438	32,929
Provided for the year	112	669	223	1,004
Eliminated on disposals	–	(24)	(1,917)	(1,941)
At 31st December 2009	933	24,315	6,744	31,992
CARRYING VALUES				
At 31st December 2009	1,870	959	679	3,508
At 31st December 2008	1,982	1,332	361	3,675
At 1st January 2008	2,094	1,915	722	4,731

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

Hotel property	Over the period of the lease term
Leasehold land and buildings	The shorter of 4%-5% or over the period of the lease term
Furniture, fixtures and equipment	10%-33⅓% or over the period of the lease in case of fixtures in rented premises
Motor vehicles	10%-30%
Plant and machinery	5%-20%

	THE GROUP			THE COMPANY		
	31.12.2009	**31.12.2008**	**1.1.2008**	**31.12.2009**	**31.12.2008**	**1.1.2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The carrying values of property interests comprises properties erected on land held under						
– medium-term leases in Macau	939	987	1,035	–	–	–
– medium-term leases in Hong Kong	249,793	258,316	266,839	–	–	–
– medium-term land use rights in the PRC	769,885	901,480	847,996	1,870	1,982	2,094
	1,020,617	1,160,783	1,115,870	1,870	1,982	2,094

19. Prepaid Lease Payments

	31.12.2009	**31.12.2008**	**1.1.2008**
	HK$'000	*HK$'000*	*HK$'000*
The Group's prepaid lease payments comprise:			
– medium-term leases in Hong Kong	71,803	73,686	44,100
– medium-term land use rights in the PRC	351,585	583,370	573,167
	423,388	657,056	617,267
Analysed for reporting purposes as:			
Current portion	13,779	28,580	36,719
Non-current portion	409,609	628,476	580,548
	423,388	657,056	617,267

20. Toll Road Operating Rights

	HK$'000
COST	
At 1st January 2008	7,706,125
Exchange adjustments	501,059
Transfer from construction in progress	1,974,519
At 31st December 2008 and 31st December 2009	10,181,703
AMORTISATION	
At 1st January 2008	271,635
Exchange adjustments	19,954
Charged for the year	208,653
At 31st December 2008	500,242
Charged for the year	213,493
At 31st December 2009	713,735
CARRYING VALUES	
At 31st December 2009	9,467,968
At 31st December 2008	9,681,461
At 1st January 2008	7,434,490

The toll road operating rights represent:

(a) the right to receive toll fees from vehicles using the Shanghai section of the Jing-Hu Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 25 years ending in 2028; and

(b) the right to receive toll fees from vehicles using the Shanghai section of the Hu-Kun Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 30 years ending in 2030.

The Group's right to operate the toll road is amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the period for which the Group is granted the rights to operate the toll roads.

21. Other Intangible Assets

	Patents	Premium on prepaid lease payments	Trademark	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1st January 2008	54,457	66,123	54,487	175,067
Exchange adjustments	3,029	3,340	3,709	10,078
At 31st December 2008	57,486	69,463	58,196	185,145
Reclassified as held-for-sale	(57,486)	–	–	(57,486)
At 31st December 2009	–	69,463	58,196	127,659
AMORTISATION				
At 1st January 2008	24,879	4,859	–	29,738
Exchange adjustments	2,087	216	–	2,303
Charged for the year	6,715	1,173	–	7,888
At 31st December 2008	33,681	6,248	–	39,929
Charged for the year	5,132	1,189	–	6,321
Reclassified as held-for-sale	(38,813)	–	–	(38,813)
At 31st December 2009	–	7,437	–	7,437
CARRYING VALUES				
At 31st December 2009	–	62,026	58,196	120,222
At 31st December 2008	23,805	63,215	58,196	145,216
At 1st January 2008	29,578	61,264	54,487	145,329

Patents are held to produce pharmaceutical products for a period ranging from 5 to 10 years and are amortised on a straight line basis over useful lives ranging from 5 to 10 years. As at 31st December 2009, the Group's patents relating to the Disposed Business as mentioned in note 12 were reclassified as held-for-sale.

Premium on prepaid lease payments represents the premium on acquisition of prepaid lease payments which is to be amortised over the period of the lease of the related prepaid lease payments on a straight line basis.

The trademark has a legal life of 10 years from September 2001 to September 2011 but is renewable upon expiry. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

22. Goodwill

	2009	2008
	HK$'000	*HK$'000*
COST		
At 1st January	565,981	555,908
Exchange adjustments	–	8,958
Arising on acquisition of additional interests in subsidiaries	13,923	1,115
Reclassified as held-for-sale	(566,181)	–
At 31st December	13,723	565,981
IMPAIRMENT		
At 1st January	165,289	164,174
Impairment loss recognised for the year	17,759	1,115
Reclassified as held-for-sale	(183,048)	–
At 31st December	–	165,289
CARRYING AMOUNTS		
At 31st December 2009		13,723
At 31st December 2008		400,692
At 1st January 2008		391,734

Particulars regarding impairment testing on goodwill are disclosed in note 23.

23. Impairment Testing on Goodwill With Indefinite Useful Lives

For the purpose of impairment testing, goodwill acquired in business combinations as set out in note 22 was allocated, at acquisition, to the individual cash-generating units that are expected to benefit from that business combination. The carrying amount of goodwill was allocated as follows:

	31.12.2009	31.12.2008	1.1.2008
	HK$'000	*HK$'000*	*HK$'000*
Sale and manufacture of Chinese medicine and health food	–	277,574	277,574
Sale and manufacture of biomedicine	–	123,118	114,160
Sale of container board	13,723	–	–
	13,723	400,692	391,734

The impairment loss recognised for the year ended 31st December 2009 and 2008 was attributable to the followings:

(a) During the year ended 31st December 2009, in view of the continuous operating losses incurred by an entity engaged in sale and manufacture of biomedicine, the Group has revised its cash flow forecasts and as a result, an impairment loss of HK$17,759,000 was recognised.

(b) During the year ended 31st December 2008, S.I. Hu-Hang Development Limited ("Hu-Hang") acquired from a third party 0.65% equity interest in Shanghai Luqiao Development Co., Ltd., a subsidiary of the Company, for a consideration of approximately HK$20 million which gave rise to a goodwill on acquisition of HK$1,115,000. According to the valuation on the toll road conducted by a PRC valuer, the directors of SIIC (before acquired by the Group from SIIC) were of the view that the goodwill had been impaired and accordingly, an impairment loss on such goodwill had been recognised in full.

Sale and Manufacture of Chinese Medicine and Health Food and Sale and Manufacture of Biomedicine

As at 31st December 2008, the recoverable amounts of these units were determined from value in use calculations. The key assumptions for the value in use calculations were those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during that year. Management estimated discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to these units. The growth rates were based on industry growth forecasts. Changes in selling prices and direct costs were based on past practices and expectations of future changes in the market.

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by management covering a five year period with a steady growth rate of 5% and extrapolated cash flows using a steady growth rate of 5%. The rate used to discount the forecast cash flows was 10%.

In the current year, an impairment test of these units has been carried out before they are classified as disposal group held-for-sale as set out in note 12. The recoverable amounts are determined by reference to their fair value less costs to sell. No additional impairment is required to be recognised except for an amount of HK$17,759,000 in relating to the entities which are engaged in sale and manufacture of biomedicine.

Sale of Container Board

The recoverable amount of this unit is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to budgeted sales and gross margin during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to this unit. Changes in budgeted sales and gross margin are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management covering a five year period with zero growth rate.

The rate used to discount the forecast cash flows is 5%.

24. Investments In Subsidiaries

	31.12.2009	**31.12.2008**	**1.1.2008**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares, at cost	5,288,857	5,288,857	4,476,268

Details of the Company's principal subsidiaries are set out in note 51.

25. Interests in Jointly Controlled Entities/Investment in A Jointly Controlled Entity

	THE GROUP			THE COMPANY		
	31.12.2009	**31.12.2008**	**1.1.2008**	**31.12.2009**	**31.12.2008**	**1.1.2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost of unlisted investments in jointly controlled entities	547,586	576,469	965,993	–	112,921	112,921
Share of post-acquisition profits and other comprehensive income, net of dividends received	608,054	667,198	655,072	–	–	–
	1,155,640	1,243,667	1,621,065	–	112,921	112,921
Less: Impairment loss recognised	(91,173)	(91,173)	(122,595)	–	(112,921)	(112,921)
	1,064,467	1,152,494	1,498,470	–	–	–
Interests in jointly controlled entities classified as held-for-sale	(38,034)	–	–	–	–	–
	1,026,433	1,152,494	1,498,470	–	–	–

At 31st December 2008, included in the cost of investment was goodwill of HK$17,146,000 arising on acquisition of interests in jointly controlled entities. The movement of goodwill is set out below:

	THE GROUP
	HK$'000
COST	
At 1st January 2008	115,937
Released upon disposal of jointly controlled entities	(31,422)
At 31st December 2008	84,515
Released upon disposal of a jointly controlled entity	(11,236)
Reclassified as held-for-sale	(17,704)
At 31st December 2009	55,575
IMPAIRMENT	
At 1st January 2008	98,791
Released upon disposal of jointly controlled entities	(31,422)
At 31st December 2008	67,369
Reclassified as held-for-sale	(11,794)
At 31st December 2009	55,575
CARRYING VALUES	
At 31st December 2009	–
At 31st December 2008	17,146
At 1st January 2008	17,146

The summarised financial information in respect of the Group's interests in jointly controlled entities which are accounted for using the equity method, including those classified as part of a disposal group held-for-sale, is set out below:

	THE GROUP	
	31.12.2009	**31.12.2008**
	HK$'000	*HK$'000*
Group's share of the total assets of jointly controlled entities	3,047,236	3,194,357
Group's share of the total liabilities of jointly controlled entities	(2,002,656)	(2,067,249)
Group's share of net assets of jointly controlled entities	1,044,580	1,127,108
Income recognised in profit or loss	926,594	3,540,539
Profit for the year	129,291	243,457
Group's share of results of jointly controlled entities for the year	78,645	64,968

The Group has discontinued recognition of its share of losses of certain jointly controlled entities. The amounts of unrecognised share of losses of jointly controlled entities, both for the year and cumulatively, are as follows:

	THE GROUP	
	31.12.2009	**31.12.2008**
	HK$'000	*HK$'000*
Unrecognised share of losses of jointly controlled entities for the year	5,737	6,573
Accumulated unrecognised share of losses of jointly controlled entities	37,781	32,044

Details of the Group's principal jointly controlled entities are set out in note 52.

26. Interests in Associates

	31.12.2009	**31.12.2008**	**1.1.2008**
	HK$'000	*HK$'000*	*HK$'000*
Cost of investments in associates			
– Listed in Hong Kong	–	1,824,311	1,819,766
– Listed in the PRC	–	659,878	141,506
– Unlisted	181,729	198,136	257,898
Share of post-acquisition profits and other comprehensive income, net of dividends received	142,895	1,391,257	1,638,267
	324,624	4,073,582	3,857,437
Less: Impairment loss recognised	(9,419)	(28,793)	(28,793)
	315,205	4,044,789	3,828,644
Interest in an associate classified as held-for-sale	(16,471)	–	–
	298,734	4,044,789	3,828,644
Fair value of listed investments	N/A	2,365,032	5,085,923

Included in the cost of investments is goodwill of HK$3,370,000 (31.12.2008: HK$267,490,000) arising on acquisition of interests in associates. The movement of goodwill is set out below:

	HK$'000
COST	
At 1st January 2008	22,694
Arising on acquisition of additional interests in associates	264,170
At 31st December 2008	286,864
Released upon disposal of associates	(283,494)
At 31st December 2009	3,370
IMPAIRMENT	
At 1st January 2008 and 31st December 2008	19,374
Released upon disposal of associates	(19,374)
At 31st December 2009	–
CARRYING VALUES	
At 31st December 2009	3,370
At 31st December 2008	267,490
At 1st January 2008	3,320

The summarised financial information in respect of the Group's associates, including those classified as part of a disposal group held-for-sale, is set out below:

	31.12.2009	**31.12.2008**
	HK$'000	*HK$'000*
Total assets	2,067,036	55,514,935
Total liabilities	(807,123)	(26,870,406)
Net assets	1,259,913	28,644,529
Group's share of net assets of associates	321,254	3,786,717
Income recognised in profit or loss	11,236,667	43,848,176
Profit (loss) for the year	39,926	(2,990,927)
Group's share of results of associates for the year	(148,768)	(106,396)

Details of the Group's principal associates are set out in note 53.

27. Investments

	THE GROUP			THE COMPANY		
	31.12.2009	31.12.2008	1.1.2008	31.12.2009	31.12.2008	1.1.2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments:						
Listed equity securities in						
– Hong Kong	309,119	151,125	60,685	–	–	–
– elsewhere	83,728	69,612	66,926	–	–	–
Unlisted equity securities in						
– Hong Kong	5	5	5	–	–	–
– elsewhere	155,637	337,907	315,126	–	–	–
	548,489	558,649	442,742	–	–	–
Held-to-maturity investments:						
– Debentures listed in Hong Kong with fixed interest of 3.39% and maturity dates on 16th January 2009 and 8th April 2009	–	117,173	–	–	–	–
– Debentures listed elsewhere with fixed interest of 2.5%, redeem at a premium of 21.31% and maturity date on 22nd February 2013	27,629	25,625	–	–	–	–
	27,629	142,798	–	–	–	–
Investments held-for-trading:						
Listed equity securities in						
– Hong Kong	3,626	–	122,474	482	–	–
– elsewhere	12,748	23,824	271,119	–	–	–
	16,374	23,824	393,593	482	–	–
Financial assets designated at FVTPL:						
– Listed convertible notes/ debentures	142,385	–	78,131	–	–	–
– Equity-linked notes	–	21,718	301,591	–	–	–
– Structured deposits	–	–	2,362,906	–	–	2,280,379
– Other *(note)*	2,680,600	–	–	–	–	–
	2,822,985	21,718	2,742,628	–	–	2,280,379
	3,415,477	746,989	3,578,963	482	–	2,280,379
Fair values of listed equity investments	409,221	244,561	521,204	482	–	–
Fair values of held-to-maturity investments	28,163	130,696	–	–	–	–
Analysed for reporting purposes as:						
Current	158,759	162,715	3,136,221	482	–	2,280,379
Non-current	3,256,718	584,274	442,742	–	–	–
	3,415,477	746,989	3,578,963	482	–	2,280,379

At the end of the reporting period, all available-for-sale investments and financial assets at FVTPL are stated at their fair values, except for those unlisted equity investments of which their fair values cannot be measured reliably. The fair values are determined by reference to bid prices quoted in active markets, prices provided by the respective issuing banks or financial institutions using valuation techniques.

The above investments in unlisted equity securities are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The Group's unlisted equity securities at 31st December 2009 include HK$14,497,000 (31.12.2008: HK$14,497,000) investment in a company with a shareholding of 30% established in the PRC. This company is engaged in the manufacture and sale of paper products. Pursuant to an addendum to the joint venture agreement with the PRC joint venture partner, the Group has surrendered its economic interest in connection with the operation and management of this company in return for the receipt of contracted annual payment. At the end of the joint venture period, the Group is entitled to the distribution of all the remaining assets in accordance with its shareholding in the company. In the opinion of the directors, this company is not regarded as an associate of the Group as the Group cannot exercise significant influence on this company.

Note: On 11th June 2009, the Group entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Bright New Investments Limited (the "Seller"), a wholly-owned subsidiary of Glorious Properties Holdings Limited ("Glorious Properties"), a company which is newly listed on the Stock Exchange in October 2009, regarding the transfer of the entire equity interest in a subsidiary of Glorious Properties, Better Score Limited ("Better Score"), from the Seller to the Group at a total consideration of RMB2 billion (equivalent to approximately HK$2.27 billion) (the "Transaction").

Pursuant to the Transaction:

(i) certain property interests in a real estate project, namely Shanghai Bay (the "Properties"), will be transferred to 上海鵬暉置業有限公司 Shanghai Penghui Property Development Co. Ltd. ("Shanghai Penghui"), a wholly-owned subsidiary of Better Score. Better Score and its subsidiaries have no other business apart from the holding of the Properties;

(ii) a subsidiary of Glorious Properties, under the supervision of the board of directors of Shanghai Penghui, is engaged to manage the development, construction and sale of the Properties and operational matters of Shanghai Penghui;

(iii) the Group will be entitled to a fixed return from the Properties for each of the three years ending 31st December 2011;

(iv) each of the Group and the Seller has the obligation to exercise the non-cancellable option to sell and to acquire the legal and beneficial interests in the Properties to the Seller and from the Group, respectively on 1st December 2011 (or such other date the parties may mutually agree); and

(v) the Group is entitled to an additional security in the form of a pledge of other property interests in the Shanghai Bay project.

Details of the Transaction are also set out in the announcement of the Company dated 11th June 2009.

Upon completion of the Transaction in August 2009, the Group designated its investment in Better Score as financial asset at FVTPL based on the fact that the Group would manage the performance of all similar investments (i.e. secured investment arrangements with private real estate developers prior to their initial public offerings to earn fixed return over a fixed period of time) on a fair value basis in accordance with its established investment strategy.

The fair value of the investment as at 31st December 2009 has been calculated based on the present value of contractually determined stream of future cash flows discounted at an appropriate discount rate and remaining time to maturity.

28. Loan Receivables

	31.12.2009	**31.12.2008**	**1.1.2008**
	HK$'000	*HK$'000*	*HK$'000*
Fixed-rate loan receivables	–	3,085	35,374
Analysed for reporting purposes as			
– Non-current portion (receivable after one year)	–	3,085	3,323
– Current portion (receivable within one year)	–	–	32,051
	–	3,085	35,374

The fixed-rate loan receivables represented an amount due from a minority shareholder of a subsidiary (the "MI shareholder"). The loan carried interest at a rate of 5.5% per annum and was secured by the MI shareholder's equity interest in that subsidiary.

At 31st December 2009, the amount was reclassified as held-for-sale.

29. Deposits Paid on Acquisition of Property, Plant and Equipment

The deposits were paid by the Group in connection with the acquisition of property, plant and equipment for the new production facilities and the widening work of the Shanghai section of the Hu-Kun Expressway (31.12.2008: Shanghai section of the Jing-Hu Expressway) and the related capital commitments are disclosed in note 44.

30. Restricted Bank Deposits

The restricted bank deposits represent deposits under restriction for use by the Group as a result of a commercial court case of a minority shareholder of a subsidiary and the bank deposits were frozen accordingly. The restricted bank deposits carry fixed interest at a rate of 0.36% (31.12.2008: 0.73%) per annum.

31. Inventories

	31.12.2009	**31.12.2008**	**1.1.2008**
	HK$'000	*HK$'000*	*HK$'000*
Properties under development held for sale	12,903,753	10,615,083	12,206,454
Properties held for sale	3,490,354	1,852,418	524,630
Raw materials	849,184	965,482	842,195
Work in progress	24,462	191,180	193,390
Finished goods	211,504	577,938	429,309
Merchandise held for resale	8,337	151,079	167,816
	17,487,594	14,353,180	14,363,794

At 31st December 2009, included in inventories is an amount of HK$12,903,753,000 (31.12.2008: HK$10,615,083,000) properties under development held for sale which are not expected to be realised within one year.

32. Trade and Other Receivables

	31.12.2009	**31.12.2008**	**1.1.2008**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	506,049	1,752,287	1,145,950
Less: allowance for doubtful debts	(11,732)	(69,382)	(99,574)
	494,317	1,682,905	1,046,376
Other receivables *(note)*	3,173,827	2,467,687	1,309,178
Total trade and other receivables	3,668,144	4,150,592	2,355,554

Note: At 31st December 2009, included in other receivables is an amount of HK$199,918,000 (31.12.2008: HK$194,308,000) due from entities controlled by Xuhui District State Owned Asset Administrative Committee ("Xuhui SAAC"). The amount is unsecured, non-interest bearing and repayable on demand.

Included in other receivables at 31st December 2009 is consideration receivable of HK$880,289,000 (31.12.2008: Nil) on disposal of an associate, which has been fully settled in February 2010.

In addition, included in other receivables is an amount of HK$1,301,681,000 (31.12.2008: HK$1,206,077,000) advanced to the vendor of an investment project in the PRC. The amount is secured by the equity interests of the vendor held in the investment, interest-bearing at a fixed rate of 16% per annum and repayable in 2010.

The Group generally allows credit periods ranging from 30 days to 180 days to its trade customers, other than property buyers. For property sales, due to the nature of business, the Group generally grants no credit period to property buyers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period. The analysis includes those classified as part of a disposal group.

	31.12.2009	**31.12.2008**
	HK$'000	*HK$'000*
Within 30 days	612,144	1,122,315
Within 31-60 days	337,028	243,795
Within 61-90 days	154,450	142,394
Within 91-180 days	276,583	114,355
Within 181-365 days	36,337	35,816
Over 365 days	23,489	24,230
	1,440,031	1,682,905

Included in the Group's trade receivables balance (including those classified as part of a disposal group) are debtors with an aggregate carrying amount of HK$61,683,000 (31.12.2008: HK$60,475,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Before accepting any new customer, the Group assesses the potential customer's credit quality by investigating their historical credit records and defines credit limits by customer. Credit sales are made to customers with good credit history and credit limits granted to customers are under regular review. Majority of the trade receivables that are neither past-due nor impair has no default payment history.

Ageing of trade receivables which are past due but not impaired

	31.12.2009	31.12.2008
	HK$'000	*HK$'000*
31-60 days	1,085	265
61-90 days	738	58
91-180 days	34	106
181-365 days	36,337	35,816
Over 365 days	23,489	24,230
Total	61,683	60,475

For amounts which were past due at the end of the reporting period, the Group does not provide for these receivables as there has not been any significant change in credit quality and the amounts are still considered recoverable.

Movements in the allowance for doubtful debts

	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	69,382	99,574
Impairment losses recognised on receivables	2,937	19,106
Amounts written off as uncollectible	(8,299)	(12,848)
Amounts recovered during the year	(7,464)	(36,450)
Reclassified as held-for-sale	(44,824)	–
Balance at end of the year	11,732	69,382

33. Pledged Bank Deposits, Short-Term Bank Deposits and Bank Balances and Cash

THE GROUP

Pledged bank deposits with maturity of less than six months represent deposits pledged to banks to secure general banking facilities granted to the Group and an associate. Deposits amounting to HK$911,828,000 (31.12.2008: HK$800,541,000) have been pledged to secure general banking facilities and are therefore classified as current assets. The pledged bank deposits carry interest at fixed interest rates ranging from 0.40% to 2.25% (31.12.2008: 0.72% to 4.14%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Short-term bank deposits with maturity of more than three months carry interest at market rates, ranging from 1.10% to 1.98% (31.12.2008: 1.45% to 5.30%) per annum.

Bank balances with maturity of less than three months carry interest at market rates, ranging from 0.001% to 1.35% (31.12.2008: 0.01% to 4.80%) per annum.

The amount of the Group's pledged bank deposits, short-term bank deposits and bank balances and cash denominated in currencies other than the functional currency of the relevant group entities are set out below:

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Renminbi	1,154	1,771
United States dollar	2,111,977	2,752,078
Hong Kong dollar	1,813	324

THE COMPANY

At 31st December 2008, short-term bank deposits with maturity of more than three months carried interest at market rates, ranging from 2.60% to 5.30% per annum. Bank balances with maturity of less than three months carry interest at market rates, ranging from 0.001% to 0.48% (31.12.2008: 0.01% to 0.50%) per annum.

Included in the short-term bank deposits and bank balances are amounts of HK$1,235,778,000 (31.12.2008: HK$1,060,664,000) denominated in the United States dollar.

34. Trade and Other Payables

	31.12.2009	31.12.2008	1.1.2008
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	
Trade payables	1,432,929	1,744,506	1,138,582
Customers deposits from sales of properties	3,299,299	299,140	1,497,244
Consideration payables *(note i)*	–	2,773,156	560,581
Other payables *(note ii)*	2,946,927	2,528,916	5,726,680
Total trade and other payables	7,679,155	7,345,718	8,923,087

Notes:

(i) Consideration payables as at 31st December 2008 represented the amounts payable to South Pacific and SIIC CM for the 2008 Acquisition as defined and disclosed in note 41A(b). The amounts were fully settled during the year.

(ii) Included in other payables as at 31st December 2009 is an amount of HK$663,951,000 (31.12.2008: HK$603,568,000) due to Xuhui SAAC and entities controlled by Xuhui SAAC by Shanghai Urban Development, a subsidiary of the Company. The amounts are unsecured, non-interest bearing and repayable on demand.

In addition, included in other payables as at 31st December 2009 is an amount of HK$1,279,427,000 (31.12.2008: Nil) due to a fellow subsidiary. The amount is unsecured, interest bearing at 5.31% per annum and repayable in 2010.

Included in other payables as at 31st December 2008 was an amount of HK$68,362,000 due to SIIC. The amount was unsecured, non-interest bearing and fully settled during the year.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period. The analysis includes those classified as part of a disposal group.

	31.12.2009	**31.12.2008**
	HK$'000	*HK$'000*
Within 30 days	1,097,378	1,200,732
Within 31-60 days	187,280	281,451
Within 61-90 days	149,741	102,587
Within 91-180 days	357,924	41,530
Within 181-365 days	106,158	93,429
Over 365 days	206,592	24,777
	2,105,073	1,744,506

35. Bank and Other Borrowings

	31.12.2009	**31.12.2008**	**1.1.2008**
	HK$'000	*HK$'000*	*HK$'000*
Bank loans	13,279,012	8,997,173	6,023,116
Other loans	348,712	656,921	18,130
	13,627,724	9,654,094	6,041,246
Analysed as:			
Secured	4,353,513	3,897,024	2,897,511
Unsecured	9,274,211	5,757,070	3,143,735
	13,627,724	9,654,094	6,041,246

	31.12.2009	**31.12.2008**
	HK$'000	*HK$'000*
Carrying amount repayable:		
Within one year	3,490,737	3,824,193
More than one year but not more than two years	7,108,998	1,192,217
More than two years but not more than five years	1,846,708	3,163,180
Over five years	1,181,281	1,474,504
	13,627,724	9,654,094
Less: Amounts due within one year shown under current liabilities	(3,490,737)	(3,824,193)
	10,136,987	5,829,901

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	31.12.2009	**31.12.2008**
	HK$'000	*HK$'000*
Fixed-rate borrowings:		
Within one year	334,053	873,246
More than one year but not more than two years	101,090	655,961
More than two years but not more than three years	–	816,865
More than three years but not more than four years	–	233,039
More than four years but not more than five years	–	233,175
Over five years	–	219,813
	435,143	3,032,099

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	31.12.2009	**31.12.2008**
Effective interest rate:		
Fixed-rate borrowings	4.78% to 6.90%	2.40% to 10.46%
Variable-rate borrowings	0.38% to 7.92%	1.41% to 8.96%

Included in the bank borrowings is an amount of HK$5,870 million (31.12.2008: HK$1,800 million) drawn under syndicated loan facilities of HK$5,870 million (31.12.2008: HK$3,000 million) obtained by the Group in 2006 and 2009. Transaction costs directly attributable to such bank borrowings amounted to approximately HK$48.9 million (31.12.2008: HK$10.5 million) and were deducted from the fair values of the bank borrowings on initial recognition. At 31st December 2009, the carrying value of such bank borrowings amounted to approximately HK$5,842 million (31.12.2008: HK$1,794 million).

As at 31st December 2009, the Group has entered into interest rate swaps to hedge against its cash flow interest rate risk of its variable-rate borrowings. The fair value of the interest rate swaps was HK$15,013,000 as at 31st December 2009 and included in other payables.

36. Share Capital

	Number of ordinary shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
– at 1st January 2008, 31st December 2008 and 31st December 2009	2,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
– balance at 1st January 2008	1,071,261,000	107,126
– exercise of share options	5,174,000	518
– balance at 31st December 2008	1,076,435,000	107,644
– exercise of share options	3,330,000	333
– balance at 31st December 2009	1,079,765,000	107,977

During the year ended 31st December 2009, the Company issued 3,330,000 shares (2008: 5,174,000 shares) to the option holders who exercised their share options under the SIHL Scheme (defined in note 37). These new shares rank pari passu in all respects with other shares in issue.

37. Share-Based Payment Transactions

Details of the equity-settled share option schemes adopted by members of the Group are as follows:

(a) SIHL Scheme

The Company has, in accordance with Chapter 17 of the Listing Rules, adopted a share option scheme (the "SIHL Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 31st May 2002. The SIHL Scheme shall be valid and effective for a period of 10 years commencing the date of adoption of the scheme, after which period no further share options will be granted. The SIHL Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants and for such other purposes as the board of directors (the "Board") may approve from time to time.

According to the SIHL Scheme, the Board of the Company may grant options to any director or employee of each member of the Group (including a company in which (i) the Company is directly or indirectly interested in less than 20% of the issued share capital or equity interest or voting rights of such company but is the largest shareholder or the holder of the largest voting rights of such company; or (ii) in the opinion of the Board of the Company, the Company is able to exercise significant influence to such company); and any executive or employee of any business consultant, professional and other advisers in each member of the Group who have rendered service or will render service to the Group, to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. Share options granted should be accepted within 30 days from the date of grant.

The Board of the Company may at its absolute discretion, determine and notify each grantee the period during which a share option may be exercised, such period should expire not later than 10 years from the date of grant of the share options. Subject to the provisions of the SIHL Scheme, the Board of the Company may at its discretion when offering the grant of a share option impose any conditions, restrictions or limitations in relation thereto as it may think fit.

The subscription price for shares in the Company shall be a price solely determined by the Board of the Company and notified to an eligible participant, and shall be at least the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the SIHL Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the SIHL Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SIHL Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant under the SIHL Scheme and any other option schemes (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue unless approved by the shareholders of the Company.

The number of shares available for issue, save for those granted but yet to be exercised, under the SIHL Scheme totalled 49,717,000 shares, which represented 4.6% (2008: 4.6%) of the issued share capital of the Company as at the date of this Annual Report.

The following table discloses details of the Company's options under the SIHL Scheme held by the Group's employees and other eligible participants and movements in such holdings during the year:

Month of grant	**Exercise price per share**	**Outstanding at 1.1.2008**	**Exercised during the year**	**Outstanding at 31.12.2008**	**Exercised during the year**	**Expired during the year**	**Outstanding at 31.12.2009**
	HK$						
September 2005	14.89	5,144,000	(3,644,000)	1,500,000	(1,330,000)	(170,000)	–
May 2006	17.10	3,530,000	(1,530,000)	2,000,000	(2,000,000)	–	–
		8,674,000	(5,174,000)	3,500,000	(3,330,000)	(170,000)	–
Exercisable at the end of the year				3,500,000			–

Details of the share options held by the directors of the Company included in the above table are as follows:

Month of grant	Exercise price per share *HK$*	Outstanding at 1.1.2009	Reclassified during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2009
September 2005	14.89	1,120,000	–	(1,100,000)	(20,000)	–
May 2006	17.10	920,000	360,000	(1,280,000)	–	–
		2,040,000	360,000	(2,380,000)	(20,000)	–

Month of grant	Exercise price per share *HK$*	Outstanding at 1.1.2008	Reclassified during the year	Exercised during the year	Outstanding at 31.12.2008
September 2005	14.89	1,920,000	(800,000)	–	1,120,000
May 2006	17.10	1,640,000	–	(720,000)	920,000
		3,560,000	(800,000)	(720,000)	2,040,000

Share options granted in September 2005 under the SIHL Scheme are vested during the period from 2nd March 2006 to 1st March 2009 in three batches, being:

- 2nd March 2006 to 1st March 2007 (up to 30% of the share options granted are exercisable)
- 2nd March 2007 to 1st March 2008 (up to 60% of the share options granted are exercisable)
- 2nd March 2008 to 1st March 2009 (all share options granted are exercisable)

Share options granted in May 2006 under the SIHL Scheme are vested during the period from 2nd November 2006 to 1st November 2009 in three batches, being:

- 2nd November 2006 to 1st November 2007 (up to 30% of the share options granted are exercisable)
- 2nd November 2007 to 1st November 2008 (up to 60% of the share options granted are exercisable)
- 2nd November 2008 to 1st November 2009 (all share options granted are exercisable)

During the year, the weighted average closing price immediately before the dates on which the share options under the SIHL Scheme were exercised was HK$27.05 (2008: HK$28.77).

Total consideration received for shares issued upon exercise of share options under the SIHL Scheme during the year was HK$54,004,000 (2008: HK$80,422,000).

No options were granted under the SIHL Scheme for the year. As at 31st December 2009, all outstanding options granted under the SIHL Scheme expired.

The Group recognized an expense of HK$1,953,000 for the year ended 31st December 2008 in relation to the share options granted by the Company, in which HK$1,460,000 was related to options granted to the Group's employees and shown as staff costs, and the remaining balance represented share options expense for eligible participants other than employees.

(b) Mergen Biotech Scheme

A subsidiary of the Company, Mergen Biotech Ltd. ("Mergen Biotech"), adopted a share option scheme (the "Mergen Biotech Scheme") on 28th May 2004 for the primary purpose of providing incentives to eligible participants to contribute to Mergen Biotech and to enable Mergen Biotech to recruit and attract high-calibre employees and attract human resources that are valuable to Mergen Biotech and its subsidiaries (the "Mergen Group"), and the scheme will remain valid for a period of 10 years commencing the date of its adoption.

Under the Mergen Biotech Scheme, the board of directors of Mergen Biotech (the "Mergen Board") can grant options to eligible participants, including any director, management, employee (whether full-time or part-time) or business consultant and professional adviser of the Mergen Group, to subscribe for shares in Mergen Biotech for a consideration of HK$1 for each lot of share options granted. Options granted have to be accepted within 30 days from the date of grant.

An option may be exercised in accordance with the terms of the Mergen Biotech Scheme at any time during a period to be notified by the Mergen Board to each grantee, such period shall not be more than 10 years from the date upon which the grant of a share option is made to a participant in accordance with the Mergen Biotech Scheme but subject to the provisions for early termination contained therein. Subject to the provisions of the Mergen Biotech Scheme, the Mergen Board may at its discretion when offering the grant of a share option imposed any conditions, restrictions or limitations in relation thereto as it may think fit.

The subscription price of the share options shall be determined by the Mergen Board with reference to the unaudited net asset per share of Mergen Biotech (the "Mergen Share") as at 31st December 2003 and shall not be less than US$8.22 (or its equivalent in HK$) per Mergen Share. The subscription price of options granted after the Company has contemplated a separate listing of Mergen Biotech on the Main Board or the Growth Enterprise Market ("GEM") of the Stock Exchange or any overseas stock exchange and up to the date of listing of the Mergen Shares shall not be lower than the new issue price of the Mergen Shares on listing. Without prejudice to the foregoing, any options granted during the period commencing 6 months before the lodgment of Form A1 (or its equivalent for listing on GEM or any overseas exchange) are subject to the above requirement. The subscription price of any options granted during such period shall be adjusted at the absolute discretion of the Mergen Board to a price not lower than the new issue price of the Mergen Shares on listing.

The maximum number of Mergen Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Mergen Biotech Scheme and other share option schemes of Mergen Biotech shall not exceed 10% of the total number of Mergen Shares in issue from time to time. The Mergen Board will have the right to grant to the eligible participants options to subscribe for Mergen Shares, which when aggregated with any securities to be granted subject to any other share option schemes of Mergen Biotech shall not in aggregate exceed 10% of the total number of Mergen Shares in issue as at the date of approval of the Mergen Biotech Scheme. No eligible participants under the Mergen Biotech Scheme shall be granted an option which, if exercised, would result in the aggregate number of Mergen Shares issued and to be issued upon exercise of all options granted and to be granted to such participant, in any 12-month period (including exercised, cancelled and outstanding options), would exceed 1% of the Mergen Shares in issue unless approved by the shareholders of the Company.

The following table discloses details of the options under the Mergen Biotech Scheme during the year:

Month of grant	Exercise price per share	Outstanding at 1.1.2008	Lapsed during the year	Outstanding at 31.12.2008	Lapsed during the year	Outstanding at 31.12.2009
December 2004	US$8.22	63,400	(49,700)	13,700	(8,300)	5,400
Exercisable at end of the year				13,700		5,400

During the year, no options were granted or exercised under the Mergen Biotech Scheme.

The number of shares available for issue, save for those granted but yet to be exercised, under the Mergen Biotech Scheme totalled 14,600 Mergen Shares which represented 1.87% (2008: 1.87%) of the issued share capital of Mergen Biotech as at the date of this Annual Report.

Pursuant to the offer letter issued by Mergen Biotech on 31st December 2004, 55% of the share options granted are exercisable since 30th June 2005. Subject to the fulfillment of certain performance targets as determined by the Mergen Board by the grantees, the rest of the 45% share options granted are exercisable in three batches (each with 15% of the share options granted) for every six months interval from 1st January 2005 until 30th May 2014.

38. Share Premium and Reserves

	Share premium	Share options reserve	Capital redemption reserve	Capital reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY						
At 1st January 2008	13,198,450	11,150	1,071	1,137,728	4,996,375	19,344,774
Profit for the year	–	–	–	–	1,726,445	1,726,445
Issue of shares upon exercise of share options	79,904	–	–	–	–	79,904
Release of share options reserve on exercise of share options	7,159	(7,159)	–	–	–	–
Expenses incurred in connection with the issue of new shares	(73)	–	–	–	–	(73)
Recognition of equity-settled share-based payment expenses	–	1,953	–	–	–	1,953
Dividends paid *(note 15)*	–	–	–	–	(946,793)	(946,793)
At 31st December 2008	13,285,440	5,944	1,071	1,137,728	5,776,027	20,206,210
Profit for the year	–	–	–	–	1,175,744	1,175,744
Issue of shares upon exercise of share options	53,671	–	–	–	–	53,671
Release of share options reserve on exercise of share options	5,843	(5,843)	–	–	–	–
Expenses incurred in connection with the issue of new shares	(68)	–	–	–	–	(68)
Share options lapsed	–	(101)	–	–	101	–
Dividends paid *(note 15)*	–	–	–	–	(906,633)	(906,633)
At 31st December 2009	13,344,886	–	1,071	1,137,728	6,045,239	20,528,924

The Company's reserve available for distribution to shareholders as at 31st December 2009 represents its retained profits of approximately HK$6,045 million (31.12.2008: HK$5,776 million).

The Company's capital reserve which arose in 1997 upon reduction of share premium as confirmed by the Order of the High Court of Hong Kong was not realised profits and is an undistributable reserve.

39. Deferred Taxation

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Fair value adjustments on business combinations	Land appreciation tax	Undistributed earnings of PRC entities	Other deferred tax liabilities	Other deferred tax assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2008	86,796	266,472	(37,025)	1,281,969	377,379	–	34,863	(51,725)	1,958,729
Effect of change in tax rate	(6,875)	–	352	–	–	–	455	38	(6,030)
Exchange adjustments	311	18,217	(767)	151,679	22,470	–	1,094	(4,258)	188,746
Charged (credited) to profit or loss	22,550	125,204	20,242	(107,065)	(99,072)	85,219	(35,046)	(19,239)	(7,207)
At 31st December 2008	102,782	409,893	(17,198)	1,326,583	300,777	85,219	1,366	(75,184)	2,134,238
Charged (credited) to profit or loss	29,950	58,953	1,400	(18,551)	(34,245)	(2,390)	3,324	(18,131)	20,310
Reclassified as held-for-sale	–	(5,506)	–	–	–	–	–	2,151	(3,355)
At 31st December 2009	132,732	463,340	(15,798)	1,308,032	266,532	82,829	4,690	(91,164)	2,151,193

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31.12.2009	**31.12.2008**	**1.1.2008**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax liabilities	2,248,146	2,220,869	2,042,666
Deferred tax assets	(96,953)	(86,631)	(83,937)
	2,151,193	2,134,238	1,958,729

At 31st December 2009, the Group had unused tax losses of approximately HK$163.8 million (31.12.2008: HK$152.7 million) available for offset against future assessable profits. A deferred tax asset amounting to approximately HK$15.8 million (31.12.2008: HK$17.2 million) in respect of tax losses amounting to approximately HK$66.1 million (31.12.2008: HK$74.6 million) was recognised. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$97.7 million (31.12.2008: HK$78.1 million) due to the unpredictability of future profit streams. The Hong Kong tax losses of approximately HK$18.9 million (31.12.2008: HK$24.7 million) may be carried forward indefinitely and the remaining PRC tax losses of approximately HK$144.9 million (31.12.2008: HK$128 million) will expire in various dates in the next five years.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January 2008 onwards. Deferred taxation has been provided for in full in respect of undistributed profits retained by PRC entities in the consolidated financial statements.

Other deferred tax liabilities mainly included deferred tax on fair value change of financial assets classified as held-for-trading. Other deferred tax assets included deferred taxation on (i) impairment loss on bad and doubtful debts, (ii) pre-operating expenses and (iii) accrued expenses.

40. Amounts Due From/To Subsidiaries

At 31st December 2009, the amounts due from subsidiaries are unsecured. Except for amounts of HK$200 million and HK$150 million as at 31st December 2009 which carry interest at Hong Kong Interbank Offer Rate ("HIBOR") plus 1.69% per annum and no interest, respectively, and are repayable in 2011, the balances are non-interest bearing and repayable on demand.

At 31st December 2008, the amounts due from subsidiaries were unsecured and repayable on demand. Except for amounts of HK$150 million and HK$50 million which carried interest at HIBOR plus 0.34% and 1.38% per annum, respectively, the balances were non-interest bearing.

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

41A. Acquisition of Subsidiaries/Businesses

(a) For the year ended 31st December 2009

北京友興紙源再生資源回收有限公司 ("Beijing Youxin") was previously an associate of the Group. During the year, the Group's shareholding in Beijing Youxin remains unchanged whereas the control over the financial and operating policies was established due to a change in board representatives in Beijing Youxin and accordingly, Beijing Youxin ceased to be an associate and became a subsidiary of the Group. This acquisition has been accounted for using the purchase method of accounting.

For the year ended 31st December 2008

In February 2008, the Group acquired an additional 51% equity interest in 四川科美紙業有限公司, a company engaged in manufacturing and sales of tipping paper, for a consideration of HK$4,872,000. After the acquisition, the Group held 100% equity interest in it. The acquisition was accounted for using the purchase method of accounting. The amount of discount arising as a result of the acquisition was HK$902,000.

The carrying amounts before combination and fair value of the net assets acquired in the transactions, and the discount arising on acquisition, are as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Net assets acquired:		
Property, plant and equipment	6,154	16,025
Prepaid lease payments	–	2,276
Inventories	3,824	2,935
Trade and other receivables	34,453	6,061
Taxation recoverable	–	206
Bank balances and cash	4,970	1,296
Trade and other payables	(43,953)	(14,273)
Bank and other borrowings	–	(3,206)
	5,448	11,320
Minority interests	(1,564)	–
Discount arising on acquisition	–	(902)
	3,884	10,418
Satisfied by:		
Cash consideration paid	–	4,872
Share of net assets of an associate	3,884	5,546
	3,884	10,418
Net cash inflow (outflow) arising on acquisition:		
Cash consideration paid	–	(4,872)
Bank balances and cash acquired	4,970	1,296
	4,970	(3,576)

The subsidiary acquired during the year did not have any significant contribution to the Group's revenue or results for the year.

(b) Pursuant to the sale and purchase agreements entered into on 21st July 2008, the Company and certain of its subsidiaries acquired from South Pacific Hotel Holdings Limited ("South Pacific") and SIIC CM Development Limited ("SIIC CM"), both being wholly-owned subsidiaries of SIIC, for their respective 100% equity interests in Good Cheer Enterprises Limited ("Good Cheer") and Hu-Hang for a cash consideration of approximately HK$1,350.0 million and HK$4,196.3 million, respectively (collectively referred to as the "2008 Acquisition"). The 2008 Acquisition was accounted for using the principles of merger accounting and the effect on the consolidated financial statements is fully disclosed in the Annual Report of the Group for the year ended 31st December 2008.

41B. Acquisition of Assets Through Acquisition of A Subsidiary

The Group acquired 100% equity interest in Better Score in August 2009, for a consideration of HK$2,271,695,000. The acquisition gave rise to acquisition of an investment, a financial asset designated at FVTPL (see note 27).

The net assets acquired in the transaction are as follows:

	HK$'000
Net assets acquired:	
Investments	2,271,695
Bank balances and cash	461
Other payables	(461)
	2,271,695
Satisfied by:	
Cash consideration paid	2,271,695
Net cash outflow arising on acquisition:	
Cash consideration paid	(2,271,695)
Bank balances and cash acquired	461
	(2,271,234)

42. Disposal of Subsidiaries

During the year ended 31st December 2009, the Group disposed of the following subsidiaries:

(a) The Group disposed of its entire interests in SIIC MedTech Health Products Limited ("SIIC MedTech Health Products") and Shanghai Industrial United (Group) Commercial Network Development Company Limited at a consideration of HK$513,787,000 and HK$1,195,303,000, respectively, to independent third parties, resulting in gains of HK$382,966,000 and HK$484,557,000, respectively.

(b) In September, the Group disposed of its entire interest in S.I. Technology to a subsidiary of SIIC at a consideration of HK$1,099,961,000, resulting in a loss of HK$714,728,000.

During the year ended 31st December 2008, the Group disposed of the following subsidiaries:

(a) In May, the Group disposed of its entire interest in Active Services Group Limited to a fellow subsidiary for a consideration of HK$775,000,000, resulting in a gain of HK$331,977,000.

(b) 上海菲曼特醫療器械有限公司 Shanghai Fimet Medical Instrument Co., Ltd. ("Shanghai Fimet ") was previously a 50% owned subsidiary of the Group. In December, the Group's shareholding remained unchanged whereas the control over the financial and operating policies was lost due to a change in board representatives in Shanghai Fimet and therefore Shanghai Fimet ceased to be a subsidiary and became a jointly controlled entity of the Group. This represented a non-cash transaction.

The net assets of the subsidiaries at the respective date of disposal are set out below.

	2009	2008
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	–	4,375
Interest in a jointly controlled entity	146,093	506,714
Interest in an associate	2,381,827	–
Inventories	–	11,855
Trade and other receivables	–	7,549
Bank balances and cash	143,674	18,077
Trade and other payables	(67)	(6,013)
	2,671,527	542,557
Net assets attributable to minority interests	–	(17,623)
	2,671,527	524,934
Translation reserve realised	(15,271)	(64,288)
	2,656,256	460,646
Gain (loss) on disposal of interests in subsidiaries		
– Continuing operations	(230,171)	331,977
– Discontinued operations	382,966	–
Consideration	2,809,051	792,623
Satisfied by:		
Cash consideration received	2,809,051	775,000
Interest in a jointly controlled entity	–	17,623
	2,809,051	792,623
Net cash inflow arising on disposal:		
Cash consideration received	2,809,051	775,000
Bank balances and cash disposed of	(143,674)	(18,077)
	2,665,377	756,923

During the year ended 31st December 2009, S.I. Technology shared loss of an associate of approximately HK$256 million, and did not contribute significant cash flows to the Group during the period prior to the disposal.

Other subsidiaries disposed of during both years did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposals.

43. Operating Leases

The Group and the Company as lessee

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

	THE GROUP		THE COMPANY	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	69,022	64,251	8,842	4,421
In the second to fifth year inclusive	92,737	102,430	4,421	–
After five years	46,200	67,665	–	–
	207,959	234,346	13,263	4,421

Operating lease payments represent rental payable by the Group and the Company for certain office and factory properties. Leases are negotiated for an average term of 20 years and rentals are fixed for a lease term of 1 to 5 years.

Included in the above are operating lease commitments for land and buildings of approximately HK$167.6 million (31.12.2008: HK$173.9 million) and HK$13.3 million (31.12.2008: HK$4.4 million) payable by the Group and the Company, respectively, to the ultimate holding company and fellow subsidiaries.

The Group as lessor

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

	THE GROUP Investment properties and land and buildings	
	2009	**2008**
	HK$'000	*HK$'000*
Within one year	134,476	150,527
In the second to fifth year inclusive	331,462	455,220
After five years	60,468	94,937
	526,406	700,684

The Company had no significant operating lease arrangements as lessor at the end of the reporting period.

44. Capital Commitments

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– toll road construction costs	153,339	–
– investments in PRC subsidiaries	1,821,135	–
– investment in an overseas project	112,358	–
– acquisition of property, plant and equipment	36,630	115,497
– additions in construction in progress	–	136,518
– additions in properties under development	1,840,615	1,485,950
	3,964,077	1,737,965
Capital expenditure authorised but not contracted for in respect of		
– investment in an associate	834,848	–
– toll road construction costs	–	1,363,017
	834,848	1,363,017

In addition to the above, the Group's share of capital commitment of a jointly controlled entity is as follows:

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– investment in a PRC jointly controlled entity	33,791	33,791

The Company had no significant capital commitment at the end of the reporting period.

45. Contingent Liabilities

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Guarantees given to banks in respect of banking facilities utilised by		
– an entity controlled by Xuhui SAAC	722,399	779,191
– associates	–	55,130
– a jointly controlled entity	–	159,019
– outsiders	877,005	267,756
	1,599,404	1,261,096

As at 31st December, 2009, the Company granted financial guarantees to the extent of approximately HK$6,067 million (31.12.2008: HK$1,980 million) to banks in respect of banking facilities utilised by its subsidiaries.

46. Pledge of Assets

The following assets were pledged by the Group to banks in order to secure general banking facilities granted by these banks to the Group:

(i) investment properties with an aggregate carrying value of HK$2,114,948,000 (31.12.2008: HK$1,898,796,000);

(ii) plant and machineries with an aggregate carrying value of HK$474,779,000 (31.12.2008: HK$110,309,000);

(iii) leasehold land and buildings with an aggregate carrying value of HK$211,825,000 (31.12.2008: HK$274,381,000);

(iv) trade receivables of HK$11,875,000 (31.12.2008: Nil);

(v) properties under development held for sale with an aggregate carrying value of HK$1,611,699,000 (31.12.2008: HK$1,892,262,000);

(vi) properties held for sale with an aggregate carrying value of HK$37,109,000 (31.12.2008: HK$762,119,000);

(vii) a toll road operating right of HK$5,748,849,000 (31.12.2008: HK$5,820,389,000);

(viii) inventories, other than those included in (v) and (vi) above, with an aggregate carrying value of HK$72,592,000 (31.12.2008: HK$38,948,000);

(ix) bank deposits with an aggregate carrying value of HK$911,828,000 (31.12.2008: HK$800,541,000); and

(x) a motor vehicle with a carrying value of HK$90,000 at 31st December 2008 (31.12.2009: Nil).

47. Retirement Benefits Schemes

The Company and its subsidiaries in Hong Kong operate defined contribution retirement benefits scheme for their qualifying employees pursuant to the Occupational Retirement Schemes Ordinance. To comply with the Mandatory Provident Fund Schemes Ordinance, a Mandatory Provident Fund Scheme was also established. The assets of both schemes are held separately in funds which are under the control of independent trustees. The retirement benefits schemes contributions charged to the consolidated income statement represent contributions payable by the Company and its subsidiaries in Hong Kong to the funds at rates specified in the rules of the schemes. When there are employees who leave the defined contribution retirement benefits scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Company and its subsidiaries in Hong Kong.

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

At the end of the reporting period, no forfeited contributions were available to reduce the contribution payable in future years.

48. Connected and Related Party Transactions and Balances

(I) Connected Persons

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

Connected persons	Nature of transaction	THE GROUP 2009 *HK$'000*	2008 *HK$'000*
Transactions			
Ultimate holding company:			
SIIC	Rentals paid on land and buildings *(note i)*	1,289	–
Fellow subsidiaries:			
International Hope Limited	Rentals paid on land and buildings *(note i)*	9,949	9,949
Nanyang Enterprises Properties Limited	Rentals paid on land and buildings *(note i)*	19,800	20,220
The Tien Chu (HK) Co. Ltd.	Rentals paid on land and buildings *(note i)*	26	26
上海上實(集團)有限公司 (SIIC Shanghai (Holdings) Co., Ltd.)	Rentals paid on land and buildings *(note i)*	5,118	3,481
Shanghai Pharmaceutical (Group) Company Limited	Sales of pharmaceutical products and raw materials *(note iii)*	163,243	–
	Purchase of pharmaceutical products and raw materials *(note iii)*	188,192	–
Minority shareholders of subsidiaries:			
中國(杭州)青春寶集團有限公司 (China (Hangzhou) Qingchunbao Group Co. Ltd.) ("China Qingchunbao") and its subsidiaries	Sales of finished medicine and health products *(note iii)*	37	120
China Tobacco Henan Industrial Corporation ("China Tobacco Henan") (formerly known as 許昌捲煙總廠 Xuchong Cigarette Factory))	Sales of cigarette box packaging materials *(note iii)*	210,709	209,694
Guangzhou Bopu Bio–Technology Co., Ltd. ("Guangzhou Bopu") and its subsidiaries	Purchase of raw materials *(note iii)*	39,688	59,155

Connected persons	Nature of transaction	THE GROUP 2009 HK$'000	2008 HK$'000
四川水井坊股份有限公司 (Sichuan Swelfun Co., Ltd.)	Sales of packaging materials *(note iii)*	23,761	40,647
Xinnan (Tianjin) Paper Co., Ltd.	Purchase of raw materials *(note iii)*	38,792	36,435
廣西中煙工業公司	Purchase of materials *(note iii)*	–	327
Hangzhou Huqingyutan Pharmaceutical Co. Ltd.	TCM Extraction services *(note ii)*	8,178	10,626
Fellow subsidiaries of minority shareholders of subsidiaries:			
Four Season Hotels and Resorts Asia Pacific Pte. Ltd.	Hotel advisory services *(note ii)*	5,383	14,321
Four Seasons Shanghai B.V.	Hotel management services *(note ii)*	557	862
Four Seasons Hotels Limited	Hotel services *(note ii)*	7,286	8,561
福建省廈門醫藥採購供應站	Sales of medicine products *(note iii)*	23,141	14,521

Balances		THE GROUP 31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Minority shareholders of subsidiaries:				
China Qingchunbao and its subsidiaries	Balance			
	– trade receivables	–	312	301
	– trade payables	–	698	708
	– dividend payable	19,139	26,613	36,325
China Tabacco Henan	Balance			
	– trade receivables	36,185	37,356	30,566
	– bills receivable	–	–	11,752
Entities controlled by Xuhui SAAC	Balance			
	– non-trade receivables	199,918	194,308	387,450
	– non-trade payables	663,951	603,568	1,117,670

Notes:

(i) The rentals were charged in accordance with the relevant tenancy agreements and the prevailing rent was equivalent or approximate to the open market rentals as certified by an independent firm of professional property valuers when the tenancy agreements were entered into.

(ii) The terms of these transactions were determined and agreed by both parties.

(iii) These transactions were carried out at market prices or, where no market price was available, at cost plus a percentage of profit mark-up.

(b) At 31st December 2008, SI Pharmaceutical had given guarantees amounting to approximately HK$10 million to banks in respect of banking facilities granted to Guangdong Techpool Biochem Pharma Co. Ltd. ("Guangdong Techpool"), a non-wholly owned subsidiary of SI Pharmaceutical. The guarantees were indemnified by Guangdong Techpool by providing pledge of raw materials, equipment and inventories of Guangdong Techpool in an aggregate amount of RMB11,670,000 (equivalent to HK$13,255,000) in favour of SI Pharmaceutical. Details of this provision of financial assistance were included in a published announcement of the Company dated 15th November 2007.

The guarantee was released during the year ended 31st December 2009.

(c) Pursuant to an agreement dated 26th December 2002 entered into between Xuhui State-owned Assets Management Co. Ltd ("State-owned Management Company") and Shanghai Urban Development (the "Cross Guarantee Agreement"), the parties thereto agreed to guarantee each other's obligations in respect of certain loans/facilities from time to time obtained from banks or credit unions by them respectively to the extent of not more than RMB700 million. In respect of those guarantees which have already been entered into by State-owned Management Company and Shanghai Urban Development pursuant to the Cross Guarantee Agreement, they will continue until the underlying loans/facilities mature/expire and all amounts owed are fully repaid.

As at 31st December 2009, the total amount of loans/facilities obtained by State-owned Management Company in respect of which guarantees were provided by Shanghai Urban Development amounted to approximately RMB636 million (equivalent to approximately HK$722 million) (31.12.2008: RMB686 million (equivalent to approximately HK$779 million)).

The provision of the aforesaid guarantees by Shanghai Urban Development constitutes non-exempt continuing connected transactions for the Company. Upon any variation of the Cross Guarantee Agreement, the Company shall then have the obligation to comply in full all applicable reporting, disclosure and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

(d) During the year ended 31st December 2009, the Group acquired 20% equity interests in an associate, 上海星河數碼投資有限公司 ("Shanghai Galaxy"), from a fellow subsidiary for a consideration of HK$18,174,000. Shanghai Hu-Ning Expressway (Shanghai Section) Company Limited ("Shanghai Hu-Ning Expressway"), a subsidiary of the Company, entered into an asset management entrustment agreement with Shanghai Galaxy. The amount of funds entrusted to Shanghai Galaxy for the provision of assets management services amounted to RMB260 million (equivalent to approximately HK$295 million).

(e) Details of operating lease commitments with connected parties are set out in note 43.

(f) Details of the Acquisition and 2008 Acquisition are set out in notes 2 and 41A, respectively.

(g) Details of the disposal of a subsidiary, S.I. Technology, to a subsidiary of SIIC are set out in note 42.

(h) Details of an amount due to a fellow subsidiary are set out in note 34.

(II) Related parties, other than connected persons

(a) In addition to the transactions with the ultimate holding company and fellow subsidiaries as mentioned in note 48(I)(a) above, the significant transactions with related parties, during the year, and significant balances with them at the end of the reporting period, are as follows:

		THE GROUP	
Related parties	**Nature of transaction**	**2009**	**2008**
		HK$'000	*HK$'000*
Transactions			
Associates:			
上海申永燙金材料有限公司 (Shanghai Shen Yong Stamping Foil Co., Ltd.) ("Shanghai Shen Yong Stamping Foil")	Purchase of materials	713	2,601
廣西甲天下水松紙有限公司 (Guangxi Jiatianxia Tipping Paper Co., Ltd.) ("Guangxi Jiatianxia Tipping Paper")	Printing services income	21,283	17,633
陝西永鑫紙業包裝有限公司 (Xian Yong Xin Packing Co., Ltd.) ("Xian Yong Xin Packing")	Sales of materials	–	99
Beijing Youxin	Purchase of materials	20,323	204,397
	Interest income	387	431

Connected persons	Nature of transaction	THE GROUP 31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Balances				
Jointly controlled entities:				
杭州胡慶餘堂國藥號有限公司 (Hangzhou Huqingyutang Drugstore Co., Ltd.)	Balance – non-trade receivable	–	2,840	2,671
中環保水務投資有限公司 General Water of China Co., Ltd.) ("General Water of China")	Balance – short-term loan receivable	–	–	21,367
Associates:				
Shanghai Shen Yong Stamping Foil	Balance – trade payable	15	1,302	1,676
浙江天外包裝印刷股份有限公司 (Zhejiang Tianwai Package Printing Co., Ltd.)	Balance – trade receivable	–	–	4
四川科美紙業有限公司	Balance			
	– trade receivable	–	–	1,076
	– shareholder loan	–	–	3,979
Guangxi Jiatianxia Tipping Paper	Balance – trade receivable	2,339	2,434	2,089
西安環球印務股份有限公司 (Xian Global Printing Stock Co., Ltd.)	Balance			
	– trade receivable	–	–	557
	– non-trade receivable	–	495	–
Xian Yong Xin Packing	Balance – trade receivable	–	18	290
Beijing Youxin	Balance – trade payable	–	56,166	–
Shanghai Jiadeli	Balance – non-trade payable	–	–	153,558

(III) Compensation of Key Management Personnel

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

	2009	2008
	HK$'000	*HK$'000*
Short-term benefits	23,905	24,656
Share-based payments	–	1,186
	23,905	25,842

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

The Company's outstanding balances with related parties are set out in the statement of financial position of the Company and in note 40.

49. Material Transactions and Balances with other State-Controlled Enterprises

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under SIIC which is controlled by the PRC government. Apart from the transactions with SIIC, other connected persons and related parties disclosed in note 48, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

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

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

	2009	2008
	HK$'000	*HK$'000*
Transactions		
Trade sales	1,273,991	962,251
Trade purchases	292,871	282,363

	31.12.2009	31.12.2008	1.1.2008
	HK$'000	*HK$'000*	*HK$'000*
Balances			
Amounts due from other state-controlled entities	249,592	187,502	260,388
Amounts due to other state-controlled entities	31,575	31,363	26,706

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

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

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

50. Government Grants

Government subsidies received by the Group towards the cost of acquisition of plant and machinery had been deducted from the carrying amount of the relevant assets in the respective years. The amount is transferred to income in the form of reduced depreciation charges over the useful lives of the relevant assets. This policy has resulted in a credit to income in the current year of HK$3,104,000 (31.12.2008: HK$3,104,000). As at 31st December 2009, an amount of HK$10,246,000 (31.12.2008: HK$13,350,000) remains to be amortised.

In addition, government grants of approximately HK$342.6 million (31.12.2008: HK$214.4 million) was received in the current year from the local government as compensation for the decrease of the toll fee income arising from the widening project of the toll road and approximately HK$58.9 million (31.12.2008: HK$9.2 million) was received as incentives for investment in certain provinces in the PRC. These amounts have been included in other income for the year.

51. Principal Subsidiaries

Particulars of the Company's principal subsidiaries at 31st December 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued share/registered capital held by the Company/ subsidiaries 31.12.2009	31.12.2008	Principal activities
正大青春寶藥業有限公司 (Chia Tai Qingchunbao Pharmaceutical Co., Ltd.) *(note i)*	PRC	RMB128,500,000	55%	55%	Manufacture and sale of Chinese medicine and health products
Shanghai Hu-Ning Expressway *(note ii)*	PRC	RMB3,000,000,000	100%	100%	Holding of a right to operate a toll road
Shanghai Urban Development *(note i)*	PRC	RMB301,330,000	59%	59%	Property development and investment
SIIC MedTech Health Products	Hong Kong	Ordinary shares – US$2	*(note iv)*	100%	Investment holding
		Non-voting deferred shares – US$2	*(note iv)*	100%	
S.I. Infrastructure Holdings Limited ("S.I. Infrastructure")	British Virgin Islands/Hong Kong	US$1	100%	100%	Investment holding
SIHL Treasury Limited ("SIHL Treasury")	Hong Kong	Ordinary shares – HK$2	100%	100%	Investment
SIIC Medicinal Science and Technology (Group) Limited	Cayman Islands/ Hong Kong	Ordinary shares – HK$40,893,400	100%	100%	Investment holding

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued share/registered capital held by the Company/ subsidiaries 31.12.2009	31.12.2008	Principal activities
Nanyang Tobacco (Marketing) Company, Limited	British Virgin Islands/PRC and Macau	Ordinary shares – US$1 – HK$100,000,000	100%	100%	Sale and marketing of cigarettes and raw materials sourcing
Nanyang Brothers Tobacco Company, Limited	Hong Kong	Ordinary shares – HK$2	100%	100%	Manufacture and sale of cigarettes
		Non-voting deferred shares – HK$8,000,000	–	–	
The Wing Fat Printing Company, Limited	Hong Kong	Ordinary shares – HK$2,000,000	93.44%	93.44%	Manufacture and sale of packaging materials, printed products and paper making
SI Pharmaceutical *(note iii) (note 5)*	PRC	Ordinary shares – RMB367,814,821	43.62%	43.62%	Investment holding
廈門中藥廠有限公司 (Xiamen Traditional Chinese Medicine Co., Ltd.) *(note i)*	PRC	RMB84,030,000	61%	61%	Manufacture and sale of Chinese medicine
遼寧好護士藥業(集團)有限責任公司 Liaoning Herbapex Pharmaceutical (Group) Co., Ltd. *(note i)*	PRC	RMB51,000,000	55%	55%	Manufacture and sale of Chinese medicine
上海三維生物技術有限公司 (Shanghai Sunway Biotech Co., Ltd.) *(note i)*	PRC	US$15,343,300	70.40%	70.40%	Manufacture and sale of Biomedicine
杭州胡慶餘堂藥業有限公司 (Hangzhou Huqingyutang Pharmaceutical Co., Ltd.) *(note i)*	PRC	RMB53,160,000	51.007%	51.007%	Manufacture and sale of Chinese medicine and health products
上海上實南洋大酒店有限公司 (Shanghai SIIC South Pacific Hotel Co., Ltd.) *(note i)*	PRC	US$72,000,000	87%	87%	Operation of a hotel
上海路橋發展有限公司 (Shanghai Luqiao Development Co., Ltd.) *(note ii)*	PRC	RMB1,600,000,000	100%	100%	Holding of a right to operate a toll road
南通基鉅基礎設施建設有限公司 *(note ii)*	PRC	US$3,000,000	100%	–	Holding of a property project
上海豐茂 (Shanghai Feng Mao) *(note ii)*	PRC	RMB54,713,000	100%	100%	Property development
上海豐啟 (Shanghai Feng Qi) *(note ii)*	PRC	RMB50,092,000	100%	100%	Property development

Notes:

(i) These companies were established in the PRC as sino-foreign equity joint venture companies.

(ii) These companies were established in the PRC as wholly foreign owned enterprises.

(iii) This company is listed on the A Shares Market of the Shanghai Stock Exchange.

(iv) This company was disposed of in June 2009.

With the exception of S.I. Infrastructure, SIHL Treasury and Shanghai Urban Development, all the above subsidiaries are indirectly held by the Company.

None of the deferred shares are held by the Group. The deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of the respective companies and have practically no rights to dividends or to participate in any distributions on winding up.

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

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

52. Principal Jointly Controlled Entities

Particulars of the Group's principal jointly controlled entities at 31st December 2009 and 2008 are as follows:

Name of jointly controlled entity	**Place of incorporation or establishment/ operations**	**Percentage of registered capital attributable to the Group**		**Principal activities**
		31.12.2009	**31.12.2008**	
中環保水務投資有限公司 (General Water of China Co., Ltd.)	PRC	50%	50%	Joint investment and operation of water-related and environment protection business in the PRC
微創醫療器械(上海)有限公司 (Microport Medical (Shanghai) Co., Ltd.)	PRC	*(note)*	19%	Manufacture and sale of medical instruments

Note: This jointly controlled entity was disposed of through the disposal of SIIC MedTech Health Products in June 2009 (see note 42).

The above jointly controlled entities are sino-foreign equity joint venture companies and indirectly held by the Company and the Group has members in the board of the respective entities.

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

53. Principal Associates

Particulars of the Group's principal associates at 31st December 2009 and 2008, which are all sino-foreign equity joint venture companies established in the PRC, are as follows:

Name of associate	Percentage of registered capital attributable to the Group		Principal activities
	31.12.2009	**31.12.2008**	
SMIC *(note i) (note 9)*	–	8.21%	Investment holding and manufacture and marketing of advanced technology semiconductors
Bright Dairy *(note ii)*	–	35.176%	Manufacture, distribution and sale of dairy and related products
Shanghai Galaxy	20%	–	Provision of asset management services

Notes:

(i) This associate is listed on the Stock Exchange and the New York Stock Exchange and was disposed of through the disposal of S.I. Technology during the year ended 31st December 2009 (see note 42). This company was an associate of SIIC as at 31st December 2009.

(ii) This associate is listed on the A Shares Market of the Shanghai Stock Exchange and was disposed of during the year ended 31st December 2009 (see note 10).

The above associates were indirectly held by the Company.

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

54. Events after the Reporting Period

Significant events of the Group happened after the end of the reporting period are as follows:

(a) On 19th January 2010, Novel Good Limited ("Novel Good"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("Sale and Purchase Agreement") with Invest Gain Limited ("Invest Gain"), a company wholly owned by Mr. Li Song Xian ("Mr. Li"), a former executive director and chairman of Neo-China Land Group (Holdings) Limited ("Neo-China"), pursuant to which Invest Gain has conditionally agreed to sell, and Novel Good has conditionally agreed to purchase, 500,000,000 Neo-China shares which is legally and beneficially owned by Invest Gain, at approximately HK$2.32 per share for a total consideration of approximately HK$1,160 million.

On 19th January 2010, Novel Good entered into a subscription agreement ("Subscription Agreement") with Neo-China, pursuant to which Neo-China has conditionally agreed, subject to completion of the Sale and Purchase Agreement, to allot and issue to Novel Good, and Novel Good has conditionally agreed to subscribe 683,692,000 Neo-China shares ("Subscribed Shares"), representing approximately 35.14% of the issued share capital of Neo-China and approximately 26.00% of the issued share capital of Neo-China as enlarged by the Subscribed Shares, at approximately HK$2.32 per share for a total consideration of approximately HK$1,586 million.

On 19th January 2010, Turbo Wise Limited ("Turbo Wise"), a company wholly owned by Mr. Li, entered into a sale and purchase agreement ("Qi Ao Agreement") with Neo-China, pursuant to which Neo-China has conditionally agreed subject to completion of the Sale and Purchase Agreement and the Subscription Agreement to sell to Turbo Wise the Neo-China's entire interest in a property project in Qiao Island in Zhuhai ("Qi Ao Island Project") at a consideration of approximately HK$2,500 million, whilst retaining certain liabilities related to the Qi Ao Island Project including the liability to pay unpaid principal and accrued interest under a loan agreement entered into with subsidiaries of Neo-China amounting to approximately HK$1,790 million.

These transactions, details of which are set out in an announcement of the Company dated 19th January 2010, are not yet completed at the date of this report.

(b) On 8th December 2009, S.I. Urban Development Holdings Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Glory Shine to acquire 100% equity interest in S.I. Feng Tao Properties (BVI) Limited ("Feng Tao") and S.I. Feng Shun Properties (BVI) Limited ("Feng Shun"), and to take assignments of the unsecured, interest-free loans owing by Feng Tao and Feng Shun to Glory Shine for cash consideration of RMB182,550,000 (equivalent to HK$207,350,000) and RMB198,776,000 (equivalent to HK$225,780,000) respectively. Feng Tao owns a development project on a piece of land located at Zhujiajiao Town at Qingpu District in Shanghai, the PRC, with a total site area of 350,532.6 sq.m. Feng Shun owns a development project on a piece of land also located at Zhujiajiao Town at Qingpu District in Shanghai with a total site area of 401,273 sq.m. Details of these transactions are set out in an announcement of the Company dated 8th December 2009.

The acquisition of Feng Tao was completed in January 2010. The acquisition of Feng Shun was approved at an extraordinary general meeting held on 11th January 2010 but is not yet completed at the date of this report.

(c) On 8th December 2009, S.I. Infrastructure entered into a sale and purchase agreement with SIIC CM, to acquire 100% equity interest in S.I. Shen-Yu Development Limited ("Shen-Yu") and to take an assignment of the non-interest bearing shareholder's loan due from Shen-Yu to SIIC CM, at an aggregate consideration of approximately RMB1,222 million (equivalent to approximately HK$1,388 million). Shen-Yu holds 100% equity interests in Shanghai Shen-Yu Development Co. Ltd. through its subsidiaries, which in turn owns concession for operation rights of Hu-Yu Expressway (Shanghai Section) till 31st December 2027. Details of the transaction are set out in an announcement of the Company dated 8th December 2009.

The transaction was approved at an extraordinary general meeting held on 11th January 2010 but is not yet completed at the date of this report.

(d) The disposal of the Disposed Business, details of which are set out in note 12, was completed in February 2010. The directors of the Company are still in the progress of assessing the financial impact to the Group.

55. Segment Information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard, HKAS 14 "Segment Reporting", required an entity to identify two sets of segments (business and geographical) using a risks and returns approach.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss. The Group's operating segment under HKFRS 8 are therefore identical to the business segments under HKAS 14, namely:

Infrastructure facilities	–	investment in toll road projects and water-related business
Real estate	–	property development and investment and hotel operation
Consumer products	–	manufacture and sale of cigarettes, packaging materials, printed products and dairy products

The Group was involved in the manufacture and sale of medicine and health food and medical equipment, which was reported as a separate operating segment of "Medicine" under HKFRS 8. That operation was discontinued with effect during current year (see note 12).

Segment Revenues and Results

The following is an analysis of the Group's revenue and results by operating segment:

For the year ended 31st December 2009

Continuing operations

	Infrastructure facilities *HK$'000*	**Real estate** *HK$'000*	**Consumer products** *HK$'000*	**Consolidated** *HK$'000*
REVENUE				
Segment revenue – external sales	818,509	2,309,087	3,790,289	6,917,885
Segment profit	849,545	1,560,583	820,769	3,230,897
Net unallocated corporate expense				(53,336)
Finance costs				(238,398)
Share of results of jointly controlled entities				43,552
Share of results of associates				(155,776)
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities				988,176
Profit before taxation				3,815,115
Income tax expense				(1,098,996)
Profit for the year (continuing operations)				2,716,119

For the year ended 31st December 2008

Continuing operations

	Infrastructure facilities *HK$'000*	Real estate *HK$'000*	Consumer products *HK$'000*	Consolidated *HK$'000*
REVENUE				
Segment revenue – external sales	938,802	2,961,994	3,551,309	7,452,105
Segment profit	831,197	1,029,190	666,162	2,526,549
Net unallocated corporate income				118,750
Finance costs				(300,669)
Share of results of jointly controlled entities				15,343
Share of results of associates				(106,804)
Discount on acquisition of interests in associates				1,410,222
Discount on acquisition of interest in a subsidiary				902
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities				548,005
Impairment loss recognised in respect of available-for-sale investments				(1,527,388)
Impairment loss recognised in respect of goodwill relating to a subsidiary				(1,115)
Profit before taxation				2,683,795
Income tax expense				(420,151)
Profit for the year (continuing operations)				2,263,644

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without allocation of net corporate income (expense), finance costs, share of results of jointly controlled entities, share of results of associates, discount on acquisition of interests in associates, discount on acquisition of interest in a subsidiary, net gain on disposal of interests in subsidiaries, associates and jointly controlled entities, impairment loss recognised in respect of available-for-sale investments and impairment loss recognised in respect of goodwill relating to a subsidiary. This is the measure reported to the Group's board of directors for the purposes of resource allocation and performance assessment.

Segment Assets and Liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

At 31st December 2009

	Infrastructure facilities	Real estate	Consumer products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	11,612,250	25,004,404	5,592,157	42,208,811
Interests in jointly controlled entities				1,026,433
Interests in associates				298,734
Investments				3,415,477
Corporate bank balances and cash				5,123,644
Deferred tax assets				96,953
Assets relating to discontinued operations				7,096,169
Other unallocated assets				962,482
Consolidated total assets				60,228,703
Segment liabilities	205,323	6,744,102	636,267	7,585,692
Bank and other borrowings				13,627,724
Deferred tax liabilities				2,248,146
Taxation payable				852,077
Liabilities relating to discontinued operations				1,734,249
Other unallocated liabilities				93,463
Consolidated total liabilities				26,141,351

At 31st December 2008 (restated)

	Infrastructure facilities	Real estate	Consumer products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	12,037,055	18,845,087	5,096,222	35,978,364
Interests in jointly controlled entities				995,799
Interests in associates				4,032,222
Investments				746,989
Corporate bank balances and cash				4,175,026
Assets relating to discontinued operations				5,644,044
Other unallocated assets				143,900
Consolidated total assets				51,716,344
Segment liabilities	89,075	2,411,686	680,293	3,181,054
Bank and other borrowings				9,654,094
Deferred tax liabilities				2,220,869
Taxation payable				614,651
Liabilities relating to discontinued operations				1,308,543
Other unallocated liabilities				2,856,121
Consolidated total liabilities				19,835,332

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets of continuing operations are allocated to operating segments other than investments, interests in associates, interests in jointly controlled entities, deferred tax assets, taxation recoverable and other unallocated assets; and

- all liabilities of continuing operations are allocated to operating segments other than taxation payable, bank and other borrowings, deferred tax liabilities and other unallocated liabilities.

Other Segment Information

2009

Continuing operations

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(note)*	1,146,605	31,525	985,131	2,952	2,166,213
Depreciation and amortisation	215,172	72,212	172,917	2,205	462,506
Impairment loss on bad and doubtful debts	–	757	1,754	–	2,511
Amounts regularly provided to the Group's board of directors but not included in the measure of segment profit or segment assets:					
Interests in associates	36,481	31,857	230,396	–	298,734
Interests in jointly controlled entities	958,098	–	–	68,335	1,026,433
Share of results of associates	15,364	2,411	82,066	(255,617)	(155,776)
Share of results of jointly controlled entities	41,816	–	–	1,736	43,552

2008

Continuing operations

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(note)*	1,226,516	31,611	355,110	2,230	1,615,467
Depreciation and amortisation	210,278	75,553	150,511	2,618	438,960
Impairment loss on bad and doubtful debts	–	8,659	3,358	–	12,017
Amounts regularly provided to the Group's board of directors but not included in the measure of segment profit or segment assets:					
Interests in associates	–	35,250	1,928,860	2,068,112	4,032,222
Interests in jointly controlled entities	926,922	–	1,104	67,773	995,799
Share of results of associates	–	10,811	49,673	(167,288)	(106,804)
Share of results of jointly controlled entities	6,387	–	149	8,807	15,343

Note: Non-current assets excluded those relating to discontinued operations and excluded financial instruments and deferred tax assets.

Geographical Information

Continuing operations

The Group's operations are mainly located in Hong Kong (place of domicile) and the PRC.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers	
	2009	**2008**
	HK$'000	*HK$'000*
PRC	5,553,386	5,995,174
Asia areas, other than Hong Kong and the PRC ("Asia")	840,672	913,294
Hong Kong (place of domicile)	419,112	413,017
Other areas	104,715	130,620
	6,917,885	7,452,105

	Non-current assets *(note)*	
	2009	**2008**
	HK$'000	*HK$'000*
PRC	15,733,144	16,199,384
Hong Kong (place of domicile)	887,392	930,315
Asia	939	987
	16,621,475	17,130,686

Note: Non-current assets excluded those relating to discontinued operations, financial instruments, goodwill and deferred tax assets.

Information about Major Customers

No revenues from individual customer of the corresponding years contributing over 10% of the total sales of the Group.

56. Capital Risk Management

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 35, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the repayment of existing debt.

57. Financial Instruments

(a) Categories of Financial Instruments (including those classified as part of a disposal group as at 31st December 2009)

	THE GROUP			THE COMPANY		
	31.12.2009	**31.12.2008**	**1.1.2008**	**31.12.2009**	**31.12.2008**	**1.1.2008**
	HK$'000	*HK$'000* (restated)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets						
Fair value through profit or loss Held-for-trading	26,221	23,824	393,593	482	–	–
Designated as at FVTPL	2,822,985	21,718	2,742,628	–	–	2,280,379
Loans and receivables (including cash and cash equivalents)	17,737,231	13,492,133	8,913,133	21,759,128	16,839,658	14,189,379
Available-for-sale investments	748,797	558,649	442,742	–	–	–
Held-to-maturity investments	27,629	142,798	–	–	–	–
Financial liabilities						
Amortised cost	18,783,719	15,802,686	12,754,801	6,401,208	1,809,346	1,476,687

(b) Reclassification of Financial Assets

During the year ended 31st December 2008, the Group has made the following reclassification in respect of financial assets:

	HK$'000
Reclassification of held-for-trading investments into:	
– available-for-sale investments *(note)*	303,927
– held-to-maturity investments *(note)*	142,798

Note: During the year ended 31st December 2008, the Group had reclassified certain financial assets following the severe deterioration of the world's financial market during the third quarter of 2008, certain investments previously held by the Group for short-term profit-taking are no longer held for trading purpose. The severe deterioration of the financial market is considered as a rare circumstance, such investments are reclassified to held-to-maturity investments or available-for-sale investments in July 2008.

As of the end of the reporting period, the carrying amount and fair value of the financial assets that have been reclassified are as follows:

	2009		2008	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	65,272	65,272	196,660	196,660
Held-to-maturity investments	27,629	28,163	142,798	130,696

The financial effects recognised during the year ended 31st December 2008 in respect of the financial assets that were reclassified in July 2008 were as follows:

	Recognised in	
	Profit or loss	**Other comprehensive income**
	HK$'000	*HK$'000*
Before reclassification:		
– Change in fair value of financial assets classified as held-for-trading	7,172	–
After reclassification:		
– Loss on fair value changes of available-for-sale investments	–	(107,267)
– Impairment loss	(64,348)	64,348
	(57,176)	(42,919)

In the current year, additional fair value increase of HK$513,000 (2008: decrease of HK$55,021,000) would had been recognised in profit or loss had the financial assets not been reclassified out of held-for-trading investments.

The range of effective interest rates and the estimated amounts of cash flows expected to recover in respect of the debt instruments that are reclassified from held-for-trading investments in 2008 are 6.3% and HK$150,242,000 at the date of reclassification of the financial assets.

(c) Financial Risk Management Objectives and Polices

The Group's major financial instruments include available-for-sale investments, loan receivables, trade and other receivables, financial assets at fair value through profit or loss, restricted bank deposits, pledged bank deposits, short-term bank deposits, bank balances, trade and other payables and bank and other borrowings. The Company's major financial instruments include other receivables, amounts due from subsidiaries, financial assets at fair value through profit or loss, short-term bank deposits, bank balances and amounts due to subsidiaries. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in the PRC and Hong Kong and the exposure in exchange rate risks mainly arises from fluctuations in United States dollar, Hong Kong dollar and Renminbi exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. As Renminbi is under managed floating system, after reviewing the Group's exposure for the time being, the Group did not enter into any derivative contracts aimed at minimising exchange rate risks during the year. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	THE GROUP				THE COMPANY			
	Assets		Liabilities		Assets		Liabilities	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Renminbi	11,358	15,101	–	7	–	–	–	–
United States dollar	2,330,544	2,934,513	108,626	34,318	1,235,778	1,060,664	–	–
Hong Kong dollar	1,813	324	–	–	–	–	–	–

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% (2008: 5%) increase and decrease in the functional currency of each group entity against the above foreign currency. 5% (2008: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 5% (2008: 5%) increase in foreign currency rates. A positive number below indicates an increase in profit/investment revaluation reserve where the above foreign currency strengthens 5% against the functional currency of each group entity.

	THE GROUP		THE COMPANY	
	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase in profit after taxation	104,948	116,245	61,789	53,033
Increase in investment revaluation reserve	6,807	2,079	–	–

(ii) Interest rate risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings respectively. The Company's cash flow interest rate risks mainly relate to the variable-rate amount due from a subsidiary. The Group's held-to-maturity investments, advance to vendor of an investment project in the PRC and pledged bank deposits have exposure to fair value interest rate risk due to the fixed interest rate on these instruments. The Group's and the Company's bank balances also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances.

The management monitors interest rate exposure on ongoing basis and entered into interest rate swaps to hedge against its exposure to variability in cash flows of the variable-rate borrowings. The critical terms of these interest rate swaps are similar to those of hedged borrowings. These interest rate swaps are designated as effective hedging instruments and hedge accounting is used.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and short-term bank deposits (collectively referred to as the "Bank Balances") and variable-rate borrowings at the end of the reporting period. The sensitivity analysis does not consider the exposure of the interest rate swaps because the effect is insignificant.

For variable-rate borrowings and Bank Balances, the analysis is prepared assuming that the amount of liability/asset outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point and 10 basis point (2008: 50 basis point and 10 basis point), respectively, increase or decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis point and 10 basis point (2008: 50 basis point and 10 basis point) higher/lower and all other were variables were held constant, the Group's profit after taxation for the year ended 31st December 2009 would decrease/increase by HK$62,738,000 (2008 (restated): HK$25,279,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate Bank Balances and borrowings.

No sensitivity analysis is prepared for the Company's exposure to interest rate risk as the impact is not significant.

(iii) Equity price risk

The Group and the Company are exposed to equity price risk through their listed investment in equity securities classified as either available-for-sale investments or financial assets at fair value through profit or loss. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's and the Company's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange. In addition, the management has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on quoted equity investments held by the Group at the reporting date:

If the prices of the respective quoted equity instruments had been 5% (2008: 5%) higher/lower:

- profit after taxation for the year ended 31st December 2009 would increase/decrease by HK$7,938,000 (2008: HK$994,000) as a result of the changes in fair value of financial assets at fair value through profit or loss; and

- investment revaluation reserve would increase/decrease by HK$19,642,000 (2008: HK$11,037,000) for the Group as a result of the changes in fair value of available-for-sale investments.

No sensitivity analysis is prepared for the Company's exposure to equity price risk as the impact is not significant.

Credit risk

As at 31st December 2009, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 45.

The Group's principal financial assets are restricted bank deposits, short-term bank deposits, bank balances and cash, equity and debt investments, and trade and loan receivables.

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Group's treasury operations, management has established internal procedures to monitor the Group's bank balances and cash, securities investments to be placed and entered into with financial institutions of good reputation. These internal procedures also impose limitation on the amount outstanding and to mange the credit ratings on equity investments to be held, so as to minimise the Group's credit risk exposure.

The Group's concentration of credit risk by geographical locations of customers are mainly on the PRC and Hong Kong which accounted for 74% (2008: 93%) and 26% (2008: 7%), respectively, of the trade receivables at 31st December 2009.

The Group's credit risk on bank balances and bank deposits is limited because the counterparties are banks with good reputation.

Except for a financial asset designated at FVTPL of approximately HK$2,680.6 million (31.12.2008: Nil) set out in note 27 and an advance to the vendor of an investment project in the PRC of approximately HK$1,301.7 million (31.12.2008: HK$1,206.1 million), which accounted for 78% (31.12.2008: Nil) and 41% (31.12.2008: 49%) of the Group's investments and other receivables, respectively, as at 31st December 2009, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Company has concentration of credit risk in relation to the amounts due from five subsidiaries which account for 88% (31.12.2008: 83%) of the total amounts due from subsidiaries balance. The Company's credit risk position is monitored closely by management of the Company.

Liquidity risk

The Group's liquidity position is monitored closely by management of the Company. The following table details the Group's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at end of the reporting period. No contractual maturity for the interest rate swaps entered into by the Group is disclosed as the impact is considered insignificant.

	Weighted average interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at 31.12.2009
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP							
2009							
Non-interest bearing	–	2,046,616	274,863	1,553,432	173,629	4,048,540	4,048,540
Fixed interest rate instruments	2.92	–	–	343,809	104,043	447,852	435,143
Variable interest rate instruments	0.97	1,658	7,585	3,263,545	10,174,454	13,447,242	13,192,581
		2,048,274	282,448	5,160,786	10,452,126	17,943,634	17,676,264
Financial guarantee contracts	–	1,672,098	–	–	–	1,672,098	–

	Weighted average interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at 31.12.2008
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (restated)
THE GROUP							
2008							
Non-interest bearing	–	2,450,184	560,992	3,111,688	25,728	6,148,592	6,148,592
Fixed interest rate instruments	3.21	–	–	901,318	2,228,248	3,129,566	3,032,099
Variable interest rate instruments	1.08	300,127	5,330	2,745,215	3,785,350	6,836,022	6,621,995
		2,750,311	566,322	6,758,221	6,039,326	16,114,180	15,802,686
Financial guarantee contracts	–	1,276,998	–	–	–	1,276,998	–

	Weighted average interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at 31.12.2009
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY							
2009							
Non-interest bearing	–	8,570	–	4,067	6,388,571	6,401,208	6,401,208
Financial guarantee contracts	–	10,967,000	–	–	–	10,967,000	–

	Weighted average interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000
THE COMPANY							
2008							
Non-interest bearing	–	7,541	–	1,801,805	–	1,809,346	1,809,346
Financial guarantee contracts	–	6,050,000	–	–	–	6,050,000	–

The amounts included above for financial guarantee contracts are the maximum amounts the Group and the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group and the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(d) Fair Value

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of the financial asset at FVTPL under the Transaction is determined based on a discounted cash flows analysis using a discount factor estimated by reference to the credit rating of the counterparty and the remaining time to maturity;
- the fair value of other financial assets designated at fair value through profit or loss are determined by reference to bid prices quoted in active markets or prices provided by the respective issuing banks or financial institutions using valuation technique; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost, except for held-to-maturity investments (see note 27), in the consolidated financial statements approximate to their fair values.

Fair Value Measurements Recognised in the Consolidated Statement of Financial Position (including those classified as part of a disposal group)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31.12.2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVTPL				
Listed convertible bonds / debentures	142,385	–	–	142,385
Non-derivative financial assets held for trading	26,221	–	–	26,221
Others	–	–	2,680,600	2,680,600
Available-for-sale financial assets				
Listed equity securities	453,532	–	–	453,532
Total	622,138	–	2,680,600	3,302,738

Reconciliation of Level 3 fair value measurement of financial assets:

	Others
	HK$'000
At 1st January 2009	–
Acquisition of a subsidiary *(note 41B)*	2,271,695
Change in fair value recognised in profit or loss (included in net investment income)	408,905
At 31st December 2009	2,680,600

3. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

SIH is committed to optimising its business structure and strengthening its core business, with a focus on the infrastructure facilities, real estate and consumer products segments, making them the key growth drivers and sources of income of SIH in the future.

Infrastructure Facilities

Although China's toll roads have been in operation for more than a decade, toll road operation remains a highly regulated industry, where provincial governments the concession right of oversee toll road ownership, toll fees and operational standards. Upon completion of the acquisition of the concession right of Hu-Yu Expressway (Shanghai Section) which is scheduled to be made in May this year, SIH will altogether operate three toll roads in Shanghai. With operating rights on Shanghai's three major toll roads, SIH accounted for about 40% of all expressway toll revenues in Shanghai as at the end of February 2010.

Traffic growth is the most powerful earnings growth driver for the toll road operators. The correlation between traffic growth and gross domestic product (GDP) growth in China has recently been strong. China's real GDP has increased at a compound annual growth rate (CAGR) of 11% since 2003 and Shanghai's at 12%.

Looking ahead into the business prospects of 2010 for toll road operations in China, as increases in toll rates are controlled by provincial governments, there can be no assurance that there will be an increase in toll rates. However, with the upcoming Shanghai World Expo in May 2010 (which will last till 31 October 2010), an estimated 70 million visitors are expected in Shanghai. Traffic flows are expected to increase significantly over the duration of the Shanghai World Expo.

SIH's water supply and sewage treatment business in 2009 recorded a revenue of HK$638 million, representing an increase of 8.6% compared to 2008. Two-thirds of the larger cities in China suffer from water shortages which might limit the country's economic growth. At the same time, rapid urbanisation has fuelled growth for sewage treatment services. Therefore, SIH is looking to expand through both organic growth and making acquisitions in China. SIH completed its acquisition of share interest in Asia Water Technology Ltd., whose water treatment business is mainly focused in Hubei, China.

Real Estate

The China property sector in general had a strong rally during 2009. Profit generated from SIH's real estate sector had a significant increase of 66.2% compared with 2008 to HK$731 million.

SIH's property portfolio is concentrated in Shanghai and nearby areas, with approximately 75% of its land bank in Shanghai. Looking ahead into 2010, the Shanghai property market is well positioned for a variety of reasons, and in particular as favorable supply and demand dynamics are still intact, it is expected that this will generate new home sales and strong demand for mortgage loan in China.

As for SIH's hotel business, price competition among high-end hotels in Shanghai intensified in the first quarter of 2009 is affected by reduced demand from overseas visitors. Room rates at the Four Seasons Hotel Shanghai remained at a high level compared to its peers and ranked third in the city. The Shanghai World Expo is expected to be a positive catalyst for the hotel business in 2010.

The acquisition of Neo-China will be particularly meaningful for SIH's real estate future prospects. SIH will significantly increase its land bank by 2.7 times, from 3.4 million square metres to 10.7 million square metres following the completion of the acquisition of Neo-China. Further, the acquisition of Neo-China will enhance SIH's distribution channels, and allow it to establish itself as a developer in the coastal region of China following on from its previous strategy of building a property portfolio in the Yangtze River Delta with a focus in Shanghai. It will also widens SIH's current product base, as Neo-China is more focused on mid-low end residential products which SIH does not involve.

Consumer Products

With the disposal of Bright Dairy and Food Co., Ltd. and Lianhua Supermarket Holdings Co., Ltd. in 2009, SIH's consumer base is dependent on two business areas: Nanyang Tobacco and Wing Fat Printing.

With the public becoming more health-conscious and the implementation of more stringent government anti-smoking measures, tobacco sales volume has come under pressure. However, China remains one of the few countries in the world which the tobacco industry can look to with any degree of optimism. This is mainly because the anti-smoking campaign in China lags behind the developed nations. Nanyang Tobacco's 2009 profit reached HK$500 million, representing an increase of 12.4% when compared to 2008.

A positive growth is expected in Nanyang Tobacco's total revenue. Although smoking restrictions will gradually become tougher in China due to the implementation of a smoking ban in public places and an increase in cigarette taxes, which will deter some from smoking, structural changes in the industry, such as growing demand for premium cigarettes for women and some younger smokers in China, should drive positive value growth in the business over the short to medium term.

For Wing Fat Printing, in 2009 the recovery of the containerboard market and the stable growth of its packaging business saw Wing Fat Printing's net profit increased by 32.5% when compared to 2008. Despite this, the growth prospect for the business in 2010 is expected to be in line with SIH's tobacco business, as cigarette packing for Nanyang Tobacco accounts for nearly a quarter of Wing Fat Printing's total sales, providing stable revenue. In addition, with its recent expansion of business into the production of carton boards and paper trading, a healthy profit growth for Wing Fat Printing is expected in 2010.

(I) The following is an extract of a report on Neo-China received from CCIF CPA Limited from the 2008 annual report of Neo-China.

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

To the shareholders of
Neo-China Land Group (Holdings) Limited
(formerly known as "Neo-China Group (Holdings) Limited")
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Neo-China Land Group (Holdings) Limited (formerly known as "Neo-China Group (Holdings) Limited") (the "Company") set out on pages 44 to 174, which comprise the consolidated balance sheet as at 30 April 2008, and the consolidated income statement, 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 financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. 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 financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 April 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 22 August 2008

Yau Hok Hung
Practising Certificate Number P04911

CONSOLIDATED INCOME STATEMENT
For the year ended 30 April 2008 (Expressed in Hong Kong dollars)

	Note	2008 HK$'000	2007 HK$'000 (restated)
Turnover	3	5,029,260	2,779,845
Cost of sales		(4,060,574)	(2,237,616)
Gross profit		968,686	542,229
Other revenue	4	73,455	33,823
Other net income	4	416,528	39,270
Net valuation gain on investment properties	13	111,281	214,700
Fair value gain on transfer of completed properties held for sale to investment properties		972,403	323,083
Distribution and selling expenses		(299,321)	(90,604)
General and administrative expenses		(342,642)	(197,145)
Profit from operations		1,900,390	865,356
Finance costs	5(a)	(268,363)	(81,402)
Share of losses of associates		(3,853)	(5,258)
Gain on disposal of subsidiaries	34(b)	47,660	283,247
Gain on disposal of partial interests in subsidiaries	34(c)	699,680	–
Impairment loss on assets of a disposal group classified as held for sale		–	(20,000)
Profit before taxation	5	2,375,514	1,041,943
Income tax	6(a)	(808,990)	(223,703)
Profit for the year		1,566,524	818,240
Attributable to:			
Equity shareholders of the Company		1,550,486	833,319
Minority interests		16,038	(15,079)
Profit for the year		1,566,524	818,240
Dividends payable to equity shareholders of the Company attributable to the year:	10		
Interim dividend declared during the year		19,456	96,156
Final dividend proposed after the balance sheet date		272,390	90,453
		291,846	186,609
Earnings per share	11		
Basic		84.23 HK cents	58.69 HK cents
Diluted		68.19 HK cents	52.72 HK cents

CONSOLIDATED BALANCE SHEET

As at 30 April 2008 (Expressed in Hong Kong dollars))

		2008		2007	
	Note	*HK$'000*	*HK$'000*	*HK$'000* (restated)	*HK$'000* (restated)
Non-current assets					
Investment properties	*13*		3,395,620		1,475,834
Other property, plant and equipment	*14*		780,553		137,933
Interests in associates	*15*		1,445,771		–
Deposits for acquisition of subsidiaries	*16*		–		255,170
Restricted bank deposits	*17(a)*		104,495		84,125
Derivative financial instrument – Redemption Right of the Issuer	*28*		46,000		20,000
Deferred tax assets	*25(b)*		25,186		15,739
			5,797,625		1,988,801
Current assets					
Inventories	*18*	15,811,195		8,675,001	
Investments in securities held for trading	*19*	1,486		–	
Available-for-sale investment	*19*	–		90,900	
Trade and other receivables	*20*	1,458,957		1,553,555	
Income tax recoverable	*25(a)*	119,224		133,300	
Restricted bank deposits	*17(b)*	11,100		10,100	
Cash and cash equivalents	*21*	4,363,937		1,411,472	
		21,765,899		11,874,328	
Assets of a disposal group classified as held for sale	*22*	–		281,002	
		21,765,899		12,155,330	
Current liabilities					
Trade and other payables	*23*	3,928,235		1,320,712	
Pre-sale receipts from customers	*24*	2,727,406		1,921,783	
Bank borrowings	*26*	541,491		671,700	
Loan payables	*27*	2,394,346		170,422	
Derivative financial instrument – Warrants	*29*	158,000		–	
Income tax payable	*25(a)*	963,455		407,496	
Dividend payable		4,360		9	
		10,717,293		4,492,122	

	Note	2008 HK$'000	2008 HK$'000	2007 HK$'000 (restated)	2007 HK$'000 (restated)
Liabilities directly associated with assets of a disposal group classified as held for sale	22	–		39,035	
		10,717,293		4,531,157	
Net current assets			11,048,606		7,624,173
Total assets less current liabilities			16,846,231		9,612,974
Non-current liabilities					
Bank borrowings	26	2,772,558		1,401,880	
Loan payables	27	–		458,174	
Convertible notes	28	939,480		1,254,074	
Senior notes	29	2,897,838		–	
Derivative financial instrument – Redemption Right of the Holder	28	34,000		53,000	
Deferred tax liabilities	25(b)	1,123,032		934,295	
			7,766,908		4,101,423
NET ASSETS			9,079,323		5,511,551
CAPITAL AND RESERVES	30				
Share capital			77,826		68,754
Reserves			8,296,226		4,890,077
Total equity attributable to equity shareholders of the Company			8,374,052		4,958,831
Minority interest			705,271		552,720
TOTAL EQUITY			9,079,323		5,511,551

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2008 (Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company												
	Share capital	Share premium	Contributed surplus	Convertible notes equity reserve	Share options reserve	Investment revaluation reserve	Other revaluation reserve	Special reserve	Exchange reserve	Retained profits	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2006	40,793	1,605,048	–	11,234	4,287	–	–	(13,813)	4,255	(260,102)	1,391,702	149,699	1,541,401
Exchange differences on translation into presentation currency	–	–	–	–	–	–	–	–	119,427	–	119,427	12,523	131,950
Changes in fair value of available-for-sale investments	–	–	–	–	–	57,927	–	–	–	–	57,927	–	57,927
Deferred tax liability on changes in fair value of available-for-sale investments	–	–	–	–	–	(8,080)	–	–	–	–	(8,080)	–	(8,080)
Net income recognised in equity	–	–	–	–	–	49,847	–	–	119,427	–	169,274	12,523	181,797
Transfer to profit or loss on sales of properties	–	–	–	–	–	–	(52,433)	31,272	(285)	–	(21,446)	–	(21,446)
Transfer to retained profits upon forfeiture of share options	–	–	–	–	(957)	–	–	–	–	957	–	–	–
Profit for the year	–	–	–	–	–	–	–	–	–	833,319	833,319	(15,079)	818,240
Total recognised income and expense for the year	–	–	–	–	(957)	49,847	(52,433)	31,272	119,142	834,276	981,147	(2,556)	978,591
Shares issued under a private placement	6,880	771,936	–	–	–	–	–	–	–	–	778,816	–	778,816
Shares issued under conversion of convertible notes	4,000	106,541	–	(11,234)	–	–	–	–	–	–	99,307	–	99,307
Shares issued for the acquisition of subsidiaries	17,081	1,201,521	–	–	–	–	–	–	–	–	1,218,602	–	1,218,602
Transaction costs attributable to issue of shares	–	(11,108)	–	–	–	–	–	–	–	–	(11,108)	–	(11,108)
Recognition of equity component of convertible notes	–	–	–	99,662	–	–	–	–	–	–	99,662	–	99,662
Deferred tax liability on recognition of equity component of convertible notes	–	–	–	(31,830)	–	–	–	–	–	–	(31,830)	–	(31,830)
Capital contribution received by non-wholly-owned subsidiaries from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	45,000	45,000
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	571,053	571,053
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	(40,528)	–	–	(40,528)	(210,476)	(251,004)
Revaluation reserve recognised upon acquisition of subsidiaries from interest in associates	–	–	–	–	–	–	140,228	–	–	–	140,228	–	140,228
Equity settled share-based transactions	–	–	–	–	97,840	–	–	–	–	–	97,840	–	97,840
Deemed contribution (restated)	–	–	331,149	–	–	–	–	–	–	–	331,149	–	331,149
Dividend declared in respect of the current year *(note 10)*	–	–	–	–	–	–	–	–	–	(96,156)	(96,156)	–	(96,156)
At 30 April 2007	68,754	3,673,938	331,149	67,832	101,170	49,847	87,795	(23,069)	123,397	478,018	4,958,831	552,720	5,511,551

	Attributable to equity shareholders of the Company												
	Share capital	Share premium	Contributed surplus	Convertible notes equity reserve	Share options reserve	Investment revaluation reserve	Other revaluation reserve	Special reserve	Exchange reserve	Retained profits	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2007	68,754	3,673,938	331,149	67,832	101,170	49,847	87,795	(23,069)	123,397	478,018	4,958,831	552,720	5,511,551
Exchange differences on translation into presentation currency	–	–	–	–	–	–	–	–	614,857	–	614,857	40,379	655,236
Changes in fair value of available-for-sale investments	–	–	–	–	–	4,018	–	–	–	–	4,018	–	4,018
Reversal of deferred tax liability on changes in fair value of available-for-sale investments	–	–	–	–	–	8,080	–	–	–	–	8,080	–	8,080
Deferred tax effect on equity component of convertible notes	–	–	–	7,993	–	–	–	–	–	–	7,993	–	7,993
Net income recognised in equity	–	–	–	7,993	–	12,098	–	–	614,857	–	634,948	40,379	675,327
Transfer to profit or loss on sales of properties	–	–	–	–	–	–	(41,254)	23,069	–	–	(18,185)	–	(18,185)
Transfer to profit or loss on disposal of available-for-sale investments	–	–	–	–	–	(61,945)	–	–	–	–	(61,945)	–	(61,945)
Profit for the year	–	–	–	–	–	–	–	–	–	1,550,486	1,550,486	16,038	1,566,524
Total recognised income and expense for the year	–	–	–	7,993	–	(49,847)	(41,254)	23,069	614,857	1,550,486	2,105,304	56,417	2,161,721
Shares issued under conversion of convertible notes	2,811	440,864	–	(31,460)	–	–	–	–	–	–	412,215	–	412,215
Shares issued for the acquisition of subsidiaries	6,076	1,377,583	–	–	–	–	–	–	–	–	1,383,659	–	1,383,659
Shares issued under exercise of share options	185	23,166	–	–	(6,551)	–	–	–	–	–	16,800	–	16,800
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	131,083	131,083
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(48,335)	(48,335)
Disposal of partial interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	13,386	13,386
Equity settled share-based transactions	–	–	–	–	92,942	–	–	–	–	–	92,942	–	92,942
Deemed distribution	–	–	(331,149)	–	–	–	–	–	–	(154,641)	(485,790)	–	(485,790)
Dividend approved in respect of the previous year	–	–	–	–	–	–	–	–	–	(90,453)	(90,453)	–	(90,453)
Dividend declared in respect of the current year *(note 10)*	–	–	–	–	–	–	–	–	–	(19,456)	(19,456)	–	(19,456)
At 30 April 2008	77,826	5,515,551	–	44,365	187,561	–	46,541	–	738,254	1,763,954	8,374,052	705,271	9,079,323

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 April 2008 (Expressed in Hong Kong dollars)

	Note	2008 HK$'000	2008 HK$'000	2007 HK$'000 (restated)	2007 HK$'000 (restated)
Operating activities					
Profit before taxation		2,375,514		1,041,943	
Adjustments for:					
Net valuation gain on investment properties	*13*	(111,281)		(214,700)	
Fair value gain on transfer of completed properties held for sale to investment properties		(972,403)		(323,083)	
Depreciation	*5(c)*	10,792		3,270	
Impairment loss on assets classified as held for sale		–		20,000	
Finance costs	*5(a)*	268,363		81,402	
Interest income	*4*	(28,721)		(18,845)	
Dividend income from unlisted investments held for trading	*4*	(37,366)		(14,286)	
Gain on disposal of investment properties	*4*	(32,453)		–	
Changes in fair values of derivative financial instruments	*4*	(48,802)		(436)	
Gain on disposal of subsidiaries	*34(b)*	(47,660)		(283,247)	
Gain on disposal of partial interests in subsidiaries	*34(c)*	(699,680)		–	
Gain on disposal of other investments		–		(149)	
Share of losses of associates		3,853		5,258	
Transfer from equity on disposal of available-for-sale investments	*4*	(61,945)		–	
Transfer from equity on sales of properties		(18,185)		(21,161)	
Equity-settled share-based payment expenses	*5(b)*	92,942		97,840	
Foreign exchange (gain)/ loss		(51,604)		–	

	Note	2008 HK$'000	2008 HK$'000	2007 HK$'000 (restated)	2007 HK$'000 (restated)
Operating profit before changes in working capital		641,364		373,806	
Increase in inventories		(970,109)		(941,176)	
Decrease in trade and other receivables		279,538		459,753	
Increase in trade and other payables		268,936		118,144	
Increase/(decrease) in pre-sale receipts from customers		615,347		(926,857)	
Cash generated from operations		835,076		(916,330)	
Tax paid					
The People's Republic of China (the "PRC") Income Tax paid		(121,031)		(173,459)	
Land Appreciation Tax paid		(52,074)		(5,740)	
Net cash generated from/(used in) operating activities			661,971		(1,095,529)
Investing activities					
Payments for acquisition of subsidiaries, net of cash acquired	*33(d)*	(4,336,032)		(763,032)	
Payments for acquisition of additional interests in subsidiaries		–		(249,900)	
Deposits paid for acquisition of subsidiaries		–		(230,337)	
Advances to subsidiaries prior to acquisitions		(260,146)		(222,552)	
Proceeds from disposal of subsidiaries	*34(b)*	188,595		64,623	
Proceeds from disposal of partial interests in subsidiaries	*34(c)*	888,000		–	
Payments for acquisition of associates		(1,142,607)		–	
Payment for acquisition of additional interest in an associate		–		(128,713)	

	Note	2008 HK$'000	2008 HK$'000	2007 HK$'000 (restated)	2007 HK$'000 (restated)
(Advances to)/repayments from associates		(6,856)		135,696	
Payments for the acquisition of investment properties		–		(62,290)	
Payments for purchases of other property, plant and equipment		(21,271)		(35,935)	
Proceeds from disposal of investment properties		147,300		–	
Increase in restricted bank deposits		(12,041)		(5,869)	
Advances to related companies		–		(2,397)	
Decrease in long-term receivable		–		272,661	
Increase in investments in securities held for trading		(1,486)		–	
Proceeds from sale of available-for-sale investments		94,918		9,620	
Interest received		28,721		18,845	
Dividend received from unlisted investments in securities held for trading		37,366		14,286	
Net cash used in investing activities			(4,395,539)		(1,185,294)
Financing activities					
Proceeds from new bank loans		1,890,360		1,565,651	
Repayments of bank loans		(530,301)		(492,038)	
Increase in loan payables		1,464,791		420,110	
Repayments to former shareholders of the Company's subsidiaries		(171,945)		–	
Repayment to a shareholder		–		(1,488)	
Repayments to related companies		(132,510)		–	
Advances from associates		75,816		–	
Advances from minority shareholders		1,246,984		53,081	
Proceeds on issue of convertible notes		–		1,340,000	

	Note	2008 HK$'000	2008 HK$'000	2007 HK$'000 (restated)	2007 HK$'000 (restated)
Expenses on issue of convertible notes		–		(48,787)	
Proceeds from issue of senior notes		3,120,000		–	
Expenses on issue of senior notes		(78,904)		–	
Proceeds from issue of shares		16,800		778,816	
Expenses on issue of shares		–		(11,108)	
Capital injection by minority shareholders		–		45,000	
Interest paid		(296,728)		(83,014)	
Dividends paid to equity shareholders of the Company		(105,558)		(119,268)	
Net cash generated from financing activities			6,498,805		3,446,955
Net increase in cash and cash equivalents			2,765,237		1,166,132
Cash and cash equivalents at the beginning of the year	*21*		1,490,701		315,664
Effect of foreign exchange rate changes			107,999		8,905
Cash and cash equivalents at the end of the year	*21*		4,363,937		1,490,701

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2008 (Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

(i) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see note 1(f)); and

– financial instruments classified as available-for-sale or as trading investments (see note 1(d)); and

– derivative financial instruments (see note 1(e)).

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(v)).

(ii) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries and associates are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Renminbi ("RMB"). For the purposes of presenting the consolidated financial statements, the Group adopted Hong Kong dollars as its presentation currency for the convenience of the readers.

(iii) Use of estimates and judgement

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 40.

(c) Basis of consolidation

The consolidated financial statements for the year ended 30 April 2008 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

(i) Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for noncurrent assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell (see note 1(v)).

(ii) Acquisition of subsidiaries and businesses under common control

Acquisition of subsidiaries and businesses under common control are accounted for using the purchase method of accounting. The shortfall of the cost of the business combination below the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities are recognised as deemed contribution from the controlling shareholder as an adjustment to the contributed surplus in equity. The excess of the cost of the business combination over the Group's interest in the net fair value of the identified assets, liabilities and contingent liabilities are recognised as deemed distribution to the controlling shareholder as an adjustment to the contributed surplus in equity.

(iii) Acquisition of additional interests in subsidiaries

Goodwill arising on the acquisition of additional interests in subsidiaries represents the excess of the cost of the acquisition over the fair value of the net assets attributable to the additional interests in the subsidiaries. The difference between the fair values and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is debited directly to the special reserve.

(iv) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

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

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1 (l), (m) or (n) depending on the nature of the liability.

(v) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investments in associates recognised for the year (see note 1(c)(vi) and (j)).

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

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

(vi) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(j)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(d) Other investments in debt and equity securities

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

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

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(s)(iii) and (iv).

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

Investments in securities, which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(s)(iii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 1(s)(iv). When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

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

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet due the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss.

(f) Investment properties

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

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(s)(ii).

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

Property that is being constructed or developed for future use as investment property is classified as property under development and stated at cost until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

(g) Other property, plant and equipment

Other items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation (see below) and impairment losses (see note 1(j)).

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

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

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Leasehold improvements	5 years
–	Furniture and fixtures	3 – 5 years
–	Computer and office equipment	3 years
–	Motor vehicles	5 – 8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress comprises direct costs of construction during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the relevant class of property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

(h) Leased assets

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

(i) Classification of assets leased to the Group

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

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

(ii) Operating lease charges

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

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

(i) Trade and other receivables

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

(j) Impairment of assets

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

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

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

– For unlisted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

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

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

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

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

(ii) Impairment of other assets

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

– property, plant and equipment

– investments in subsidiaries and associates (except for those classified as being held for sale (or included in a disposal group that is classified as held for sale)) (see note 1(v)); and

– goodwill

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

Calculation of recoverable amount

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

Recognition of impairment losses

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

Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, "Interim financial reporting", in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

(i) Property under development for sale

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

(ii) Completed property held for resale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(l) Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain a liability component, an equity component and an embedded derivative which is not closely related to the host contract.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. The equity component is recognised initially as the difference between the proceeds of the issue of the convertible notes and the fair values of the liability component and the embedded derivative. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components and the embedded derivative in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible note equity reserve until either the note is converted or redeemed.

If the note is converted, the convertible note equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible note equity reserve is released directly to retained profits.

The embedded derivative is measured in accordance with note 1(e).

(m) Interest-bearing borrowings

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

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

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

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plan

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

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share options reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share options reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share options reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

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

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

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

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

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(r)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 1(r)(iii).

(iii) Other provisions and contingent liabilities

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

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

(s) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of properties

Revenue arising from the sale of properties held for sale is recognised in profit or loss when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to purchasers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from sales of properties excludes business tax and is after deduction of any trade discount. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under pre-sale receipts from customers.

(ii) Rental income from operating leases

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

(iii) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

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

(v) Government grants

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

(t) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

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

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

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

For the purposes of presenting the consolidated financial statements, the results of the Group's operations not denominated in Hong Kong dollars are translated into Hong Kong dollars, i.e. the presentation currency of the Group, at the average exchange rates for the year. Balance sheet items, including goodwill on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. On disposal of a foreign operation, the cumulative amount of exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(v) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group are concerned are deferred tax assets, financial assets which have already been carried at fair value with changes in fair value recognised in profit or loss and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(w) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is a subsidiary, an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format. As the operation of the Group are all in the People's Republic of China (the "PRC"), no geographical segment information is presented for the purpose of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables, investment properties and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

2. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF PRIOR PERIODS AND OPENING BALANCES

(a) Change in accounting policies

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7 "*Financial instruments: Disclosures*" and the amendment to HKAS 1 "*Presentation of financial statements: Capital disclosures*", there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32 "*Financial instruments: Disclosure and presentation*". These disclosures are provided throughout these financial statements, in particular in note 32.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital. These new disclosures are set out in note 30(e).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 41).

(b) Restatement of prior periods and opening balances

In prior years, the Group classified Land Appreciation Tax in the People's Republic of China (the" PRC") as part of cost of sales, with the related prepaid Land Appreciation Tax included in trade and other receivables and Land Appreciation Tax payable included in trade and other payables.

In September 2007, the HKICPA's Financial Reporting Standards Committee has clarified that the Land Appreciation Tax is a form of income tax and is within the scope of HKAS 12 "Income Taxes". Accordingly, Land Appreciation Tax charge has been reclassified from cost of sales to income tax expense on the consolidated income statement and the related prepaid Land Appreciation Tax and Land Appreciation Tax payable shall be grouped under income tax recoverable and income tax payable on the face of the consolidated balance sheet.

These changes in accounting treatment have been adjusted retrospectively by restating the comparative information for the year.

The financial statements for the year ended 30 April 2008 include a restatement of the 2007 financial statements to the effect of the change in accounting treatment described above. The effects of the restatement on the 2007 financial statements are summarised below:

Effect on the consolidated financial statements

Consolidated income statements for the year ended 30 April 2007

	2007 *HK$'000* (as previously reported)	**Effect of restatement: increase/(decrease)** **Reclassification** *HK$'000*	**2007** *HK$'000* (as restated)
Turnover	2,779,845	–	2,779,845
Cost of sales	(2,438,229)	200,613	(2,237,616)
Gross profit	341,616	200,613	542,229
Other revenue	33,823	–	33,823
Other net income	39,270	–	39,270
Net valuation gain on investment properties	214,700	–	214,700
Fair value gain on transfer of completed properties held for sale to investment properties	323,083	–	323,083
Distribution and selling expenses	(90,604)	–	(90,604)
General and administrative expenses	(197,145)	–	(197,145)
Profit from operations	664,743	200,613	865,356
Finance costs	(81,402)	–	(81,402)
Share of profits less losses of associates	(5,258)	–	(5,258)
Gain on disposals of subsidiaries	283,247	–	283,247
Impairment loss on assets of a disposal group classified as held for sale	(20,000)	–	(20,000)
Profit before taxation	841,330	200,613	1,041,943
Income tax	(23,090)	(200,613)	(223,703)
Profit for the year	818,240	–	818,240
Attributable to:			
Equity shareholders of the Company	833,319	–	833,319
Minority interests	(15,079)	–	(15,079)
Profit for the year	818,240	–	818,240

Consolidated balance sheet at 30 April 2007

	2007	Effect of restatement: increase/(decrease) Reclassification	2007
	HK$'000 (as previously reported)	*HK$'000*	*HK$'000* (as restated)
Non-current assets			
Investment property	1,475,834	–	1,475,834
Other property, plant and equipment	137,933	–	137,933
Interest in associate	–	–	–
Deposit for acquisition of subsidiaries	255,170	–	255,170
Restricted bank deposits	94,225	(10,100)	84,125
Derivative financial instrument	20,000	–	20,000
Deferred tax assets	15,739	–	15,739
	1,998,901	(10,100)	1,988,801
Current assets			
Inventories	8,675,001	–	8,675,001
Available-for-sale investments	90,900	–	90,900
Trade and other receivables	1,562,948	(9,393)	1,553,555
Income tax recoverable	123,907	9,393	133,300
Restricted bank deposits	–	10,100	10,100
Cash and cash equivalents	1,411,472	–	1,411,472
	11,864,228	10,100	11,874,328
Assets of a disposal group classified as held for sale	281,002	–	281,002
	12,145,230	10,100	12,155,330
Current liabilities			
Trade and other payables	1,526,984	(206,272)	1,320,712
Pre-sale receipts from customers	1,921,783	–	1,921,783
Bank borrowings	671,700	–	671,700
Loan payables	170,422	–	170,422
Income tax payable	201,224	206,272	407,496
Dividend payable	9	–	9
	4,492,122	–	4,492,122
Liabilities directly associated with assets of a disposal group classified as held for sale	39,035	–	39,035
	4,531,157	–	4,531,157

	2007	Effect of restatement: increase/(decrease) Reclassification	2007
	HK$'000	*HK$'000*	*HK$'000*
	(as previously reported)		(as restated)
Net current assets	7,614,073	10,100	7,624,173
Total assets less current liabilities	9,612,974	–	9,612,974
Non-current liabilities			
Bank borrowings	1,401,880	–	1,401,880
Loan payables	458,174	–	458,174
Convertible notes	1,254,074	–	1,254,074
Derivative financial instrument	53,000	–	53,000
Deferred tax liabilities	934,295	–	934,295
	4,101,423	–	4,101,423
NET ASSETS	5,511,551	–	5,511,551
CAPITAL AND RESERVES			
Share capital	68,754	–	68,754
Contributed surplus	331,149	–	331,149
Exchange reserve	123,397	–	123,397
Other reserves	4,435,531	–	4,435,531
Total equity attributable to equity shareholders of the Company	4,958,831	–	4,958,831
Minority interest	552,720	–	552,720
TOTAL EQUITY	5,511,551	–	5,511,551

Such change in accounting treatment had no significant impact to the financial position of the Group prior to 1 May 2006.

3. TURNOVER

The principal activities of the Group are property development and property investment.

Turnover represents revenue from sale of property units (net of business tax) and rental income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2008	2007
	HK$'000	*HK$'000*
Revenue from sale of property	5,018,642	2,779,642
Gross rentals from investment properties	10,618	203
	5,029,260	2,779,845

4. OTHER REVENUE AND NET INCOME

	2008	2007
	HK$'000	*HK$'000*
Other revenue		
Interest income from bank deposits	28,721	6,749
Interest income from loan to an associate	–	5,494
Other interest income	–	6,602
Total interest income on financial assets not at fair value through profit or loss	28,721	18,845
Dividend income from unlisted investments held for trading	37,366	14,286
Bad debts recovered	4,793	–
PRC government subsidies	765	545
Forfeiture of customers' deposits	496	–
Others	1,314	147
	73,455	33,823
Other net income		
Net gain on disposal of investment properties	32,453	–
Available-for-sale investments: transfer from equity – on disposal	61,945	–
Changes in fair values of derivative financial instruments	48,802	436
Exchange gain on convertible notes	108,355	24,291
Exchange gain on senior notes	97,595	–
Other net exchange gain	67,378	14,394
Others	–	149
	416,528	39,270

5. PROFIT BEFORE TAXATION

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

	2008	2007
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	158,748	88,842
Interest on bank borrowings wholly repayable after five years	17,163	–
Interest on loan payables	238,722	37,712
Interest on convertible notes	97,622	96,007
Interest on senior notes	254,128	–
Interest on loan from a minority shareholder	6,241	–
Interest on amount due to a related company	–	5,770
Total interest expense on financial liabilities not at fair value through profit or loss	772,624	228,331
Less: interest expense capitalised into properties under development*	(504,261)	(146,929)
	268,363	81,402

* The borrowing costs have been capitalised at a rate of 5.91% – 19.66% (2007: 7.48%) per annum.

		2008	2007
		HK$'000	*HK$'000*
			(restated)
(b)	Staff costs:		
	Contributions to defined contribution retirement plans	3,290	1,571
	Equity-settled share-based payment expense	92,942	97,840
	Salaries, wages and other benefits	103,314	38,980
		199,546	138,391
	Less: Staff costs capitalised into properties under development	(22,914)	(10,081)
		176,632	128,310
(c)	Other items:		
	Depreciation	11,163	3,712
	Less: depreciation capitalised into properties under development	(371)	(442)
		10,792	3,270
	Operating lease charges: minimum lease payments		
	– property rentals	11,219	5,464
	Auditors' remuneration		
	– audit services	3,500	3,131
	– other services	720	6,664
	Cost of properties sold	4,060,574	2,237,616

6. INCOME TAX IN THE INCOME STATEMENT

(a) Taxation in the income statement represents:

	2008	2007
	HK$'000	*HK$'000*
		(restated)
Current tax		
Provision for the year		
– PRC Enterprise Income Tax	440,378	171,678
– Land Appreciation Tax	265,112	200,613
	705,490	372,291
Deferred tax		
Origination and reversal of temporary differences		
– Current year	102,114	(24,915)
– Attributed to a change in tax rate	1,386	(123,673)
	103,500	(148,588)
	808,990	223,703

The provision for income tax comprised PRC Enterprise Income Tax and Land Appreciation Tax.

No provision for Hong Kong Profits Tax has been made in the consolidated income statement as the Group did not derive any assessable profits in Hong Kong for the years ended 30 April 2007 and 2008.

The provision for PRC Enterprise Income Tax for the Company's subsidiaries in the PRC is based on PRC Enterprise Income Tax rates of 15% to 33% of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC on or before 31 December 2007.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law") which takes effect on 1 January 2008. As a result of the New Tax Law, the PRC Enterprise Income Tax rate applicable to the Company's subsidiaries in the PRC except for Shenzhen Phoenix Real Estates Co., Ltd. is reduced from 33% to 25%, while that applicable to Shenzhen Phoenix Real Estates Co., Ltd. increases gradually from 15% to standard rate of 25% over a five-year transitional period commencing from January 2008.

In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is charged on the appreciated amount of the properties developed by the Group for sale in the PRC at progressive rates

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2008	**2007**
	HK$'000	*HK$'000*
		(restated)
Profit before taxation	2,375,514	1,041,943
Notional tax on profit before taxation calculated at the rates applicable to profits in the tax jurisdictions concerned	593,878	343,841
Tax effect of Land Appreciation Tax deductible for PRC Enterprise Income Tax	(66,278)	(66,202)
Tax effect of non-deductible expenses	374,592	85,814
Tax effect of non-taxable income	(355,663)	(109,524)
Tax effect of unused tax losses not recognised	40,964	11,024
Tax effect of prior years' tax losses utilised this year	(5,276)	(6,280)
Income tax of concessionary rate	(36,925)	(113,415)
Decrease in deferred tax liabilities resulting from decrease in applicable tax rate	1,386	(123,673)
Others	(3,763)	(230)
Provision for Land Appreciation tax for the year	265,112	200,613
Tax effect of share of results of associates	963	1,735
Actual tax expense	808,990	223,703

7. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	2008					
	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Sub-total	Share-based payments (note)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Li Song Xiao	–	2,259	–	2,259	114	2,373
Liu Yi	–	1,251	–	1,251	4,916	6,167
Niu Xiao Rong	–	1,300	–	1,300	4,916	6,216
Yuan Kun	–	1,100	–	1,100	3,176	4,276
Liu Yan	–	910	–	910	8,491	9,401
Jia Bo Wei (appointed on 24 January 2008)	–	175	–	175	2,013	2,188
Lu Zhao Qun (appointed on 24 January 2008)	–	105	–	105	–	105
Bao Jing Tao (appointed on 24 January 2008)	–	105	–	105	201	306
Independent non-executive directors:						
Nie Mei Sheng	–	–	–	–	–	–
Zhang Qing Lin	–	–	–	–	–	–
Gao Ling	–	–	–	–	–	–
Lai Man Leung (appointed on 31 March 2008)	–	–	–	–	–	–
	–	7,205	–	7,205	23,827	31,032

Details of directors' remuneration are as follows:

	2007					
	Directors' fees	**Salaries, allowances and benefits in kind**	**Retirement scheme contributions**	**Sub-total**	**Share-based payments (note)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Li Song Xiao	–	2,028	4	2,032	262	2,294
Liu Yi	–	1,420	4	1,424	6,511	7,935
Niu Xiao Rong	–	1,100	4	1,104	6,511	7,615
Yuan Kun	–	900	4	904	4,108	5,012
Liu Yan (appointed on 31 July 2006)	–	770	4	774	10,736	11,510
Song Xuan (resigned on 15 June 2006)	–	–	–	–	1,395	1,395
Independent non-executive directors:						
Nie Mei Sheng	–	–	–	–	–	–
Zhang Qing Lin (appointed on 3 November 2006)	–	–	–	–	–	–
Gao Ling (appointed on 16 April 2007)	–	–	–	–	–	–
Wang Shi Yong (resigned on 16 April 2007)	–	–	–	–	–	–
Zheng Kuan (resigned on 3 November 2006)	–	–	–	–	–	–
	–	6,218	20	6,238	29,523	35,761

During the year, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any remuneration during the year.

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(p)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share options" in the directors' report and note 31.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2007: two) is director of the Company whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other four (2007: three) individuals are as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Salaries and other benefits	863	684
Share-based payments	41,046	39,070
Retirement schemes contributions	10	11
	41,919	39,765

The emoluments of four (2007: three) individuals with the highest emoluments are within the following bands:

	2008	**2007**
	No. of employees	*No. of employees*
HK$9,500,001 to HK$10,000,000	1	–
HK$10,000,001 to HK$10,500,000	1	–
HK$10,500,001 to HK$11,000,000	1	–
HK$11,000,001 to HK$11,500,000	1	–
HK$12,500,001 to HK$13,000,000	–	1
HK$13,500,001 to HK$14,000,000	–	2

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

9. EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "Schemes") organized by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at a rate ranging from 18% to 22% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

10. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2008	2007
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK1.0 cent per ordinary share (2007: HK6.0 cents)	19,456	96,156
Final dividend proposed after the balance sheet date of HK14.0 cents per ordinary share (2007: HK4.8 cents)	272,390	90,453
	291,846	186,609

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

Note: The figures for dividends per share have been adjusted by the effect of Share Consolidation. Further details for Share Consolidation are set out in note 30(b)(i).

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year.

	2008	2007
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK4.8 cents per ordinary share (2007: HK nil cents per ordinary share)	90,453	–

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$1,550,486,000 (2007: HK$833,319,000) and the weighted average number of 1,840,767,124 ordinary shares (2007 (restated): 1,419,831,298 ordinary shares) in issue during the year calculated as follows:

Weighted averaged number of ordinary shares

	2008	2007
		(restated)
Issued ordinary shares at 1 May	1,718,843,585	1,019,834,872
Effect of shares issued under a private placement	–	65,972,603
Effect of conversion of convertible notes	38,848,716	99,726,027
Effect of shares issued for acquisition of subsidiaries	80,420,588	234,297,796
Effect of share options exercised	2,654,235	–
Weighted average number of ordinary shares at 30 April	1,840,767,124	1,419,831,298

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share have been adjusted by the effect of Share Consolidation. Further details for Share Consolidation are set out in note 30(b)(i).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$1,410,830,000 (2007: HK$853,287,000) and the weighted average number of ordinary shares of 2,069,070,162 ordinary shares (2007 (restated): 1,618,619,511 ordinary shares) calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2008	**2007**
	HK$'000	*HK$'000*
Profit attributable to ordinary equity shareholders	1,550,486	833,319
After tax effect of effective interest on liability component of convertible notes	13,699	44,695
After tax effect of exchange gain on liability component of convertible notes	(108,355)	(24,291)
After tax effect of gains/losses recognised on the derivative component of convertible notes	(45,000)	(436)
Profit attributable to ordinary equity shareholders (diluted)	1,410,830	853,287

(ii) Weighted average number of ordinary shares (diluted)

	2008	**2007**
		(restated)
Weighted average number of ordinary shares at 30 April	1,840,767,124	1,419,831,298
Effect of conversion of convertible notes	183,772,228	197,888,183
Effect of deemed issue of shares under the Company's share option scheme Weighted average number of ordinary shares (diluted) at 30 April	44,530,810	900,030
	2,069,070,162	1,618,619,511

During the year ended 30 April 2008, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding warrants since the exercise would result in an increase in diluted earnings per share.

Note: The weighted average number of ordinary shares for the purpose of diluted earnings per share have been adjusted by the effect of Share Consolidation. Further details for Share Consolidation are set out in note 30(b)(i).

12. SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

As the operations of the Group are all in the PRC, no geographical segment information is presented.

Business segments

The Group comprises the following main business segments:

Property development: the development and sale of commercial and residential properties.

Property investment: the leasing of properties to generate rental income and to gain from the appreciation in the properties' values in the long term.

	Property development		Property investment		Unallocated		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)						(restated)
Revenue								
External sales	5,018,642	2,779,642	10,618	203	–	–	5,029,260	2,779,845
Result								
Segment result	1,441,913	720,667	172,265	208,737	–	–	1,614,178	929,404
Unallocated corporate income/(expenses), net							286,212	(64,048)
Profit from operations							1,900,390	865,356
Finance costs							(268,363)	(81,402)
Share of losses of associates							(3,853)	(5,258)
Gain on disposal of subsidiaries	47,660	283,247	–	–	–	–	47,660	283,247
Gain on disposal of partial interests in subsidiaries	699,680	–	–	–	–	–	699,680	–
Impairment loss on assets of a disposal group classified as held for sale							–	(20,000)
Income tax							(808,990)	(223,703)
Profit for the year							1,566,524	818,240
Other information								
Capital expenditure								
– acquisition of subsidiaries	2,441	7,767	–	560,924	962	90,000	3,403	658,691
– others	12,858	9,055	3,202	62,366	5,211	26,804	21,271	98,225
Depreciation	7,449	2,501	1,039	740	2,675	471	11,163	3,712
Valuation gain on investment properties	–	–	111,281	214,700	–	–	111,281	214,700
Fair value gain on transfer of completed properties held for sale to investment properties	972,403	323,083	–	–	–	–	972,403	323,083

	Property development		Property investment		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Segments assets	19,047,714	10,210,885	1,706,567	1,483,296	20,754,281	11,694,181
Unallocated corporate assets					6,809,243	2,449,950
Consolidated total assets					27,563,524	14,144,131
Liabilities						
Segment liabilities	6,250,145	3,133,869	62,070	172,669	6,312,215	3,306,538
Unallocated corporate liabilities					12,171,986	5,326,042
Consolidated total liabilities					18,484,201	8,632,580

13. INVESTMENT PROPERTIES

	2008	2007
	HK$'000	*HK$'000*
Balance at the beginning of year	1,475,834	–
Exchange adjustments	225,664	18,079
Additions		
– through acquisition of subsidiaries	–	560,924
– others	–	62,290
Transfer from completed properties held for sale	1,697,688	619,841
Disposals	(114,847)	–
Fair value adjustments	111,281	214,700
Balance at the end of year	3,395,620	1,475,834

(a) Valuation of investment properties

All the investment properties of the Group were stated at fair value as at 30 April 2008. The fair values were arrived at based on the valuations carried out by an independent firm of qualified professional valuers, Savills Valuation and Professional Service Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The valuations, which conform to the Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors, have been determined by reference to recent market transactions in comparable properties.

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

	2008	**2007**
	HK$'000	*HK$'000*
In the PRC		
– medium-term leases	3,395,620	1,475,834

(c) Investment properties leased out under operating leases

The Group leases out investment properties. The leases typically run for an initial period of 3 to 20 years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

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

	2008	**2007**
	HK$'000	*HK$'000*
Within 1 year	5,254	3,359
After 1 year but within 5 years	85,471	13,077
After 5 years	222,139	1,462
	312,864	17,898

(d) Pledge of investment properties

As at 30 April 2008, investment properties with a total carrying amount of HK$3,395,620,000 (2007: HK$1,475,834,000) were pledged as collateral for the Group's bank borrowings, details of which are set out in note 26.

14. OTHER PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Cost:					
At 1 May 2006	–	6,078	6,453	–	12,531
Exchange adjustments	17	251	462	1,339	2,069
Additions					
– through acquisition of subsidiaries	685	3,020	4,062	90,000	97,767
– others	297	4,489	9,258	21,891	35,935
Disposal of subsidiary	–	(374)	(258)	–	(632)
At 30 April 2007	999	13,464	19,977	113,230	147,670
At 1 May 2007	999	13,464	19,977	113,230	147,670
Exchange adjustments	107	1,160	1,681	11,212	14,160
Transfer from properties under development	–	–	–	616,127	616,127
Additions					
– through acquisition of subsidiaries	117	1,578	1,708	–	3,403
– others	754	5,857	14,660	–	21,271
Disposal through disposal of subsidiaries	–	(117)	(117)	–	(234)
At 30 April 2008	1,977	21,942	37,909	740,569	802,397
Accumulated amortisation and depreciation:					
At 1 May 2006	–	3,815	2,018	–	5,833
Exchange adjustments	6	67	141	–	214
Charge for the year	291	1,253	2,168	–	3,712
Written back on disposals	–	(12)	(10)	–	(22)
At 30 April 2007	297	5,123	4,317	–	9,737
At 1 May 2007	297	5,123	4,317	–	9,737
Exchange adjustments	54	350	571	–	975
Charge for the year	742	3,903	6,518	–	11,163
Written back on disposals	–	(16)	(15)	–	(31)
At 30 April 2008	1,093	9,360	11,391	–	21,844
Net book value:					
At 30 April 2008	884	12,582	26,518	740,569	780,553
At 30 April 2007	702	8,341	15,660	113,230	137,933

Note: Construction in progress represents the Group's hotel properties under construction in Xian and Chongqing, the PRC.

15. INTEREST IN ASSOCIATES

	The Group 2008 HK$'000	2007 HK$'000
Share of net assets	1,445,771	–

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of registered capital	Proportion of ownership interest: Group's effective interest	Held by a subsidiary	Principal activity
Beijing Jun He Bai Nian Property Development Co., Ltd *(note (a))* (「北京君合百年房地產開發有限公司」)**	Incorporated	The PRC	RMB165,000,000	43.95%	43.95%	Property development
Invest Online Limited *(note (b))*	Incorporated	British Virgin Islands	US$1	40%	40%	Investment holding
哈爾濱亞麻房地產開發有限公司* *(note (b))*	Incorporated	The PRC	US$12,100,000	40%	40%	Property development

* The company is registered as a wholly-owned foreign enterprise in the PRC.

** The company is registered as a limited liability company in the PRC.

Note:

(a) In November and December 2007, the Group entered into purchase agreements with independent third parties for the acquisition of aggregate 43.95% equity interest in Beijing Jun He Bai Nian Property Development Co., Ltd. ("Jun He Bai Nian"), a company established in the PRC and owns the right to develop a property development project in Beijing City Tong Zhou Qu Li Yuan District, Beijing, the PRC for a total consideration of approximately HK$610 million. Upon the transfer of the 43.95% equity interest in Jun He Bai Nian to the Group, Jun He Bai Nian became an associate of the Group as the Group has the power to appoint directors in Jun He Bai Nian and can exercise significant influence.

In May 2008, the Group acquired a further 12% equity interest in Jun He Bai Nian. The consideration of such 12% equity interest is approximately RMB82 million. Upon the transfer of 12% equity interest in Jun He Bai Nian to the Group, the Group holds approximately 56% of the entire equity interest in Jun He Bai Nian and Jun He Bai Nian become a subsidiary of the Group. The transaction has been completed up to the date of this report. (note 38(b)).

(b) In November 2007, the Group entered into purchase agreements with independent third parties to acquire a 40% equity interest in Invest Online Limited ("Invest Online"), a company incorporated in the British Virgin Islands. Invest Online owns 100% equity interest in 哈爾濱亞麻房地產開發有限公司 (「哈爾濱亞麻」), a company is established in the PRC and engaged in property development at Nan Gang District, Harbin, the PRC. The total purchase consideration is approximately HK$839 million. Upon the transfer of the 40% equity interest in Invest Online to the Group, Invest Online and 哈爾濱亞麻 became associates of the Group as the Group has the power to appoint directors in Invest Online and can exercise significant influence.

Summary of financial information on associates

	Assets	Liabilities	Equity	Revenues	Profit/(loss)
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
2008					
100 percent	4,834,125	1,356,619	3,477,506	3,045	(9,385)
Group's effective interest	2,028,148	582,377	1,445,771	1,218	(3,853)

16. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES

The amount as at 30 April 2007 represented deposits paid for the acquisition of certain subsidiaries for which certain conditions had not yet been satisfied at the balance sheet date. During the year ended 30 April 2008, such acquisition had been completed.

17. RESTRICTED BANK DEPOSITS

a) The Group has entered into agreements with certain banks with respect to mortgage loans provided to the buyers of the Group's property units. As at 30 April 2008, the Group made deposits of RMB94,140,000 (equivalent to approximately HK$104,495,000) (2007: RMB83,292,000 (equivalent to approximately HK$84,125,000) as security for the settlement of the mortgage instalments by the mortgagors under these agreements. Should the mortgagors fail to pay the mortgage instalments, the banks can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient. These restricted bank deposits will be released when the property title deeds are pledged to banks as security for respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers.

The directors of the Company are in view that the above restricted bank deposits are not expected to be released within one year.

b) As at 30 April 2008, the Group's bank deposits of RMB10,000,000 (equivalent to approximately HK$11,100,000) (2007: RMB10,000,000 (equivalent to approximately HK$10,100,000) were pledged as collateral for the Group's bank borrowings, details of which are set out in note 26.

18. INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	2008	2007
	HK$'000	*HK$'000*
Properties under development	15,277,716	8,299,508
Completed properties held for sale	533,479	375,493
	15,811,195	8,675,001

All of the properties under development and completed properties held for sale are located in the PRC.

(b) The amount of properties under development expected to be recovered after more than one year is analysed as follows:

	2008	2007
	HK$'000	*HK$'000*
Properties under development	13,573,435	6,105,928

All of the other properties under development and completed properties held for sale are expected to be recovered within one year.

(c) Cost of properties sold

The cost of properties sold for the year ended 30 April 2008 amounted to HK$4,060,574,000 (2007: HK$2,237,616,000).

(d) Pledge of inventories

Certain of the Group's properties under development and completed properties held for sale were pledged as collateral for amount due to a minority shareholder and the Group's bank borrowings, details of which are set out in notes 23(b) and 26 respectively.

19. INVESTMENTS

	2008	**2007**
	HK$'000	*HK$'000*
Unlisted investments in securities held for trading, at fair value	1,486	–
Available-for-sale investment *(see note below)*	–	90,900
	1,486	90,900

Note: Available-for-sale investment as at 30 April 2007 represented an unlisted equity security measured at fair value with reference to current market transaction. During the year ended 30 April 2008, the Group has disposal of this investment, resulting in a gain of approximately HK$61,945,000.

20. TRADE AND OTHER RECEIVABLES

	2008	**2007**
	HK$'000	*HK$'000*
Trade debtors	139,197	46,346
Less: Allowance for doubtful debts	–	–
	139,197	46,346
Consideration receivable for disposal of subsidiaries	–	512,430
Amount due from a former shareholder of a subsidiary *(see note below)*	54,390	–
Amounts due from associates *(see note below)*	6,856	–
Other debtors	8,143	–
Loans and receivables	208,586	558,776
Advance payments to contractors	701,502	690,612
Deposits paid for acquisition of project companies	309,246	78,287
Deferred sales commission	18,450	122,741
Other taxes recoverable	129,114	42,601
Deposits and prepayments	92,059	60,538
	1,458,957	1,553,555

Note: The amounts due from a former shareholder of a subsidiary and associates are unsecured, non-interest bearing and have no fixed terms of repayment.

(a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
Less than 90 days	128,786	24,080
More than 90 days but less than 180 days	–	22,266
More than 180 days	10,411	–
	46,346	139,197

Trade debtors are generally due within 90 days from the dates of the sale and purchase agreements. Further details on the Group's credit policy are set out in note 32(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(j)(i)).

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	128,786	24,080
Less than 3 months past due	–	22,266
More than 3 months past due	10,411	–
	46,346	139,197

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers. However, the Group would not release the property title deeds to the customers before the customers fully settle for purchase consideration of the relevant property units sold. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21. CASH AND CASH EQUIVALENTS

	2008	2007
	HK$'000	*HK$'000*
Cash at banks and in hand	4,479,532	1,505,697
Less: Restricted bank deposits *(see note 17)*	(115,595)	(94,225)
Cash and cash equivalents in the consolidated balance sheet	4,363,937	1,411,472
Add: Bank balances and cash included in assets classified as held for sale *(see note 22)*	–	79,229
Cash and cash equivalents in the consolidated cash flow statement	4,363,937	1,490,701

22. NON-CURRENT ASSETS HELD FOR SALE

The carrying amount of major classes of assets and liabilities classified as held for sale are analysed as follows:

	2007
	HK$'000
Assets of a disposal group classified as held for sale	
Properties under development	201,773
Bank balances and cash	79,229
	281,002
Liabilities directly associated with assets of a disposal group classified as held for sale	
Deferred tax liabilities associated with these assets	(39,035)
	241,967

The Group entered into a sale and purchase agreement on 26 March 2007 with an independent third party for the disposal of the entire equity interest in 天津中新名仕地產開發有限公司 ("Tianjin Zhongxin Mingshi"). The transaction had not been completed as at 30 April 2007 and was subject to the approval of the relevant authorities in the PRC. The assets and liabilities attributable to Tianjin Zhongxin Mingshi have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet as at 30 April 2007. The operations are included in property development for segment reporting purposes (see note 12).

As the proceeds of disposal were less than the net carrying amount of the relevant assets and liabilities, an impairment loss of approximately HK$20,000,000 has been recognised in the consolidated income statement for the year ended 30 April 2007. The disposal was completed in October 2007, with the resulting loss on disposal of HK$35,400,000 debited to profit or loss (see note 34(a)(i)).

23. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Accrued expenditure on properties under development	1,161,342	590,041
Retentions payable to contractors	98,623	28,081
Consideration payables for acquisition of subsidiaries	381,396	109,876
Consideration payable for acquisition of associates	307,131	–
Interest payable	128,928	7,920
Accrued charges and other payables	205,033	193,415
Amounts due to former shareholders of the Company's subsidiaries *(note 23(a))*	156,187	–
Amounts due to related companies *(note 23(a))*	84,018	214,379
Amount due to a shareholder *(note 23(a))*	20,412	20,412
Amounts due to associates *(note 23(a))*	75,816	–
Amounts due to minority shareholders *(note 23(b))*	201,165	53,081
Financial liabilities measured at amortised cost	2,820,051	1,217,205
Advance payment from a minority shareholder for the property development project *(note 23(c))*	1,098,900	–
Deposits received for disposal of a subsidiary	–	61,562
Other taxes payables *(note 23(d))*	9,284	41,945
	3,928,235	1,320,712

(a) The amounts due to former shareholders of the Company's subsidiaries, a shareholder and associates are interest free, unsecured and have no fixed terms of repayment. The amounts due to related companies are interest free unsecured and have no fixed terms of repayment. These related companies are controlled by Mr. Li Song Xiao, the controlling shareholder of the Company.

(b) Included in the amounts due to minority shareholders is an amount of RMB140,000,000 (equivalent to approximately HK$155,400,000), which is secured by certain properties under development of the Group located in the PRC with a total carrying amount of approximately HK$386,132,000, bears interest at 7.02% per annum and is repayable within one year.

All other amounts due to minority shareholders are unsecured, interest free and have no fixed terms of repayment.

(c) Advance payment of RMB990,000,000 (equivalent to approximately HK$1,098,900,000) from a minority shareholder is secured by 20% equity interest in the registered capital of Tianjin City Yi Jia He Zhi Ye Co., Ltd., a subsidiary of the Company established in the PRC, interest free and has no fixed terms of repayment.

(d) Other taxes payable comprise urban real estate tax payable, real estate tax payable and business tax payable.

24. PRE-SALE RECEIPTS FROM CUSTOMERS

Pre-sale receipts from customers represent proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy (see note 1(s)(i)). Included in the pre-sale receipts from customers is an amount of HK$nil (2007: HK$273,063,000) which is not expected to be recognised as revenue after more than one year.

25. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Income tax in the consolidated balance sheet represents:

	2008	2007
	HK$'000	*HK$'000*
PRC Enterprise Income Tax		
At the beginning of the year	77,317	95,661
Exchange adjustments	10,775	4,650
Provision for the year	440,378	171,678
Tax paid	(121,031)	(173,459)
Acquisition of subsidiaries	(3)	(21,213)
At the end of the year	407,436	77,317
Land Appreciation Tax		
At the beginning of the year	196,879	–
Exchange adjustments	26,878	2,006
Provision for the year	265,112	200,613
Tax paid	(52,074)	(5,740)
At the end of the year	436,795	196,879

	2008			2007		
	PRC Enterprise Income Tax	Land Appreciation Tax	Total	PRC Enterprise Income Tax	Land Appreciation Tax	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Income tax recoverable recognised in the consolidated balance sheet	(83,968)	(35,256)	(119,224)	(123,907)	(9,393)	(133,300)
Income tax payable recognised in the consolidated balance sheet	491,404	472,051	963,455	201,224	206,272	407,496
	407,436	436,795	844,231	77,317	196,879	274,196

(b) Deferred tax assets and liabilities recognised:

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

	Convertible notes *HK$'000*	Fair value adjustment on available-for-sale investments *HK$'000*	Revaluation of investment properties *HK$'000*	Fair value adjustment on properties under development/ properties held for sale *HK$'000*	Impairment on property, plant and equipment *HK$'000*	Accrued expenses *HK$'000*	Total *HK$'000*
Deferred tax arising from:							
At 1 May 2006	–	–	–	59,309	–	–	59,309
Exchange adjustments	–	–	1,039	15,047	(227)	(310)	15,549
Acquisition of subsidiaries	–	–	69,091	989,914	(22,690)	–	1,036,315
Effect of change in tax rate	–	–	(16,749)	(106,924)	–	–	(123,673)
Charged to reserves	31,830	8,080	–	–	–	–	39,910
(Credited)/charged to profit or loss	(3,763)	–	96,149	(101,872)	–	(15,429)	(24,915)
Disposal of a subsidiary	–	–	–	(44,904)	–	–	(44,904)
Reclassify to liabilities associated with assets of a disposal group classified as held for sale	–	–	–	(39,035)	–	–	(39,035)
At 30 April 2007	28,067	8,080	149,530	771,535	(22,917)	(15,739)	918,556
At 1 May 2007	28,067	8,080	149,530	771,535	(22,917)	(15,739)	918,556
Exchange adjustments	–	–	25,594	69,473	(2,269)	(935)	91,863
Effect of changes in tax rate	–	–	39,934	(38,548)	–	–	1,386
Charged/(credited) to profit or loss	(3,763)	–	248,657	(159,454)	–	16,674	102,114
Credited to reserves	(7,993)	(8,080)	–	–	–	–	(16,073)
At 30 April 2008	16,311	–	463,715	643,006	(25,186)	–	1,097,846

	2008 *HK$'000*	2007 *HK$'000*
Net deferred tax assets recognised in the consolidated balance sheet	(25,186)	(15,739)
Net deferred tax liabilities recognised in the consolidated balance sheet	1,123,032	934,295
	1,097,846	918,556

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$313,314,000 (2007: HK$160,532,000) as at 30 April 2008 as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and entity.

26. BANK BORROWINGS

At 30 April 2008, the bank loans were repayable as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Within 1 year or on demand	541,491	671,700
After 1 year but within 2 years	1,980,240	614,080
After 2 years but within 5 years	363,525	787,800
After 5 years	428,793	–
Total bank loans	3,314,049	2,073,580
Less: repayable within 1 year or on demand as classified under current liabilities	(541,491)	(671,700)
Repayable after 1 year as classified under non-current liabilities	2,772,558	1,401,880

During the year, the Group obtained new bank borrowings amounting to HK$1,890,360,000 (2007: HK$1,565,651,000) and assumed bank borrowings of HK$67,600,000 (2007: HK$711,631,000) through acquisitions of subsidiaries (see note 33(d)). The proceeds were used to finance the development of properties.

Except for bank borrowings of HK$nil (2007: HK$500,000,000) denominated in Hong Kong dollars, all the remaining bank borrowings are denominated in Renminbi ("RMB").

The bank borrowings are variable-rate borrowings which carry commercial interest rates in the PRC except for the bank borrowings denominated in Hong Kong dollars which carry interest at Hong Kong Interbank Offering Rate plus 2%.

The effective interest rates (being the People's Bank of China's lending rate) on the Group's bank borrowings denominated in RMB are ranging from 5.91% to 8.32% (2007: 6.03% to 6.80%) per annum.

Except for unsecured bank borrowings of approximately HK$310,800,000 (2007: HK$282,800,000), the remaining bank borrowings are secured by:

(i) certain properties under development, certain completed properties held for sale and all the investment properties of the Group located in the PRC with total carrying amounts of approximately HK$2,755,744,000 (2007: HK$2,137,157,000), HK$288,891,000 (2007: HK$nil) and HK$3,395,620,000 (2007: HK$1,475,834,000) respectively.

(ii) certain bank deposits of the Group amounting to approximately HK$11,100,000 (2007: HK$10,100,000), which have been pledged to secure short-term bank borrowings and are therefore classified as current assets.

27. LOAN PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Loan Payable denominated in RMB *(see note (a))*	1,665,000	–
Loan Payable A *(see note (b))*	197,025	271,481
Loan Payable B *(see note (c))*	532,321	186,693
Loan Payable Xian *(see note (d))*	–	170,422
	2,394,346	628,596
Less: Amounts classified under current liabilities		
– Loan Payable denominated in RMB	1,665,000	–
– Loan Payable A	197,025	–
– Loan Payable B	532,321	–
– Loan Payable Xian	–	170,422
	2,394,346	170,422
Amounts as classified under non-current liabilities	–	458,174

(a) Loan Payable denominated in RMB

On 29 November 2007, the Group entered into a term loan agreement with an independent third party whereby the independent third party granted a term loan facility of RMB1,500,000,000 to the Group to finance the acquisition by the Group of a property development project in Zhuhai, the PRC ("Qi Ao Island Project").

In December 2007, an amount of RMB1,500,000,000 (equivalent to approximately HK$1,665,000,000) ("Loan Payable denominated in RMB") was drawn down.

Loan Payable denominated in RMB bears interest at 20% per annum and is secured by:

(i) share mortgage over the issued capital of Moral Luck Group Limited, a wholly-owned subsidiary of the Company incorporated in the BVI;

(ii) equity pledge over the registered capital of Zhuhai City Qi Zhou Island Movie Town Co., Ltd., a wholly-owned subsidiary of the Company established in the PRC;

(iii) subordination of intra-group's balances between certain wholly-owned subsidiaries of the Company in favour of this independent third party; and

(iv) corporate guarantees given by the Company and certain of the Company's subsidiaries.

The Company's directors expect the Loan Payable to be settled within one year.

(b) Loan Payable A

According to an agreement in May 2006 and supplement agreements in July 2006 and August 2006, an independent third party ("Lender A") contributed an amount of RMB250,000,000 ("Loan Payable A") for the 26.3% of the registered capital in a group entity. However, under the agreements, Lender A has no right to share any profits of this group entity other than a 7% guaranteed annual amount. The Group is obliged to purchase from Lender A the 26.3% registered capital in August 2008 in accordance with the contractual arrangement at a price of approximately RMB285,000,000 (equivalent to approximately HK$316,350,000) (2007: RMB285,000,000 (equivalent to approximately HK$287,850,000)) inclusive of the 7% annual amount payable.

As the Group has contractual obligations to deliver cash in accordance with the agreements of Loan Payable A and Lender A has no profit sharing rights in the group entity irrespective of his equity ownership, Loan Payable A is classified as a financial liability. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 1(m) and accordingly the 7% guaranteed annual amount is recognised on an accrual basis in profit or loss as finance costs.

During the year, the Group repaid approximately RMB90,000,000 (equivalent to approximately HK$99,900,000) (2007: Nil) on Loan Payable A plus interest of approximately RMB17,500,000 (equivalent to approximately HK$18,725,000) (2007: Nil). As at 30 April 2008, the carrying amount of Loan Payable A was RMB177,500,000 (equivalent to approximately HK$197,025,000) (2007: RMB268,793,000 (equivalent to approximately HK$271,481,000) inclusive of the 7% annual amount payable.

The effective interest rate of Loan Payable A is 7.14% (2007: 7.27%) per annum.

(c) Loan Payable B

According to an agreement in February 2007 (the "Agreement"), another independent third party ("Lender B") contributed an amount of RMB60,000,000 in respect of 30.0% of the registered capital in another group entity (the "Project Company") plus a loan facility of RMB240,000,000 ("Loan Payable B"). However, under the agreement, Lender B has no right to share any profits of the Project Company. The Group is obliged to purchase from Lender B the 30.0% registered capital of the Project Company at a consideration of RMB60,000,000 and repay the relevant loan of RMB240,000,000 plus a guaranteed additional amount of RMB100,000,000 (the exact amount of which is determined with reference to the market situation in and the city development of a project in Chengdu, the PRC and the potential increase in the market value of the properties in Chengdu, the PRC) within 24 months from the date of the Agreement.

As the Group has contractual obligations to deliver cash in accordance with the agreements of Loan Payable B and Lender B has no profit sharing rights in the Project Company irrespective of his equity ownership, Loan Payable B is classified as a financial liability. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 1(m).

During the year, Lender B advanced an amount of approximately RMB326,110,000 (equivalent to approximately HK$361,982,000) (2007: RMB110,110,000 (equivalent to approximately HK$111,211,000)) to the Project Company. As at 30 April 2008, the carrying amount of Loan Payable A was RMB479,568,000 (equivalent to approximately HK$532,321,000) (2007: RMB184,845,000 (equivalent to approximately HK$186,693,000)) inclusive of the effective interest payable.

Subsequent to the balance sheet date on 1 June 2008, the Group entered into an agreement with Lender B whereby the Group exercised its right under the Agreement and purchased the total capital contribution made by Lender B of RMB60,000,000 (equivalent to approximately HK$66,600,000) and the related loan of RMB326,110,000 (equivalent to approximately HK$361,982,000) in the Project Company plus the guaranteed additional amount of RMB100,000,000 (equivalent to approximately HK$111,000,000) at a total consideration of RMB486,000,000 (equivalent to approximately HK$539,460,000).

The effective interest rate of Loan Payable A is 16.37% (2007: 14.47%) per annum.

(d) Loan Payable Xian

The loan payable of HK$170,422,000 ("Loan Payable Xian") was raised as part of the consideration for the acquisition of 西安滻霸建設開發有限公司 during the year ended 30 April 2007 and the outstanding balance at 30 April 2007 was fully settled during the year ended 30 April 2008.

The effective interest rate of Loan Payable Xian is 3.88% (2007: 3.88%) per annum.

28. CONVERTIBLE NOTES

On 12 June 2006, the Company issued zero coupon convertible notes at par with a principal amount of HK$1,340,000,000 ("Convertible Note 2011"). Convertible Note 2011 will be redeemed at 135.7% of the principal amount on 11 May 2011 ("Maturity Date"). The Convertible Note 2011 is listed on the Stock Exchange.

The holders of Convertible Note 2011 have the right to convert all or any portion of Convertible Note 2011 into shares of the Company at an initial conversion price of HK$1.5048 per share, subject to anti-dilutive adjustment. The conversion right can be exercised at any time on or after 60 days from the date on which Convertible Note 2011 is issued up to, and including, the close of business on the business day seven days prior to the Maturity Date.

On 12 June 2009, the holders of Convertible Note 2011 can put back the Convertible Note 2011 to the Company at the price of 120.103% of principal amount ("Redemption Right of the Holder"). As the economic characteristics and risks of the Redemption Right of the Holder are not closely related to the host contract, the Redemption Right of the Holder is separately accounted for at fair value at each reporting date as derivative financial instrument. The fair value of the Redemption Right of the Holder at 30 April 2008 was HK$34,000,000 (2007: HK$53,000,000). Accordingly, a change in the fair value of the derivative financial instrument of approximately HK$19,000,000 was credited (2007: HK$19,564,000 was debited) to the consolidated income statement for the year.

At any time after 12 June 2009 but not less than seven business days prior to the Maturity Date, the Company may redeem Convertible Note 2011 in whole but not in part at a pre-determined redemption amount if the closing price of the shares for any 20 trading days out of the 30 consecutive trading days prior to the date upon which notice of such redemption is at least 130 per cent of the applicable early redemption amount divided by the conversion ratio ("Redemption Right of the Issuer"). As the economic characteristics and risks of the Redemption Right of the Issuer are not closely related to the host contract, the Redemption Right of the Issuer is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the Redemption Right of the Issuer at 30 April 2008 was HK$46,000,000 (2007: HK$20,000,000). Accordingly, a change in the fair value of the derivative financial instrument of HK$26,000,000 (2007: HK$20,000,000) was credited to the consolidated income statement for the year.

In the event that the Company's Shares cease to be listed or admitted to trading on the Stock Exchange, each holder of Convertible Note 2011 shall have a right, at such holder's option, to require the Company to redeem Convertible Note 2011 on the twentieth business day after notice has been given to the holder at the early redemption amount ("Delisted Put Right"), As the economic characteristics and risks of the Delisted Put Right are not closely related to the host contract, the Delisted Put Right is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the Delisted Put Right is insignificant as at both 30 April 2008 and 30 April 2007.

During the year, the holders of the Convertible Note 2011 converted part of the Convertible Note 2011 with principal amount of HK$422,990,000 (2007: HK$nil) into shares of the Company (see note 30(b)).

Convertible Note 2011 contains a liability element, Redemption Right of the Holder, Redemption Right of the Issuer, Delisted Put Right and equity element. The equity element is represented in equity heading "convertible note equity reserve". The effective interest rate of the liability element is 9.44%.

Pursuant to the terms and conditions of the Convertible Note 2011, the conversion price of the conversion right to the holders was adjusted with the consolidation of shares effective on 29 October 2007. The holders are now entitled to convert the Convertible Note 2011 for a fully paid share at the adjusted conversion price of HK$6.0193 per share. The number of shares issuable on the exercise of the conversion right is reduced to one-fourth of the outstanding shares issuable under the Convertible Note 2011 with effect from 29 October 2007.

29. SENIOR NOTES/WARRANTS

On 23 July 2007, the Company issued 4,000 units consisting in aggregate of senior notes at a par value of US$400,000,000, (equivalent to approximately HK$3,120,000,000) ("Senior Notes 2014") and 264,000,000 warrants ("Warrants 2012"). The Senior Notes 2014 bear interest at 9.75% and will mature on 23 July 2014 ("Notes Maturity Date"). The Senior Notes 2014 are guaranteed by all of the Company's existing subsidiaries at the date of issue other than those established under the laws of the PRC.

The Senior Notes 2014 and Warrants 2012 are separated immediately upon their issuance and the Warrants 2012 are detachable from the Senior Notes 2014.

The Warrants 2012 are exercisable at any time from the date of issue to 23 July 2012 at an exercise price of HK$1.68 per share, subject to anti-dilutive adjustment, to subscribe for shares of the Company. The Warrants 2012 are denominated in Hong Kong dollars and will be settled in net share settlement upon exercise. As the Warrants 2012 may be settled other than by exchange of a fixed amount of cash for a fixed number of the Company's shares, the Warrants 2012 are classified as a derivative financial liability and measured at fair value with changes in fair value recognised in the consolidated income statement.

The fair value of Warrants 2012 at 23 July 2007, the date of issue, and 30 April 2008 were HK$161,802,000 and HK$158,000,000 respectively. Accordingly, a change in fair value of warrants of HK$3,802,000 was debited to the consolidated income statement for the year.

Pursuant to the terms and conditions of Warrants 2012, on 29 October 2007, the subscription price of Warrants 2012 was adjusted following the consolidation of the Company's shares. Warrants 2012 holders were entitled to subscribe in cash for fully paid shares at the adjusted subscription price of HK$6.72 per share. The number of shares issuable on the exercise of the Warrants 2012 was reduced to one-fourth of the outstanding shares issuable under Warrants 2012 as at 29 October 2007.

As at 30 April 2008, 66,000,000 of Warrants 2012 were outstanding. Exercise in full of the outstanding Warrants 2012 would result in the issue of 66,000,000 additional shares with an aggregate subscription value of HK$443,520,000.

At any time prior to the Notes Maturity Date, the Company may redeem the Senior Notes 2014, in whole or in part, at a redemption price equal to 100% of the principal amount plus the greater of (1) 1% of the principal amount of Senior Notes 2014 being redeemed and (2) the excess of (A) the present value at such redemption date of (i) 100% of the principal amount of the Senior Notes 2014 plus (ii) all required remaining scheduled interest payments due on Senior Notes 2014 through to the Notes Maturity Date, computed using a discount rate equal to the comparable treasury issue plus 100 basis points, over (B) the principal amount of Senior Notes 2014 on such redemption date ("100% Redemption Right of the Issuer – Senior Notes 2014"). As the economic characteristics and risks of the 100% Redemption Right of the Issuer – Senior Notes 2014 are not closely related to the host contract, the 100% Redemption Right of the Issuer – Senior Notes 2014 is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the 100% Redemption Right of the Issuer – Senior Notes 2014 was insignificant as at both 23 July 2007 and 30 April 2008.

At any time prior to 23 July 2011, the Company may redeem up to 35% of the principal amount of the Senior Notes 2014 with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 109.75% of the principal amount of the Senior Notes 2014 ("35% Redemption Right of the Issuer – Senior Note 2014"). As the economic characteristics and risk of the 35% Redemption Right of the Issuer – Senior Notes 2014 are not closely related to the host contract, the 35% Redemption Right of the Issuer – Senior Notes 2014 is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the 35% Redemption Right of the Issuer – Senior Notes 2014 was insignificant as at both 23 July 2007 and 30 April 2008.

The Senior Notes 2014 contain a liability element, Warrants 2012, 100% Redemption Right of the Issuer – Senior Notes 2014 and 35% Redemption Right of the Issuer – Senior Notes 2014. The effective interest rate of the liability element is 11.35%.

30. CAPITAL AND RESERVES

(a) The Group

Details of movements in capital and reserves of the Group are set out in the consolidated statement of changes in equity on page 47 and 48.

(b) Share capital

Authorised and issued share capital

	2008 Number of shares	2008 Nominal value *HK$'000*	2007 Number of shares	2007 Nominal value *HK$'000*
Authorised:				
At 1 May 2007 – ordinary shares of HK$0.01 each	40,000,000,000	400,000	40,000,000,000	400,000
Effect of Share Consolidation on 29 October 2007	(30,000,000,000)	–	–	–
At 30 April 2008 – ordinary shares of HK$0.04 each (2007: ordinary shares of HK$0.01 each)	10,000,000,000	400,000	40,000,000,000	400,000
Ordinary shares, issued and fully paid:				
At 1 May 2007 – ordinary shares of HK$0.01 each	6,875,374,340	68,754	4,079,339,487	40,793
Before Share Consolidation:				
Issue of shares upon a private placement	–	–	688,000,000	6,880
Issue of shares upon conversion of convertible note 2005	–	–	400,000,000	4,000
Issue of shares upon conversion of Convertible Note 2011	267,803,024	2,678	–	–
Issue of shares by exercise of share options	15,100,000	151		
Issue of shares for acquisition of subsidiaries *(note 33)*	467,592,592	4,676	1,708,034,853	17,081
Effect on share consolidation on 29 October 2007	(5,719,402,467)	–	–	–
After Share Consolidation:				
Issue of shares for acquisition of subsidiaries *(note 33)*	35,000,000	1,400	–	–
Issue of shares upon conversion of Convertible Note 2011	3,322,700	133	–	–
Issue of shares by exercise of share options	850,000	34	–	–
At 30 April 2008 – ordinary shares of HK$0.04 each (2007: ordinary shares of HK$0.01 each)	1,945,640,189	77,826	6,875,374,340	68,754

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) Consolidation of shares ("Share Consolidation")

On 17 October 2007, an ordinary resolution was passed by the shareholders at an extraordinary general meeting of the Company pursuant to which four shares of HK$0.01 each in the existing issued and unissued shares of share capital of the Company were consolidated into one share of HK$0.04 each ("Consolidated Shares") with effect from 29 October 2007.

(ii) Terms of unexpired and unexercised share options at the balance sheet date

Exercise period	**Exercise price**	**2008 Number**	**2007 Number** *(see note below)*
4 April 2006 – 3 April 2016	HK$3.60	13,125,000	17,500,000
17 November 2006 – 22 October 2006	HK$3.72	72,250,000	77,500,000
14 March 2007 – 6 March 2017	HK$3.92	47,500,000	47,500,000
		132,875,000	142,500,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 31 to the consolidated financial statements.

Note: The number of unexpired and unexercised share options at 30 April 2007 were adjusted by the effect of Share Consolidation.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 90 of the Bermuda Companies Act 1981.

(ii) Contributed surplus

The contributed surplus comprises the following:

– the deemed contribution represents the shortfall of the fair value of the consideration below the fair value of the net assets acquired from acquisition of subsidiaries from the controlling shareholder in accordance with the accounting policy adopted for business combination under common control in note 1(c)(ii); and

– the deemed distribution represents the excess of the fair value of consideration over the fair value of the net assets acquired from acquisition of subsidiaries from the controlling shareholder in accordance with the accounting policy adopted for business combination under common control in note 1(c)(ii).

(iii) Convertible note equity reserve

The convertible note equity reserve comprises the value of the unexercised equity component of convertible notes issued by the Group recognised in accordance with the accounting policy adopted for convertible notes in note 1(l).

(iv) Share options reserve

The share options reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share based payments in note 1(p)(ii).

(v) Investment valuation reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies in note 1(d).

(vi) Other revaluation reserve

The other revaluation reserve comprises the difference between the fair value, net of deferred tax, and the carrying amount of additional interest in associates being acquired and become subsidiaries of the Company. This other revaluation reserve will be recognised in the consolidated income statement upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

(vii) Special reserve

The special reserve comprises the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in a subsidiary being acquired from minority shareholders in accordance with the accounting policy adopted for acquisition of additional interests in subsidiaries in note 1(c)(iii). This special reserve will be recognised in the consolidated income statement upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development and construction of real estate projects, and continue to provide returns for shareholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to strictly control the debt level. The Group maintains a strategy on acquiring land only if the project development can commence within a short period of time so as to minimise the time period between acquisition and development of the acquired land, thus the Group's capital can be efficiently deployed.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose, the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, convertible notes and senior notes) less cash and cash equivalents. Capital comprises total equity attributable to equity shareholders of the Company.

During the year, the Group's strategy, which was unchanged from last year, was to maintain a net debt-to-capital ratio of no more than 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

The adjusted net debt-to-capital ratio at 30 April 2008 and 2007 was as follows:

	Note	2008 HK$'000	2007 HK$'000
Current liabilities:			
– Bank borrowings	26	541,491	671,700
– Loan payables	27	2,394,346	170,422
		2,935,837	842,122
Non-current liabilities:			
– Bank borrowings	26	2,772,558	1,401,880
– Loan payables	27	–	458,174
– Convertible notes	28	939,480	1,254,074
– Senior notes	29	2,897,838	–
Total debt		9,545,713	3,956,250
Less: Cash and cash equivalents	21	(4,363,937)	(1,411,472)
Net debt		5,181,776	2,544,778
Capital		8,374,052	4,958,831
Net debt-to-capital ratio		61.9%	51.3%

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

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 12 December 2002 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the group, to take up options at a consideration of HK$1 to subscribe for shares of the Company. The exercise period of the share options granted is determinable by the directors of the Company, but no later than 10 years from the date of the offer. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(a) The terms and conditions of the grants that existed during the years ended 30 April 2008 and 2007 are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 17 November 2006	20,000,000	– up to 20% immediately from the date of grant – up to 40% immediately after 1 year from the date of grant – up to 60% immediately after 2 years from the date of grant – up to 80% immediately after 3 years from the date of grant	10 years

	Number of instruments	Vesting conditions	Contractual life of options
		– up to 100% immediately after 4 years from the date of grant	
– on 14 March 2007	7,500,000	– up to 50% immediately from the date of grant – up to 100% immediately after 1 year from the date of grant	10 years
Options granted to employees:			
– on 17 November 2006	2,250,000	– up to 20% immediately from the date of grant – up to 40% immediately after 1 year from the date of grant – up to 60% immediately after 2 years from the date of grant – up to 80% immediately after 3 years from the date of grant – up to 100% immediately after 4 years from the date of grant	10 years
– on 17 November 2006	55,250,000	– up to 20% immediately after 1 year from the date of grant – up to 40% immediately after 2 years from the date of grant – up to 60% immediately after 3 years from the date of grant – up to 80% immediately after 4 years from the date of grant – up to 100% immediately after 5 years from the date of grant	10 years
– on 14 March 2007	40,000,000	– up to 50% immediately from the date of grant – up to 100% immediately after 1 year from the date of grant	10 years
Total share options	125,000,000		

Note: Upon the Share Consolidation became effective on 29 October 2007, the above share options granted were consolidated on the basis of 4 share options into 1 share option.

(b) The number and weighted average exercise prices of share options are as follows:

	2008		2007	
	Weighted average exercise price	*Number of options*	*Weighted average exercise price*	*Number of options*
Outstanding at the beginning of the year	HK$3.772	142,500,000	HK$3.600	21,500,000
Granted during the year	–	–	HK$3.796	125,000,000
Exercised during the year	HK$3.644	(4,625,000)	–	–
Forfeited during the year	HK$3.696	(5,000,000)	HK$3.600	(4,000,000)
Outstanding at the end of the year	HK$3.780	132,875,000	HK$3.772	142,500,000
Exercisable at the end of the year	HK$3.906	71,825,000	HK$3.832	35,200,000

Note: the above number of share options and weighted average price before Share Consolidation were adjusted by the effect of Share Consolidation.

The weighted average share price at the date of exercise for shares options exercised during the year was HK$7.81 (2007: not applicable).

The options outstanding at 30 April 2008 had exercise prices of HK$3.60, HK$3.72 or HK$3.92 (2007: HK$3.60, HK$3.72 or HK$3.92) after adjusting for the effect of the Share Consolidation and weighted average remaining contractual lives of 8 years, 8.5 years and 9 years (2007: 9 years, 9.5 years and 10 years), respectively.

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the binomial pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions

	17 November 2006	**14 March 2007**
Fair value at measurement date *(see note below)*	HK$2.20	HK$1.72
Share price *(see note below)*	HK$4.32	HK$3.96
Exercise price *(see note below)*	HK$3.72	HK$3.92
Expected volatility (expressed as weighted average volatility used in the modelling under binomial pricing model)	50%	50%
Option life (expressed as weighted average life used in the modelling under binomial pricing model)	4.3 to 8.3 years	4.7 to 5.7 years
Expected dividends	1.5%	1.1%
Risk-free interest rate	3.8%	4.1%

Note: Fair value at measurement date, share price and exercise price were adjusted by the effect of Share Consolidation.

The expected volatility is based on the historic volatility of the share price over the most recent period, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

32. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and market risks (including interest rate, currency risk and equity price risk) arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from:

– the carrying amount of the respective financial assets as stated in the consolidated balance sheet; and

– the amount of contingent liabilities as disclosed in note 36.

In order to minimise the credit risk in relation to each class of recognised financial assets as stated in the consolidated financial statements, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and non-trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Cash and cash equivalents and restricted bank deposits are placed with banks and financial institutions with good credit ratings, the directors of the Company consider that the Group's credit risk on the cash and cash equivalent and restricted bank deposits is low.

In relation to the Group providing guarantees to secure obligations of the buyers of the property units for repayments, the legal title of the related properties and the customers' deposits are retained by the Group. In this regard, the directors of the Company consider that the Group's credit risk on such guarantees is significantly reduced. Detailed disclosure of these guarantees has been made in note 36.

The Group's concentration of credit risk by geographical location is mainly in the PRC.

As at 30 April 2008 and 2007, the Group had no significant concentrations of credit risk within the property development business segment.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated balance sheet after deducting any impairment allowance. Except for the guarantees given by the Group as set out in note 36, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these guarantees at the balance sheet date is disclosed in note 36.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its 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 following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	2008					
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'00*
Trade and other payables	2,820,051	2,825,506	2,825,506	–	–	0–
Bank borrowings	3,314,049	3,998,612	770,435	2,153,297	495,002	579,878
Loan payables	2,394,246	2,761,855	2,761,855	–	–	–
Convertible notes	939,480	1,244,401	–	–	1,244,401	–
Senior notes	2,897,838	5,096,983	304,250	304,250	913,433	3,575,050
	12,365,664	15,927,357	6,662,046	2,457,547	2,652,836	4,154,928

	2007					
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or an demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	1,217,205	1,217,205	1,217,205	–	–	–
Bank borrowings	2,073,580	2,782,790	1,293,306	671,766	817,718	–
Loan payables	628,596	733,986	191,000	542,986	–	–
Convertible notes	1,254,074	1,818,822	–	–	1,818,822	–
	5,173,455	6,552,803	2,701,511	1,214,752	2,636,540	–

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings, loan payables, convertible notes, senior notes, cash and cash equivalents and restricted bank deposits.

Cash and cash equivalents and restricted bank deposits comprise mainly cash at banks, with the annual interest rates ranging from 0.79% to 1.53% as at 30 April 2008 (2007: 1.44% to 2.96%).

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes of interest rates. The interest rates of the Group's bank borrowings, loan payables, convertible notes and senior notes are disclosed in notes 26, 27, 28 and 29, respectively.

Sensitivity analysis

At 30 April 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates applicable to variable rate bank borrowings, with all other variables held constant, would decrease/ increase the Group's profit after tax and retained profits by approximately HK$25,000 (2007: HK$16,000). Other components of equity would not be affected (2007: HK$nil) by the changes in interest rates.

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

(d) Currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results. The Group did not hedge its currency exposure.

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the Group's functional currency.

	2008		**2007**	
	United States Dollars	**Hong Kong Dollars**	**United States Dollars**	**Hong Kong Dollars**
	'000	*'000*	*'000*	*'000*
Trade and other receivables	191	1,495	–	2,575
Cash and cash equivalents	30,203	279,633	5,162	313,699
Trade and other payables	(10,703)	(11,594)	–	(182,768)
Bank borrowing	–	–	–	(500,000)
Convertible notes	–	(939,480)	–	(1,254,074)
Senior notes	(371,518)	–	–	–
Overall exposure to currency risk	(351,827)	(669,946)	5,162	(1,620,568)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. Other components of equity would not be affected by changes in the foreign exchange rates.

	2008		2007	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits** *HK$'000*	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit after tax and retained profits** *HK$'000*
United States Dollars	2%	(54,869)	2%	805
	(2)%	54,869	(2)%	(805)
Hong Kong Dollars	5%	(34,962)	5%	(81,020)
	(5)%	34,962	(5)%	81,020

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(e) Equity price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of financial derivatives of the Group. As at the balance sheet date the Group is exposed to this risk through the warrants and redemption rights attached to the convertible notes issued by the Company as disclosed in notes 29 and 28, respectively.

(f) Fair value

All financial instruments are carried at amounts not materially different from their fair values as at 30 April 2008 and 2007.

(g) Estimation of fair values

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Cash and cash equivalents, trade and other receivables, trade and other payables

The carrying values approximate fair values because of the short maturities of these instruments.

(ii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) Convertible notes

The Group selects appropriate valuation methods and makes assumptions with reference to market conditions existing at each balance sheet date, to determine the fair value of the embedded financial derivatives of the convertible notes that are separated from the host debt contract. The basis for determining the fair value is disclosed in note 28.

(iv) Financial guarantees issued

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantee not been available, where reliable estimates of such information can be made.

33. ACQUISITION OF SUBSIDIARIES

The Group acquired the following subsidiaries with details below:

(a) Acquisition of assets and liabilities through acquisition of subsidiaries

For the year ended 30 April 2008

(i) Beichen Project

In October 2007, the Group acquired a property project in Tianjin, the PRC ("Beichen Project") and its related assets and liabilities for a total consideration of approximately HK$743,205,000, which was satisfied by cash of approximately HK$416,305,000 and by the allotment and issue of 35,000,000 Consolidated Shares at HK$9.34 each of the Company. The purchase was by way of acquisition of the entire issued share capital of Wah Po Holdings Limited. This transaction has been reflected as a purchase of assets and liabilities.

Details of the net assets acquired in respect of the acquisition of Beichen Project are summarised below:

	HK$'000
Net assets acquired	
Plant and equipment	334
Properties under development	979,061
Trade and other receivables and prepayments	525
Advances to suppliers	41,605
Tax recoverable	3
Amounts due from related companies	47
Bank balances and cash	35,477
Accruals and other payables	(4,907)
Amounts due to group companies	(308,940)
	743,205
Total consideration satisfied by:	
Cash consideration paid	(161,135)
Deposit for acquisition of subsidiaries in prior period	(255,170)
Equity instruments of the Company *(see note below)*	(326,900)
	(743,205)
Net cash outflow arising on acquisition:	
Cash consideration paid	(161,135)
Bank balances and cash acquired	35,477
	(125,658)

Note: Pursuant to the sales and purchase agreements for the acquisition of Beichen Project, 35,000,000 Consolidated Shares were issued. The fair value of the shares issued for the acquisition of Beichen Project amounting to approximately HK$326,900,000 was determined using the published closing price at the date of acquisition. The shares were allotted and the relevant registration with the share registrar was completed on 6 November 2007.

(ii) Tai Yuan Street Project

In November 2007, the Group entered into purchase agreements with independent third parties to acquire in aggregate a 80% equity interest in 沈陽向明陽益置業有限公司 ("Tai Yuan Street Project"), a company established in the PRC to carry out a property development project in Shenyang, the PRC, for a total cash consideration of approximately HK$609,800,000.

Details of the net assets acquired in respect of the acquisition of Tai Yuan Street Project are summarised below:

	HK$'000
Net assets acquired	
Plant and equipment	108
Properties under development	721,691
Trade and other receivables and prepayments	7,621
Amounts due from group companies	245,890
Bank balances and cash	9,294
Accruals and other payables	(1)
Amounts due to a shareholder	(267,447)
	717,156
Minority interests	(107,356)
	609,800
Total consideration satisfied by:	
Cash consideration paid	(513,200)
Payables for acquisition of subsidiaries	(96,600)
	(609,800)
Net cash outflow arising on acquisition:	
Cash consideration paid	(513,200)
Bank balances and cash acquired	9,294
Net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(503,906)

(iii) Qi Ao Island Project

In November 2007, the Group entered into purchase agreements with independent third parties to acquire a 100% equity interest in Zhuhai City Qi Zhou Island Movie Town Co., (珠海市淇州島影視城有限公司) ("Qi Ao Island Project"), a company established in the PRC to carry out a property development project in Zhuhai, the PRC, for a total cash consideration of approximately HK$3,076,232,000.

Details of the net assets acquired in respect of the acquisition of Qi Ao Island Project are summarised below:

	HK$'000
Net assets acquired	
Plant and equipment	168
Properties under development	3,290,810
Trade and other receivables and prepayments	2,889
Bank balances and cash	1,110
Amounts due to group companies	(165,951)
Accruals and other payables	(52,794)
	3,076,232
Total consideration satisfied by:	
Cash consideration paid	(2,942,396)
Payables for acquisition of subsidiaries	(133,836)
	(3,076,232)
Net cash outflow arising on acquisition:	
Cash consideration paid	(2,942,396)
Bank balances and cash acquired	1,110
Net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(2,941,286)

(iv) Yanjiao Project

In December 2007, the Group entered into purchase agreements with independent third parties to acquire a 90% equity interest in Zhongou Chengkai Co., Ltd. (中歐城開有限公司) ("Yanjiao Project"), a company established in the PRC to carry out a property development project in Hebei Province, the PRC, for a total cash consideration of approximately HK$547,260,000.

Details of the net assets acquired in respect of the acquisition of Yanjiao Project are summarised below:

	HK$'000
Net assets acquired	
Plant and equipment	124
Properties under development	581,968
Trade and other receivables and prepayments	5,048
Bank balances and cash	4,172
Accruals and other payables	(37,059)
	554,253
Minority interests	(6,993)
	547,260
Total consideration satisfied by:	
Cash consideration paid	(396,300)
Payables for acquisition of a subsidiary	(150,960)
	(547,260)
Net cash outflow arising on acquisition:	
Cash consideration paid	(396,300)
Bank balances and cash acquired	4,172
Net cash outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(392,128)

(v) 天津凱津房地產開發有限公司

In November 2007, the Group entered into purchase agreements with independent third parties to acquire a 100% equity interest in 天津凱津房地產開發有限公司 ("天津凱津"), a company established in the PRC to carry out a property development project in Tianjin, the PRC, at a total cash consideration of approximately HK$222,000,000.

Details of the net assets acquired in respect of the acquisition of 天津凱津 are summarised below:

	HK$'000
Net assets acquired	
Properties under development	345,698
Bank balances and cash	932
Accruals and other payables	(124,630)
	222,000
Total consideration satisfied by:	
Cash consideration paid	(222,000)
Net cash outflow arising on acquisition:	
Cash consideration paid	(222,000)
Bank balances and cash acquired	932
Net cash outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(221,068)

(vi) 北京淺野水泥有限公司

In December 2007, the Group entered into purchase agreements with independent third parties to acquire a 100% equity interest in 北京淺野水泥有限公司 ("淺野水泥"), a company established in the PRC to carry out a property development project in Beijing, the PRC, for a total cash consideration of approximately HK$100,468,000.

Details of the net assets acquired in respect of the acquisition of 淺野水泥 are summarised below:

	HK$'000
Net assets acquired	
Properties under development	31,205
Trade and other receivables and prepayments	66,560
Bank balances and cash	2,956
Accruals and other payables	(253)
	100,468
Total consideration satisfied by:	
Cash consideration paid	(100,468)
Net cash outflow arising on acquisition:	
Cash consideration paid	(100,468)
Bank balances and cash acquired	2,956
Net cash outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(97,512)

(vii) 北京盈通房地產開發有限公司

In December 2007, the Group entered into purchase agreements with independent third parties to acquire in aggregate 100% equity interest in Win Early Investments Limited ("Win Early"), a company incorporated in the British Virgin Islands to carry out a primary land development project in Beijing, the PRC, for a total cash consideration of approximately HK$90,000,000. Win Early owns 67.5% equity interest in 北京盈通房地產開發有限公司("北京盈通"), a company established in the PRC and engaged in primary land development project in Beijing.

Details of the net assets acquired in respect of the acquisition of 北京盈通 are summarised below:

	HK$'000
Net assets acquired	
Plant and equipment	72
Properties under development	125,046
Trade and other receivables and prepayments	1
Bank balances and cash	754
Accruals and other payables	(12,841)
Amounts due to a related company	(3)
Amounts due to a shareholder	(6,295)
	106,734
Minority interests	(16,734)
	90,000
Total consideration satisfied by:	
Cash consideration paid	(90,000)
Net cash outflow arising on acquisition:	
Cash consideration paid	(90,000)
Bank balances and cash acquired	754
Net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(89,246)

(b) Acquisition of subsidiaries and businesses under common control

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(i) 北京中新沃克建築裝飾工程有限公司 and 北京新松建築研究發展有限公司

In May 2007, 100% equity interest in 北京中新沃克建築裝飾工程有限公司("中新沃克") and 北京新松建築研究發展有限公司("新松建築研發") were transferred into the Group for a total consideration of HK$2,020,000 from the controlling shareholder, Mr. Li Song Xiao. 中新沃克 and 新松建築研發 are engaged in the design and construction business in the PRC. These acquisitions have been accounted for by the purchase method of accounting.

Details of the net assets acquired in respect of the acquisitions of 中新沃克 and 新松建築研發 are summarised below:

	Acquiree's carrying amount before combination and fair value
	HK$'000
Net assets acquired	
Plant and equipment	962
Properties under development	9,016
Trade and other receivables	1,104
Amounts due from group companies	303
Bank balances and cash	5,844
Accruals and other payables	(2,768)
Amounts due to related companies	(2,193)
Amounts due to group companies	(14,788)
	(2,520)
Deemed distribution to the controlling shareholder *(see note below)*	4,540
	2,020
Total consideration satisfied by:	
Cash consideration paid	(2,020)
Net cash inflow arising on acquisition:	
Cash Consideration paid	(2,020)
Bank balances and cash acquired	5,844
Net cash inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	3,824

Note: 中新沃克 and 新松建築研發 were acquired from the controlling shareholder. The deemed distribution represented the excess of the fair value of the consideration, which was an insignificant amount, over the fair value of the net assets acquired.

(ii) Jiujiu Youth City Project

In October 2007, the Group acquired from the controlling shareholder, Mr. Li Song Xiao, a property project in Shanghai, the PRC ("Jiujiu Youth City Project") and its related assets and liabilities for a consideration of approximately HK$1,056,759,000, which was settled by the issue of 467,592,592 ordinary shares at HK$2.26 each of the Company. The purchase was by way of the acquisition of 100% interest in One Alliance Investment Limited. This transaction has been reflected as a purchase of assets and liabilities.

Details of the net assets acquired in respect of the acquisition of Jiujiu Youth City Project are summarised below:

	HK$'000
Net assets acquired	
Plant and equipment	1,635
Properties under development	617,625
Trade and other receivables and prepayments	2,369
Amounts due from group companies	10
Bank balances and cash	30,948
Accruals and other payables	(9,204)
Amounts due to group companies	(274)
Bank borrowings	(67,600)
	575,509
Deemed distribution to the controlling shareholder *(see note (a) below)*	481,250
Total consideration satisfied by equity instruments of the Company *(see note (b) below)*	1,056,759
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	30,948

Notes:

(a) Jiujiu Youth City Project was acquired from the controlling shareholder. The deemed distribution represented the excess of the fair value of the consideration over the fair value of net assets acquired.

(b) Pursuant to the sale and purchase agreements for the acquisition of Jiujiu Youth City Project, 467,592,592 ordinary shares of the Company with par value of HK$0.01 each were issued. The fair value of the shares issued for the acquisition of Jiujiu Youth City Project amounting to approximately HK$1,056,759,000 was determined using the published closing price at the date of the acquisition.

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(iii) Lead Mix Limited and DIVO Success Limited

On 31 August 2006, the Group acquired 100% equity interest in Lead Mix Limited ("Lead Mix") and DIVO Success Limited ("DIVO Success") for a consideration of HK$758,252,000 which was settled by the issue of 1,243,034,853 ordinary shares of the Company.

Lead Mix directly owns 100% equity interest in Joyful Fortune Limited, Capital Team Investment Limited, Eastern Winway Limited, Reliapoint Limited and Maxsun Limited, which are established in the British Virgin Islands and engaged in investment holding.

Lead Mix indirectly owns 100% equity interest in 天津中新華安房地產開發有限公司, 天津中新信捷房地產開發有限公司, 天津中新濱海房地產開發有限公司, Tianjin Zhongxin Mingshi and 天津中新嘉業房地產開發有限公司 which are established in the PRC and engaged in property development in Tianjin, the PRC.

DIVO Success directly owns 100% of 天津中新華城房地產有限公司 and 天津新潤房地產開發有限公司, which are established in the PRC and engaged in property development in Tianjin, the PRC.

Lead Mix and DIVO Success were acquired from the controlling shareholder. The acquisitions of Lead Mix and DIVO Success gave rise to a deemed contribution from the controlling shareholder of HK$305,611,000, which represented the shortfall of the fair value of the consideration below the fair value of the net assets acquired.

This acquisition has been accounted for by the purchase method of accounting.

Details of the net assets acquired in respect of the acquisition of Lead Mix and DIVO Success are summarised below:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired			
Property, plant and equipment	1,963	–	1,963
Investment properties	351,557	209,367	560,924
Properties under development	538,084	793,685	1,331,769
Trade and other receivables and prepayments	92,874	–	92,874
Tax recoverable	4,460	–	4,460
Bank balances and cash	204,897	–	204,897
Accruals and other payables	(48,533)	–	(48,533)
Presale receipts from customers	(247,892)	–	(247,892)
Amounts due to related companies	(149,860)	–	(149,860)
Amounts due to group companies	(8,777)	–	(8,777)
Amounts due to a shareholder	(20,222)	–	(20,222)
Secured bank borrowings	(326,733)	–	(326,733)
Deferred tax liabilities	–	(331,007)	(331,007)
	391,818	672,045	1,063,863
Deemed contribution from the controlling shareholder			(305,611)
			758,252
Total consideration satisfied by:			
Equity instruments of the Company *(see note below)*			(758,252)

Note: Pursuant to the sales and purchase agreements for the acquisition of Lead Mix and DIVO Success, 1,243,034,853 ordinary shares of the Company with par value of HK$0.01 each were issued to the Company's controlling shareholder. The fair value of the shares issued for the acquisition of Lead Mix and DIVO Success amounting to approximately HK$758,252,000 was determined using the quoted bid price at the date of the acquisition.

(iv) 湖南淺水灣湘雅溫泉花園有限公司 ("Hunan Qianshuiwan Shuangya")

On 28 February 2007, the Group completed the acquisition of 67% equity interest in Hunan Qianshuiwan Shuangya, a company established in the PRC and engaged in property development in Changsha, the PRC, at a cash consideration of HK$216,000,000. This acquisition has been accounted for by the purchase method of accounting.

Hunan Qianshuiwan Shuangya was acquired from the controlling shareholder. The acquisition of Hunan Qianshuiwan Shuangya gave rise to a deemed contribution of HK$24,474,000, which represented the shortfall of the fair value of the consideration below the fair value of the net assets acquired.

Details of the net assets acquired in respect of the acquisition of Hunan Qianshuiwan Shuangya are summarised below:

	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired			
Property, plant and equipment	980	–	980
Properties under development	144,106	295,894	440,000
Trade and other receivables and prepayments	696	–	696
Advances to suppliers	20,000	–	20,000
Bank balances and cash	36,086	–	36,086
Accruals and other payables	(9,321)	–	(9,321)
Amounts due to related companies	(59,000)	–	(59,000)
Amounts due to group companies	(33,000)	–	(33,000)
Deferred tax liabilities	–	(73,973)	(73,973)
	100,547	221,921	322,468
Minority interests			(81,994)
Deemed contribution from the controlling shareholder *(see note below)*			(24,474)
			216,000
Total consideration satisfied by:			
Cash consideration paid			(216,000)

(c) Business combination

For the year ended 30 April 2007

(i) Chongqing China Enterprises

On 30 June 2006, the Group acquired 70% equity interest in Chongqing China Enterprises, a company established in the PRC and engaged in property development in Chongqing, the PRC, for a cash consideration of HK$444,886,000. Prior to the acquisition, the Group held 20% interest in Chongqing China Enterprises and this has been accounted for as interest in an associate. Chongqing China Enterprises then became a 90% owned subsidiary of the Group subsequent to the acquisition. This acquisition has been accounted for by the purchase method of accounting.

On 31 August 2006, the Group completed the acquisition of the remaining 10% equity interest in Chongqing China Enterprises for a cash consideration of HK$59,900,000. This acquisition has been accounted for as the acquisition of additional interest in subsidiary and is not included in the table below.

Details of the net assets acquired in respect of the acquisition of Chongqing China Enterprises are summarised below:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired			
Property, plant and equipment	1,424	–	1,424
Properties under development	600,759	244,428	845,187
Trade and other receivables and prepayments	692	–	692
Bank balances and cash	68,520	–	68,520
Accruals and other payables	(1,590)	–	(1,590)
Secured bank borrowings	(198,020)	–	(198,020)
Deferred tax liabilities	–	(80,661)	(80,661)
	471,785	163,767	635,552
Minority interests			(63,556)
			571,996
Less: interest in an associate held prior to the acquisition			(119,104)
revaluation reserve on previously held interest			(8,006)
			444,886
Total consideration satisfied by:			
Cash consideration paid			(203,472)
Payables for acquisition of a subsidiary			(73,145)
Deposits for acquisition of a subsidiary in prior period			(168,269)
			(444,886)

(ii) Beijing New Shine Land Investment

On 30 June 2006, the Group acquired an additional 25% equity interest in Beijing New Shine Land Investment on 30 June 2006 for a cash consideration of HK$128,713,000. Prior to this acquisition, the Group held 25% interest in Beijing New Shine Land Investment and Beijing New Shine Land Investment then became a 50% owned associate.

On 31 August 2006, the Group acquired the remaining 50% equity interest in Beijing New Shine Land Investment for a cash consideration of HK$257,426,000 and Beijing New Shine Land Investment then became a wholly-owned subsidiary of the Group. Beijing New Shine Land Investment owns 80% equity interest in Beijing Yu Shui Yuen, a company established in the PRC and engaged in property development in Beijing, the PRC. This acquisition has been accounted for by the purchase method of accounting.

Details of the net assets acquired in respect of the acquisition of Beijing New Shine Land Investment at 31 August 2006 are summarised below:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired			
Property, plant and equipment	592	–	592
Properties under development	1,030,224	867,937	1,898,161
Trade and other receivables and prepayments	57,383	–	57,383
Advances to suppliers	400,712	–	400,712
Tax recoverable	46,025	–	46,025
Pledged bank deposits	7,246	–	7,246
Bank balances and cash	127,838	–	127,838
Accruals and other payables	(168,730)	–	(168,730)
Presale receipts from customers	(929,807)	–	(929,807)
Tax payable	(29,272)	–	(29,272)
Amounts due from related companies	35,939	–	35,939
Amount due to group companies	(399,786)	–	(399,786)
Secured bank borrowings	(186,878)	–	(186,878)
Deferred tax liabilities	–	(286,419)	(286,419)
	(8,514)	581,518	573,004
Minority interests			(58,152)
			514,852
Less: interest in associates held prior to the acquisition			(125,204)
revaluation reserve on previously held interest			(132,222)
			257,426
Total consideration satisfied by:			
Cash consideration paid			(257,426)

(iii) Xian Chan Ba Construction

During the year, the Group completed the acquisition of 17% equity interest in Xian Chan Ba Construction, a company established in the PRC and engaged in property development in Xian at a total consideration of HK$140,000,000 and further acquired 54.5% equity interest in Xian Chan Ba Construction for a total consideration of approximately HK$921,600,000, satisfied by cash of HK$416,000,000, 340,000,000 shares of the Company and the issuance of Loan Payable Xian with a fair value of HK$169,000,000 (note 27(d)), from independent third parties. Xian Chan Ba Construction then became a 71.5% owned subsidiary of the Group. These acquisitions have been accounted for by the purchase method of accounting.

Details of the net assets acquired in respect of the acquisition of Xian Chan Ba Construction are summarised below:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired			
Property, plant and equipment	92,228	–	92,228
Properties under development	624,661	969,945	1,594,606
Trade and other receivables and prepayments	1,632	–	1,632
Advances to suppliers	30,700	–	30,700
Bank balances and cash	4,810	–	4,810
Accruals and other payables	(83,728)	–	(83,728)
Amounts due to group companies	(131,500)	–	(131,500)
Deferred tax assets/(liabilities)	22,690	(242,487)	(219,797)
	561,493	727,458	1,288,951
Minority interests			(367,351)
			921,600
Total consideration satisfied by:			
Cash consideration paid			(380,000)
Payables for acquisition of a subsidiary			(36,000)
Loan Payable Xian *(see note below)*			(169,000)
Equity instruments of the Company *(see note below)*			(336,600)
			(921,600)

Note:

Pursuant to the sale and purchase agreements for the acquisition of Xian Chan Ba Construction, 340,000,000 ordinary shares of the Company with par value of HK$0.01 each and Loan Payable Xian were issued to an independent third party. The fair values of the 340,000,000 shares and Loan Payable Xian at 28 February 2007 issued for the acquisition of Xian Chan Ba Construction were HK$336,600,000 and HK$169,000,000 respectively, which were determined using the quoted bid price and the valuation on Loan Payable Xian is in accordance with determined pricing model based on discount cash flow analysis performed by Knight Frank Hong Kong Limited, an independent professional valuer, at the date of the acquisition, respectively.

(iv) 中住佳展地產(徐州)有限公司 ("Zhongzhu Jiazhan Real Estate")

On 28 February 2007, the Group acquired 100% equity interest in Zhongzhu Jiazhan Real Estate, a company established in the PRC and engaged in property development in Xuzhou, the PRC, for a cash consideration of HK$150,000,000 plus the issuance of 125,000,000 of the Company's shares. This acquisition has been accounted for by the purchase method of accounting.

Details of the net assets acquired in respect of the acquisition of Zhongzhu Jiazhan Real Estate are summarised below:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired			
Property, plant and equipment	580	–	580
Properties under development	199,690	177,837	377,527
Trade and other receivables and prepayments	6,542	–	6,542
Bank balances and cash	1,715	–	1,715
Accruals and other payables	(12,440)	–	(12,440)
Amounts due to group companies	(55,715)	–	(55,715)
Deferred tax liabilities	–	(44,459)	(44,459)
	140,372	133,378	273,750
Total consideration satisfied by:			
Cash consideration paid			150,000
Equity instruments of the Company *(see note below)*			123,750
			273,750

Note:

Pursuant to the sales and purchase agreements for the acquisition of Zhongzhu Jiazhan Real Estate, 125,000,000 ordinary shares of the Company with par value of HK$0.01 each were issued. The fair value of the shares issued for the acquisition of Zhongzhu Jiazhan amounting to approximately HK$123,750,000 was determined using the quoted bid price at the date of the acquisition.

(d) Summary of acquisition of subsidiaries

For the year ended 30 April 2008

Details of the net assets acquired in respect of the acquisition of the above subsidiaries are summarised below:

	HK$'000
Net assets acquired	
Plant and equipment	3,403
Properties under development	6,702,120
Trade and other receivables and prepayments	127,722
Tax recoverable	3
Amounts due from group companies	246,203
Amount due from related companies	47
Bank balances and cash	91,487
Accruals and other payables	(244,457)
Bank borrowings	(67,600)
Amounts due to related companies	(2,196)
Amounts due to group companies	(489,953)
Amounts due to shareholders	(273,742)
	6,093,037
Minority interests	(131,083)
Deemed distribution to the controlling shareholder	485,790
	6,447,744
Total purchase consideration satisfied by:	
Cash consideration paid	(4,427,519)
Payables for acquisition of subsidiaries	(381,396)
Deposit for acquisition of subsidiaries in prior period	(255,170)
Equity instrument of the Company	
– Beichen Project *(Note 33(a)(i))*	(326,900)
– Jiujiu Youth City Project *(Note 33(b)(ii))*	(1,056,759)
	(6,447,744)
Net cash outflow arising on acquisition:	
Cash consideration paid	(4,427,519)
Bank balances and cash acquired	91,487
Net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(4,336,032)

The subsidiaries acquired during the year contributed a loss of approximately HK$61,361,000 to the Group's result.

If the acquisitions had been completed on 1 May 2007, the Group's total revenue for the year would have been HK$5,029,260,000 and profit for the year would have been HK$1,493,431,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 May 2007, nor is it intended to be a projection of future results.

For the year ended 30 April 2007

Details of the aggregate net assets acquired in respect of the acquisition of the above subsidiaries are summarise below:

	Acquirees' carrying amount before combination	Fair value adjustments	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired			
Property, plant and equipment	97,767	–	97,767
Investment properties	351,557	209,367	560,924
Properties under development	3,137,524	3,349,725	6,487,249
Trade and other receivables and prepayments	159,819	–	159,819
Advances to suppliers	451,412	–	451,412
Tax recoverable	50,485	–	50,485
Pledged bank deposits	7,246	–	7,246
Bank balances and cash	443,866	–	443,866
Accruals and other payables	(324,342)	–	(324,342)
Presale receipts from customers	(1,177,699)	–	(1,177,699)
Tax payable	(29,272)	–	(29,272)
Amounts due to related companies	(172,921)	–	(172,921)
Amounts due to group companies	(628,778)	–	(628,778)
Amounts due to a shareholder	(20,222)	–	(20,222)
Secured bank borrowings	(711,631)	–	(711,631)
Deferred tax assets/(liabilities)	22,690	(1,059,005)	(1,036,315)
	1,657,501	2,500,087	4,157,588
Minority interests			(571,053)
Deemed contribution from the controlling shareholder *(see note 33(b)(iii) and (iv))*			(330,085)
			3,256,450
Less: interest held prior to the acquisition			
interests in associates			(244,308)
revaluation reserve			(140,228)
			2,871,914

	Acquirees' carrying amount before combination	Fair value adjustments	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Total purchase consideration satisfied by:			
Cash consideration paid			(1,206,898)
Deposit for acquisition of a subsidiary in prior period			(168,269)
Payable for acquisition of subsidiaries			(109,145)
Loan Payable Xian *(note 33(c)(iii))*			(169,000)
Equity instruments of the Company			
– Lead Mix Limited and DIVO Success Limited *(note 33(b)(iii))*			(758,252)
– Xian Chan Ba Construction *(note 33(c)(iii))*			(336,600)
– Zhongzhu Jiazhan Real Estate *(note 33(c)(iv))*			(123,750)
			(2,871,914)
Net cash outflow arising on acquisition:			
Cash consideration paid			(1,206,898)
Bank balances and cash acquired			443,866
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			(763,032)

The subsidiaries acquired during the year contributed HK$1,011,537,000 to the Group's revenue and profit of HK$255,253,000.

If the acquisitions had been completed on 1 May 2006, total Group's revenue for the year would have been HK$2,779,845,000, and profit for the year would have been HK$803,689,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 May 2006, nor is it intended to be a projection of future results.

(e) Acquisition of additional interest in subsidiaries

For the year ended 30 April 2007

(i) On 28 February 2007, the Group completed the acquisition of a further 15% equity interest in 北京金馬文華園房地產開發有限公司 ("Beijing Jinma") for a cash consideration of HK$100,000,000 from an independent third party. Prior to the acquisition, the Group had a 85% equity interest in Beijing Jinma and Beijing Jinma then became a wholly-owned subsidiary of the Group. The acquisition in Beijing Jinma gave rise to a special reserve of HK$33,860,000, which represented the difference between the fair value and the carrying amount of net assets attributable to the additional interest in a subsidiary being acquired from a minority shareholder. Due to the acquisition of additional interest in Beijing Jinma, the minority interests decreased by HK$66,140,000.

(ii) On 28 February 2007, the Group completed the acquisition of a further 22.1% equity interest 北京新松房地產開發有限公司 ("Beijing Newshine") for a cash consideration of HK$90,000,000 from a related company controlled by the controlling shareholder. Prior to the acquisition, the Group had a 51.6% equity interest in Beijing Newshine and Beijing Newshine then became a

73.7% owned subsidiary of the Group. The acquisition of 22.1% interest in Beijing Newshine gave rise to a deemed contribution from the controlling shareholder of HK$1,064,000 and a special reserve of HK$10,636,000. The shortfall from the fair value of the consideration below the fair value of net assets attributable to the additional interest in the subsidiary being acquired from a minority shareholder is considered as deemed contribution from the controlling shareholder. Due to the acquisition of the additional interest in Beijing Newshine, the minority interests decreased by HK$80,428,000.

34. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries

For the year ended 30 April 2008

(i) Tianjin Zhongxin Mingshi

During the year, the Group completed the disposal of the entire interest in Tianjin Zhongxin Mingshi for a consideration of approximately HK$223,086,000. A loss on disposal of HK$35,400,000 arose from this disposal.

The assets and liabilities associated with the disposed subsidiary were classified as assets as held for sale and liabilities directly associated with assets classified as held for sale in the consolidated balance sheet at 30 April 2007.

Details of the net assets disposed of in respect of the disposal of Tianjin Zhongxin Mingshi are summarised below:

	2008
	HK$'000
NET ASSETS DISPOSED OF	
Properties under development	201,774
Bank balances and cash	79,229
Amounts due from group companies	16,518
Deferred tax liabilities	(39,035)
	258,486
Loss on disposal of subsidiary	(35,400)
	223,086
Total consideration satisfied by	
Cash received	161,524
Deposit received for disposal of a subsidiary in prior period	61,562
	223,086
Net cash inflow arising on disposal:	
Cash consideration received	161,524
Bank balances and cash disposed of	(79,229)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiary	82,295

The subsidiary disposed of during the period did not contribute significantly to the Group's results and cash flows.

(ii) 中新綿世(成都)建設發展有限公司

In March 2008, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest in 中新綿世(成都)建設發展有限公司("中新綿世") for a consideration of approximately HK$142,080,000, and this transaction was completed on April 2008. A gain on disposal on HK$83,060,000 arose from this disposal.

Details of the net assets disposed of in respect of the disposal of 中新綿世 are summarised below:

	2008
	HK$'000
NET ASSETS DISPOSED OF	
Plant and equipment	203
Properties under development	412,925
Trade and other receivables and prepayments	4,028
Bank balances and cash	35,780
Accruals and other payables	(2,469)
Bank borrowings	(342,990)
Amounts due to group companies	(122)
	107,355
Minority interests	(48,335)
	59,020
Gain on disposal of subsidiaries	83,060
	142,080
Total consideration satisfied by:	
Cash received	142,080
Net cash inflow arising on disposal:	
Cash consideration received	142,080
Bank balances and cash disposed of	(35,780)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	106,300

The subsidiaries disposed of during the period did not contribute significantly to the Group's results and cash flows.

For the year ended 30 April 2007

(iii) Zhongzhu Jiazhan Real Estate

In April 2007, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest in Well Development Investment Limited together with its 90% equity interest in a subsidiary, Zhongzhu Jiazhan Real Estate, for a consideration of HK$580,000,000. The disposal was completed in April 2007. A gain on disposal of HK$283,247,000 arose from this disposal.

(b) Summary of disposal of subsidiaries

Details of the net assets disposed of in respect of the disposal of subsidiaries are summarised below:

	2008	2007
	HK$'000	*HK$'000*
NET ASSETS DISPOSED OF		
Property, plant and equipment	203	610
Properties under development	614,699	388,196
Trade and other receivables and prepayments	4,028	2,692
Bank balances and cash	115,009	2,947
Amounts due from group companies	16,518	–
Other payables and accruals	(2,469)	(14,536)
Bank borrowings	(342,990)	–
Amounts due to group companies	(122)	(5,279)
Deferred tax liability	(39,035)	(44,904)
	365,841	329,726
Minority interests	(48,335)	–
Available-for-sale investment	–	(32,973)
	317,506	296,753
Gain on disposal of subsidiaries	47,660	283,247
	365,166	580,000
Satisfied by:		
Cash consideration received	303,604	67,570
Consideration receivable for disposal of subsidiaries	–	512,430
Deposit received for disposal of a subsidiary in prior period	61,562	–
	365,166	580,000
Net cash inflow arising on disposal:		
Cash received	303,604	67,570
Bank balances and cash disposed of	(115,009)	(2,947)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	188,595	64,623

The subsidiaries disposed of during the year did not contribute significantly to the Group's results and cash flow.

(c) Disposal of partial interest in subsidiaries

For the year ended 30 April 2008

In April 2008, the Group completed the disposal of 20% equity interest in in Tianjin City Yi Jia He Zhi Ye Co., Ltd ("Tianjin Yi Jia He") and its subsidiaries at a cash consideration of approximately HK$888,000,000 to an independent third party. Prior to the disposal, Tianjin Yi Jia He was a wholly-owned subsidiary of the Group. The disposal gave rise to a gain on disposal of HK$699,680,000. Due to the disposal of partial equity interest in Tianjin Yi Jia He and its subsidiaries, the minority interests were increased by HK$13,386,000.

35. COMMITMENTS

(a) Commitments in respect of properties under development outstanding at 30 April not provided for in the consolidated financial statements were as follows:

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Authorised and contracted for but not provided for	3,720,684	5,100,526

(b) Other capital commitment outstanding at 30 April not provided for in the consolidated financial statements were as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisitions of subsidiaries *(note)*	–	44,830
Capital expenditure in respect of acquisitions of property, plant and equipment	–	12,225
	–	57,055

Note: During the year ended 30 April 2007, the Group entered into sale and purchase agreements with independent third parties for the acquisitions of equity interests of several companies. The total purchase consideration was approximately HK$300,000,000 in cash, plus the allotment and issue of 717,592,592 ordinary shares of the Company. At 30 April 2007, approximately HK$255,170,000 had been paid and recognised as "Deposits for acquisition of subsidiaries" in the consolidated balance sheet as at 30 April 2007, resulting in a capital commitment of approximately HK$44,830,000. These transactions were completed in October 2007.

(c) At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Within one year	5,526	3,814
After one year but within five years	2,926	2,010
	8,452	5,824

Operating lease payments represent rentals payable by the Group for its office properties. The leases typically run for an initial period of three months to three years, with an option to renew the lease when all terms are renegotiated.

36. CONTINGENT ASSETS AND LIABILITIES

(a) Guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and has given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of guarantees, upon default in payments of mortgage instalments by these buyers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers. The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries was HK$2,131,318,000 as at 30 April 2008 (2007: HK$1,278,429,000).

In the opinion of the Directors, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition, and the directors of the Company consider that the possibility of default by the parties involved is remote, and in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in the consolidated financial statements for guarantees.

(b) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties with terms ranging one to two years against certain specified defects as stipulated in the PRC laws and regulations which are covered by back-to-back warranties provided by the relevant contractors of the projects.

37. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7, is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Short-term employee benefits	8,068	6,916
Post-employment benefits	10	31
Equity compensation benefits	64,873	74,831
	72,951	81,778

Total remuneration is included in "staff costs" (see note 5(b)).

(b) Balances with related parties

Details of the balances with related parties as at 30 April 2008 and 2007 are set out in the notes 20 and 23.

(c) Transactions with other related parties

(i) During the year, the Group entered into the following transactions with related companies which are controlled by the controlling shareholder of the Company, Mr. Li Song Xiao:

	Agency fee expenses		**Decoration income**		**Interest expenses**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Related companies	1,070	15,746	18,271	–	–	5,770

The agency fee expenses were paid to the related companies for providing property promotion and management services to the group companies.

Decoration income were received from related companies for providing design and decoration services by the Group.

(ii) The Group acquired certain subsidiaries from Mr. Li Song Xiao. Details of such acquisitions are set out in note 33.

(iii) The Group entered into an agreement with 天津中新建業投資有限公司 (「中新建業」), with a total contracted amount of HK$535,000 (2007: HK$nil) for provision of surveying services. Pursuant to the agreement, 中新建業 will provide surveying services for the properties under development held by the Group. At 30 April 2008, HK$515,000 (2007: HK$nil) for surveying services has been paid to 中新建業 and were included in property under development.

(iv) During the year ended and as at 30 April 2008, 北京新松投資集團有限公司 (「新松投資集團」) and 北京新松家園房地產開發有限公司 (「新松家園」), both are related companies of the Group, provide corporate guarantees to secure the Group's bank loan facilities to the extent of approximately HK$342,400,000 (2007: HK$323,200,000) and HK$188,320,000 (2007: HK$177,600,000) respectively at no charge.

38. NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 10.

(b) On 28 May 2008, Beijing Guo Rui Min He Investment Company Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Yuanan Jing Gu Lin Ye Gu Fen Co., Ltd., an independent third party, to acquire a further 12% equity interest in Beijing Jun He Bai Nian Property Development Co., Ltd. ("Jun He Bai Nian"), an associate of the Group as at 30 April 2008, for a consideration of RMB82,090,000 in cash. Upon the transfer of 12% equity interest Jun He Bai Nian to the Group, the Group holds approximately 56% of the entire equity interest in Jun He Bai Nian and Jun He Bai Nian become a subsidiary of the Group. Details of the transaction are included in a circular of the Company dated 4 July 2008. Up to the date of issue of these financial statements, the transaction was completed.

(c) On 1 June 2008, the Group entered into an agreement whereby the Group exercised its right to purchase a further 30% equity interest in 成都中新錦泰房地產開發有限公司 (「中新錦泰」). Upon the transfer of such 30% equity interest in 中新錦泰 to the Group, the Group holds 100% equity interest in 中新錦泰. Details of the transaction are included in a circular of the Company dated 18 July 2008. Up to the date of issue of these financial statements, the transaction has not yet been completed.

39. COMPARATIVE FIGURES

As a result of adopting HKFRS 7 "*Financial instruments: Disclosures*" and the amendments to HKAS 1 "*Presentation of financial statements: Capital disclosures*", certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2008. Further details of these developments are disclosed in note 2.

In addition, certain comparative figures have been adjusted or reclassified as a result of the restatement of prior period and opening balances. Further details are disclosed in note 2.

40. CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and judgements used in preparing the consolidated financial statements are evaluated and 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 may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Land appreciation taxes

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

The Group is subject to land appreciation tax in the PRC which has been included in income tax of the Group. However, the Group has not finalised its land appreciation tax returns with the tax authorities for certain property development projects of the Group. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(b) Provision for properties under development and completed properties held for sale

As explained in Note 1(k), the Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(c) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(d) Impairment for property, plant and equipment

If circumstances indicate that the net book value of property, plant and equipment may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with the accounting policy for impairment of property, plant and equipment as described in Note 1(j)(ii)). The carrying amounts of property, plant and equipment are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of selling price and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of selling price and the amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(e) Impairment for trade and loan receivables

The Group estimates impairment losses for trade and loan receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and loan receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(f) Derivative financial instruments

In determining the fair value of the derivative financial instruments, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

41. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 APRIL 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 April 2008 and which have not been adopted in these financial statements.

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

In addition, HKFRS 8 "Operating Segments", which is effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosures in the consolidated financial statements.

42. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 30 April 2008, the directors of the Company consider the immediate parent and ultimate controlling party of the Group to be Invest Gain Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

43. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 30 April 2008 are set out below:

Name	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/ and paid-up registered capital held Directly	Indirectly	Principal activities
Capital Team Investment Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
DIVO Success Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Eastern Winway Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Joyful Fortune Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Lead Mix Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Leadway Pacific Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Lucky Merit Development Limited ("Lucky Merit")	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Maxsun Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Neo-China Property Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
New Direction Development Limited ("New Direction")	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Oasiscity Limited ("Oasiscity")	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Phoenix Real Property Limited ("Phoenix Real Property")	British Virgin Islands/Hong Kong	200 ordinary shares of US$1 each	–	80%	Investment holding
Reliapoint Ltd	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Richspeed Investment Ltd.	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
Sunkit Development Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Top Fair Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1 each	–	100%	Investment holding

Name	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/ and paid-up registered capital held Directly	Indirectly	Principal activities
Shenzhen Phoenix Real Estates Company Limited 深圳鳳凰置業有限公司 ("Shenzhen Phoenix", *notes (a)*)	The PRC	US$10,000,000	–	82%	Property investment
中置(北京)企業管理有限公司 *(note (b))*	The PRC	HK$200,000,000	–	100%	Investment holding
北京金馬文華園房地產開發有限公司 ("Beijing Jinma", *note (a)*)	The PRC	US$12,000,000	–	100%	Property development
北京新松房地產開發有限公司 *(note (a))*	The PRC	RMB190,000,000	–	73.7% *(note (d))*	Property development
天津中新水城置地有限公司 *(note (a))*	The PRC	US$15,000,000	–	65%	Primary land development
北京御水苑房地產開發有限責任公司 *(note (c))*	The PRC	RMB20,000,000	–	90%	Property development
北京新松置地投資顧問有限公司 *(note (c))*	The PRC	RMB30,000,000	–	100%	Property development
成都中新錦泰房地產開發有限公司 *(note (a))*	The PRC	RMB200,000,000	–	70% *(note (e))*	Property development
西安滻霸建設開發有限公司 *(note (a))*	The PRC	US$86,880,000	–	71.5%	Property development
湖南淺水灣湘雅溫泉花園有限公司 *(note (c))*	The PRC	RMB30,000,000	–	67%	Property development
重慶中華企業房地產發展有限公司 *(note (c))*	The PRC	RMB50,000,000	–	100%	Property development
天津新潤房地產開發有限公司 *(note (b))*	The PRC	RMB240,000,000	–	100%	Property development
天津中新濱海房地產開發有限公司 *(note (b))*	The PRC	HK$10,000,000	–	100%	Property development
天津中新華安房地產開發有限公司 *(note (b))*	The PRC	RMB240,000,000	–	100%	Property development
天津中新華城房地產開發有限公司 *(note (b))*	The PRC	RMB80,000,000	–	100%	Property investment
天津中新嘉業房地產開發有限公司 *(note (b))*	The PRC	RMB120,000,000	–	100%	Property development
天津中新信捷房地產開發有限公司 *(note (b))*	The PRC	RMB240,000,000	–	100%	Property development

Name	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/ and paid-up registered capital held Directly	Indirectly	Principal activities
上海九久廣場投資開發有限公司 *(note (c))*	The PRC	RMB226,160,000	–	100%	Property development
天津市億嘉合置業有限公司 *(note (c))*	The PRC	RMB38,000,000	–	80%	Property development
瀋陽向明長益置業有限公司 *(note (a))*	The PRC	USD63,750,000	–	80%	Property development
珠海市淇洲島影視城有限公司 *(note (a))*	The PRC	RMB90,000,000	–	100%	Property development
中歐城開有限公司 *(note (c))*	The PRC	RMB63,000,000	–	90%	Property development
北京盈通房地產開發有限公司 *(note (a))*	The PRC	USD6,000,000	–	67.5%	Primary land development
天津凱津房地產開發有限公司 *(note (c))*	The PRC	RMB30,000,000	–	100%	Property development

Notes:

(a) These companies were established in the PRC in the form of sino-foreign equity joint ventures.

(b) These companies were established in the PRC in the form of wholly-owned foreign enterprises.

(c) This company was established in the PRC in the form of a limited liability company.

(d) 26.3% registered capital is held by an independent party in the PRC. The Group has entered into an agreement with the independent third party that the independent third party has no right to share profit of 新松房地產開發有限公司 other than a fixed rate of return at 6.5% per annum. The Group shall purchase from the independent third party the 26.3% registered capital in August 2008 at a mutually-agreed price. (see Loan Payable A in note 27(b))

(e) 30% registered capital is held by an independent party in the PRC. The Group has entered into an agreement with the independent third party that the independent third party has no right to share profit of 成都中新錦泰房地產開發有限公司. The Group shall purchase from the independent third party the 30% registered capital in January 2009 at a mutually-agreed price. (see Loan Payable B in note 27(c))

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

(II) The following is an extract of a report on Neo-China received from Crowe Horwath (HK) CPA Limited, Neo-China's reporting accountants, from the 2009 annual report of Neo-China.

Crowe Horwath™

國富浩華 (香港) 會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

34/F The Lee Gardens,
33 Hysan Avenue,
Causeway Bay, Hong Kong

To the shareholders of
Neo-China Land Group (Holdings) Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Neo-China Land Group (Holdings) Limited (the "Company") set out on pages 41 to 137, which comprise the consolidated balance sheet 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 eight-month period 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 financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. 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 financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's loss and cash flows for the eight-month period then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 9 April 2010

Yau Hok Hung
Practising Certificate Number P04911

Consolidated Income Statement
for the eight-month period from 1 May 2009 to 31 December 2009

	Note	8 months ended 31 December 2009 HK$'000	Year ended 30 April 2009 HK$'000
Turnover	3	513,086	2,534,580
Cost of sales		(448,138)	(2,044,087)
Gross profit		64,948	490,493
Other revenue	4	20,450	47,080
Other net (loss)/income	4	(23,943)	289,477
Net valuation (loss)/gain on investment properties	12	(158,337)	409,047
Write down of inventories	16(b)	(124,398)	–
Distribution and selling expenses		(252,359)	(121,029)
General and administrative expenses		(394,571)	(363,655)
(Loss)/profit from operations		(868,210)	751,413
Finance costs	5(a)	(132,342)	(210,224)
Gain on redemption of convertible notes	26	426,074	–
Share of losses of associates		(1,789)	(477)
Gain on disposal of subsidiaries	33(b)	336,866	–
Loss on disposal of associate		(5,100)	(1,014)
Impairment loss on assets of disposal group/ non-current assets classified as held for sale	28	(1,790,000)	(201,000)
(Loss)/profit before taxation	5	(2,034,501)	338,698
Income tax	6(a)	(149,798)	(249,142)
(Loss)/profit for the period/year		(2,184,299)	89,556
Attributable to:			
Equity shareholders of the Company		(2,106,392)	126,567
Minority interests		(77,907)	(37,011)
(Loss)/profit for the period/year		(2,184,299)	89,556
(Loss)/earnings per share	10		
Basic		(108.26) HK cents	6.51 HK cents
Diluted		(127.94) HK cents	5.56 HK cents

Consolidated Statement of Comprehensive Income
for the eight-month period from 1 May 2009 to 31 December 2009

	Note	8 months ended 31 December 2009 HK$'000	Year ended 30 April 2009 HK$'000
(Loss)/profit for the period/year		(2,184,299)	89,556
Other comprehensive (loss)/income for the period/ year (after tax and reclassification adjustments)	6(c)		
Exchange differences on translation into presentation currency		(1,235)	77,110
Reclassification adjustment for realisation of exchange differences transferred to profit or loss upon disposal of interests in subsidiaries		(145,234)	–
Reclassification adjustment for realisation of exchange differences transferred to profit or loss upon disposal of interest in an associate		(22,681)	–
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sale of completed properties held for sale		(270)	(312)
Other comprehensive (loss)/income for the period/ year		(169,420)	76,798
Total comprehensive (loss)/income for the period/ year		(2,353,719)	166,354
Attributable to:			
Equity shareholders of the Company		(2,275,812)	184,776
Minority interests		(77,907)	(18,422)
Total comprehensive (loss)/income for the period/ year		(2,353,719)	166,354

Consolidated Balance Sheet
as at 31 December 2009

	Note	31 December 2009 HK$'000	31 December 2009 HK$'000	30 April 2009 HK$'000	30 April 2009 HK$'000
Non-current assets					
Fixed assets					
– Investment properties	*12*		2,949,328		3,313,447
– Other property, plant and equipment	*13*		827,900		641,308
			3,777,228		3,954,755
Interests in associates	*14*		328,380		–
Restricted bank deposits	*15(a)*		55,023		173,399
Derivative financial instrument – Redemption Right of the Issuer	*26*		600		–
Deferred tax assets	*23(b)*		24,142		24,832
			4,185,373		4,152,986
Current assets					
Inventories	*16*	14,462,055		20,908,384	
Investments in securities held for trading	*17*	–		1,513	
Loan receivables	*18*	412,626		–	
Trade and other receivables	*19*	2,231,914		707,980	
Prepaid income tax	*23(a)*	339,673		231,172	
Restricted bank deposits	*15(b)*	–		19,030	
Cash and cash equivalents	*20(a)*	1,627,196		2,618,105	
		19,073,464		24,486,184	
Assets of disposal group/ non-current assets classified as held for sale	*28*	2,732,943		656,578	
		21,806,407		25,142,762	
Current liabilities					
Trade and other payables	*21*	2,413,007		3,286,936	
Pre-sale receipts from customers	*22*	8,763,402		5,415,588	
Bank borrowings	*24*	702,240		971,656	
Loan payables	*25*	1,402,200		2,737,281	
Derivative financial instrument – Warrants	*27*	29,600		32,100	
Income tax payable	*23(a)*	1,238,927		1,093,457	
Dividend payable		6,473		6,473	
		14,555,849		13,543,491	
Liabilities of disposal group classified as held for sale	*28*	835		–	
		14,556,684		13,543,491	
Net current assets			7,249,723		11,599,271

	Note	31 December 2009 HK$'000	HK$'000	30 April 2009 HK$'000	HK$'000
Total assets less current liabilities			11,435,096		15,752,257
Non-current liabilities					
Bank borrowings	*24*	768,064		1,554,048	
Convertible notes	*26*	62,136		1,028,195	
Senior notes	*27*	2,942,803		2,923,895	
Deferred tax liabilities	*23(b)*	1,002,111		1,173,976	
			4,775,114		6,680,114
NET ASSETS			6,659,982		9,072,143
CAPITAL AND RESERVES	*29*				
Share capital			77,826		77,826
Reserves			5,995,603		8,238,558
Total equity attributable to equity shareholders of the Company			6,073,429		8,316,384
Minority interest			586,553		755,759
TOTAL EQUITY			6,659,982		9,072,143

Consolidated Statement of Changes in Equity

for the eight-month period from 1 May 2009 to 31 December 2009

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Convertible notes equity reserve	Share options reserve	Other revaluation reserve	Exchange reserve	Retained profits	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 May 2008	77,826	5,515,551	44,365	187,561	46,541	738,254	1,763,954	8,374,052	705,271	9,079,323
Profit for the year	–	–	–	–	–	–	126,567	126,567	(37,011)	89,556
Other comprehensive income for the year:										
– Exchange differences on translation into presentation currency	–	–	–	–	–	58,521	–	58,521	18,589	77,110
– Realisation of fair value gains transferred to profit or loss upon sales of completed properties held for sale	–	–	–	–	(312)	–	–	(312)	–	(312)
Total comprehensive income for the year	–	–	–	–	(312)	58,521	126,567	184,776	(18,422)	166,354
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	68,910	68,910
Equity settled share-based transactions	–	–	–	29,946	–	–	–	29,946	–	29,946
Transfer to retained profits upon forfeiture of share options	–	–	–	(9,123)	–	–	9,123	–	–	–
Dividend approved in respect of the previous year	–	–	–	–	–	–	(272,390)	(272,390)	–	(272,390)
Balance at 30 April 2009	77,826	5,515,551	44,365	208,384	46,229	796,775	1,627,254	8,316,384	755,759	9,072,143

	Attributable to equity shareholders of the Company									
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Convertible notes equity reserve** *HK$'000*	**Share options reserve** *HK$'000*	**Other revaluation reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**(Accumulated losses)/ retained profits** *HK$'000*	**Total** *HK$'000*	**Minority interests** *HK$'000*	**Total equity** *HK$'000*
Balance at 1 May 2009	77,826	5,515,551	44,365	208,384	46,229	796,775	1,627,254	8,316,384	755,759	9,072,143
Loss for the period	–	–	–	–	–	–	(2,106,392)	(2,106,392)	(77,907)	(2,184,299)
Other comprehensive loss for the period:										
– Exchange differences on translation into presentation currency	–	–	–	–	–	(1,235)	–	(1,235)	–	(1,235)
– Reclassification adjustment for realisation of exchange differences transferred to profit or loss upon disposal of interests in subsidiaries	–	–	–	–	–	(145,234)	–	(145,234)	–	(145,234)
– Reclassification adjustment for realisation of exchange differences transferred to profit or loss upon disposal of interest in an associate	–	–	–	–	–	(22,681)	–	(22,681)	–	(22,681)
– Reclassification adjustment for realisation of fair value gains transferred to profit or loss upon sales of completed properties held for sale	–	–	–	–	(270)	–	–	(270)	–	(270)
Total comprehensive loss for the period	–	–	–	–	(270)	(169,150)	(2,106,392)	(2,275,812)	(77,907)	(2,353,719)
Transfer to retained profits upon the redemption of convertible notes	–	–	(41,785)	–	–	–	61,566	19,781	–	19,781
Decrease in minority interests										
– upon disposal of subsidiaries	–	–	–	–	–	–	–	–	(79,914)	(79,914)
– upon acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(11,385)	(11,385)
Equity settled share-based transactions	–	–	–	13,076	–	–	–	13,076	–	13,076
Balance at 31 December 2009	77,826	5,515,551	2,580	221,460	45,959	627,625	(417,572)	6,073,429	586,553	6,659,982

Consolidated Cash Flow Statement

for the eight-month period from 1 May 2009 to 31 December 2009

		8 months ended 31 December 2009		Year ended 30 April 2009	
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating activities					
Cash generated from operations	*20(b)*	577,184		949,300	
Tax paid					
The People's Republic of China (the "PRC") Income Tax paid		(151,121)		(176,463)	
PRC Land Appreciation Tax paid		(40,431)		(55,751)	
Net cash generated from operating activities			385,632		717,086
Investing activities					
Payments for acquisition of subsidiaries, net of cash acquired	*32(a)*	–		(92,089)	
Refund of deposits paid for acquisition of project companies		–		309,246	
Repayment from a former shareholder of a subsidiary		–		54,390	
Proceeds from disposal of subsidiaries	*33(b)*	1,767,782		–	
Proceeds from disposal of interest in an associate		120,897		–	
Advances to associates		(74,857)		(989)	
Payments for acquisition of additional interest in a subsidiary		(22,800)		–	
Payments for the acquisition of investment properties		–		(1,457)	
Payments for purchases of other property, plant and equipment		(222,815)		(486,868)	
Proceeds from disposal of investment properties		160,911		550,181	
Proceeds from disposal of other property, plant and equipment		54		1,822	
Decrease/(Increase) in restricted bank deposits		137,406		(72,417)	
Increase in loan receivables		(412,626)		–	
Interest received		13,231		45,873	
Net cash generated from investing activities			1,467,183		307,692

	Note	8 months ended 31 December 2009 HK$'000	HK$'000	Year ended 30 April 2009 HK$'000	HK$'000
Financing activities					
Proceeds from new bank loans		302,100		772,800	
Repayments of bank loans		(1,357,500)		(1,635,312)	
Payment for redemption of convertible notes		(544,856)		–	
Decrease in loan payables		(604,200)		(1,050,847)	
Repayments to former shareholders of the Company's subsidiaries		–		(134,243)	
Repayment to a shareholder		–		(20,412)	
Repayments to related companies		(415)		(81,137)	
Repayments to associates		–		(75,816)	
Advances from minority shareholders		–		2,290	
Interest paid		(603,357)		(346,637)	
Dividends paid to equity shareholders of the Company		–		(270,277)	
Net cash used in financing activities			(2,808,228)		(2,839,591)
Net decrease in cash and cash equivalents			(955,413)		(1,814,813)
Cash and cash equivalents at the beginning of the period/year	*20(a)*		2,618,105		4,363,937
Effect of foreign exchange rate changes			–		68,981
Cash and cash equivalents at the end of the period/year	*20(a)*		1,662,692		2,618,105

Notes to the Financial Statements

for the eight-month period from 1 May 2009 to 31 December 2009

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

(i) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see note 1(f)); and

– financial instruments classified as available-for-sale or as trading investments (see note 1(d)); and

– derivative financial instruments (see note 1(e)).

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(v)).

(ii) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries and associates 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 dollars, rounded to the nearest thousand, which is different from the functional currency of the Company, Renminbi ("RMB") as the Company is listed on the Stock Exchange, where most of its investors are located in Hong Kong and therefore, the directors of the Company consider that Hong Kong dollars is preferable in presenting the operating result and financial position of the Group. The majority of the Company's subsidiaries are operating in the People's Republic of China (the "PRC") with RMB as their functional currency.

(iii) Use of estimates and judgement

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 38.

(iv) Change of year end date

Pursuant to the board of directors' meeting on 11 December 2009, the financial year end date of the Group and the Company has been changed from 30 April to 31 December in order to a conterminous financial year end as that of its major operating subsidiaries engaged in the business of property development. As a result, the consolidated financial statements are presented covering a period of eight months from 1 May 2009 to 31 December 2009. Accordingly, the comparative figures (which cover a period of twelve months from 1 May 2008 to 30 April 2009) for the consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity and related notes to financial statements are not comparable with those of the current period.

(c) Basis of consolidation

The consolidated financial statements for the eight-month period from 1 May 2009 to 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

(i) Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non– current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell (see note 1(v)).

(ii) Acquisition of subsidiaries and businesses under common control

Acquisition of subsidiaries and businesses under common control are accounted for using the purchase method of accounting. The shortfall of the cost of the business combination below the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities are recognised as deemed contribution from the controlling shareholder as an adjustment to the contributed surplus in equity. The excess of the cost of the business combination over the Group's interest in the net fair value of the identified assets, liabilities and contingent liabilities are recognised as deemed distribution to the controlling shareholder as an adjustment to the contributed surplus in equity.

(iii) Acquisition of additional interests in subsidiaries

Goodwill arising on the acquisition of additional interests in subsidiaries represents the excess of the cost of the acquisition over the fair value of the net assets attributable to the additional interests in the subsidiaries. The difference between the fair values and the carrying amounts of the underlying assets and liabilities attributable to the additional interests in subsidiaries is recognised directly in the special reserve.

(iv) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

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

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1 (l), (m) or (n) depending on the nature of the liability.

(v) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(v)). Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see notes 1(c)(vi) and 1(j)). The Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associates' other reserves is recognised in the consolidated statement of changes in equity.

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

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

(vi) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(j)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate and the entire carrying amount of the investment is tested for impairment whenever there is objective evidence of impairment (see note 1(j)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(d) Investments in equity securities

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

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

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(s)(iv) and (v).

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

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

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

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately to profit or loss.

(f) Investment properties

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

Investment properties are stated in the balance sheet at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(s)(ii).

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

Property that is being constructed or developed for future use as investment property is classified as construction in progress and stated at cost until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

(g) Other property, plant and equipment

Items of other property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation (see below) and impairment losses (see note 1(j)).

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

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

Depreciation is calculated to write off the cost of the following items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Hotel buildings and improvements	25 years
–	Hotel furniture and equipment	5 – 20 years
–	Leasehold improvements	5 years
–	Other furniture and equipment	3 – 5 years
–	Motor vehicles	5 – 8 years

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

Construction in progress comprises direct costs of construction during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the relevant class of property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

(h) Leased assets

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

(i) Classification of assets leased to the Group

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

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

(ii) Operating lease charges

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

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

(i) Trade and other receivables

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

(j) Impairment of assets

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

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

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

– For investments in associates recognised using the equity method (see note 1(c)(v)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(j)(ii)). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(j)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

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

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

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

(ii) Impairment of other assets

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

– property, plant and equipment;

– investments in subsidiaries (except for those classified as being held for sale (or included in a disposal group that is classified as held for sale)) (see note 1(v)); and

– goodwill.

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

Calculation of recoverable amount

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

Recognition of impairment losses

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

Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34 "Interim financial reporting" in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised directly in other comprehensive income and not profit or loss.

(k) Inventories

(i) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– *Property under development for sale*

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

– *Completed property held for sale*

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less estimated costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(ii) Hotel operations

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain a liability component, an equity component and a derivative component which is not closely related to the host contract.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option, and the derivative component of the convertible notes is measured at fair value and presented as derivative financial instruments (see note 1(e)). Any excess of the proceeds over the amounts initially recognised as the liability and derivative components is recognised as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability component, equity component and the derivative component in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The derivative component is subsequently remeasured in accordance with 1(e). The equity component is recognised in the convertible note equity reserve until either the note is converted or redeemed.

If the note is converted, the convertible note equity reserve, together with the carrying amounts of the liability and derivative components at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible note equity reserve is released directly to retained profits, and any difference between the amount paid relating to the liability component and the carrying amounts of the liability and derivative components is recognised in profit or loss.

(m) Interest-bearing borrowings

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

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

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

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plan

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

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share options reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share options reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share options reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires or is forfeited (when it is released directly to retained profits).

(iii) Termination benefits

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

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

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

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

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(r)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 1(r)(iii).

(iii) Other provisions and contingent liabilities

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

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

(s) Revenue recognition

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

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised in profit or loss when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to purchasers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from sale of properties excludes business tax and is after deduction of any trade discount. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under pre-sale receipts from customers.

(ii) Rental income from operating leases

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

(iii) Revenue from hotel operations

Revenue from hotel operations which includes room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

(iv) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

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

(vi) Government grants

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

(t) Borrowing costs

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

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

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

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

For the purposes of presenting the consolidated financial statements, the results of the Group's operations not denominated in Hong Kong dollars are translated into Hong Kong dollars, i.e. the presentation currency of the Group, at the average exchange rates for the year. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of the Group's operations not denominated in Hong Kong dollars, the cumulative amount of exchange differences relating to these operations is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group are concerned are deferred tax assets, financial assets which have already been carried at fair value with changes in fair value recognised in profit or loss and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(w) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

(x) Segment reporting

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

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

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8 "Operating Segments"
- HKAS 1 (revised) "Presentation of Financial Statements"
- Amendments to HKFRS 7 "Financial Instruments: Disclosures" – *Improving disclosures about financial instruments*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27 "Consolidated and Separate Financial Statements" – *cost of an investment in a subsidiary, jointly controlled entity or associate*
- HKAS 23 (revised 2007) "Borrowing Costs"
- Amendments to HKFRS 2 "Share-Based Payment" – *vesting conditions and cancellations*

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amount reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 11). Corresponding amounts have been provided on a basis consistent with the revised segment information.

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

- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 31(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following two amendments have resulted in changes to the Group's accounting policies:

  – As a result of amendments to HKAS 28 "Investments in Associates", impairment losses recognised in respect of the associates carried under the equity method are no longer allocated to the goodwill inherent in that carrying amount. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

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

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

3. TURNOVER

The principal activities of the Group are property development, property investment and hotel operations.

Turnover represents revenue from sale of properties (net of business tax), rental income from leasing of properties (net of business tax) and revenue from hotel operations (net of business tax). The amount of each significant category of revenue recognised in turnover during the period/year is as follows:

	8 months ended 31 December 2009	**Year ended 30 April 2009**
	HK$'000	*HK$'000*
Revenue from sale of properties	477,796	2,498,107
Rental income from leasing of properties	7,345	14,734
Revenue from hotel operations	27,945	21,739
	513,086	2,534,580

4. OTHER REVENUE AND NET (LOSS)/INCOME

	8 months ended 31 December 2009	**Year ended 30 April 2009**
	HK$'000	*HK$'000*
Other revenue		
Interest income from bank deposits	9,469	25,153
Interest income on the delay for refund of deposits in respect of the cancellation of acquisition of a project company	3,762	20,720
Total interest income on financial assets not at fair value through profit or loss	13,231	45,873
Dividend income from unlisted investments held for trading	–	27
PRC government subsidies	5,980	–
Others	1,239	1,180
	20,450	47,080
Other net (loss)/income		
Net loss on disposal of investment properties	(23,639)	(31,218)
Net loss on disposal of other property, plant and equipment	(51)	(113)
Impairment loss for a long outstanding debtor *(see note below)*	(6,840)	–
Bad debts recovered	–	9,535
Changes in fair values of derivative financial instruments	3,100	113,900
Exchange gain on convertible notes	–	26,502
Exchange gain on senior notes	–	81,441
Other net exchange gain	3,487	89,430
	(23,943)	289,477

Note: This debtor was outstanding for more than one year, and the directors of the Company assessed that this debtor is expected to be irrecoverable. Consequently, specific allowance for doubtful debt of approximately HK$6,840,000 was recognised.

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

		8 months ended 31 December 2009 2009	Year ended 30 April 2009
		HK$'000	*HK$'000*
(a)	Finance costs:		
	Interest on bank borrowings wholly repayable within five years	66,025	167,969
	Interest on bank borrowings wholly repayable after five years	18,728	31,812
	Interest on loan payables	227,785	451,105
	Interest on convertible notes	14,015	88,715
	Interest on senior notes	223,097	329,700
	Total interest expense on financial liabilities not at fair value through profit or loss	549,650	1,069,301
	Less: interest expense capitalised into properties under development*	(417,308)	(859,077)
		132,342	210,224

* The borrowing costs have been capitalised at an interest rate of 5.40% – 20.00% (year ended 30 April 2009: 5.13% – 20.00%) per annum.

		8 months ended 31 December 2009	Year ended 30 April 2009
		HK$'000	*HK$'000*
(b)	Staff costs:		
	Contributions to defined contribution retirement plans	6,327	17,684
	Equity-settled share-based payment expense	13,076	29,946
	Salaries, wages and other benefits	97,612	144,698
		117,015	192,328
	Less: staff costs capitalised into properties under development	(20,020)	(54,113)
		96,995	138,215

	8 months ended 31 December 2009 *HK$'000*	Year ended 30 April 2009 *HK$'000*
(c) Other items:		
Depreciation	29,805	36,325
Less: depreciation capitalised into properties under development	(937)	(1,712)
	28,868	34,613
Amortisation of land lease premium	1,533	3,340
Operating lease charges: minimum lease payments		
– property rentals	14,674	13,604
Auditors' remuneration		
– audit services	3,000	3,500
– other services	1,100	1,180
Rental income from investment properties less direct outgoings of HK$2,780,000 (year ended 30 April 2009: HK$2,640,000)	(4,246)	(11,764)
Other rental income	(319)	(330)
Cost of properties sold	437,015	2,038,681

6. INCOME TAX

(a) Taxation in the consolidated income statement represents:

	8 months ended 31 December 2009 *HK$'000*	Year ended 30 April 2009 *HK$'000*
Current tax		
Provision for the year		
– PRC Enterprise Income Tax	196,940	135,410
– PRC Land Appreciation Tax	32,129	92,125
	229,069	227,535
Deferred tax		
Origination and reversal of temporary differences	(79,271)	21,607
	149,798	249,142

(i) PRC Enterprise Income Tax

The provision for PRC Enterprise Income Tax for the Company's subsidiaries in the PRC is based on PRC Enterprise Income Tax rates of 20% to 25% (year ended 30 April 2009: 18% to 25%) of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC.

(ii) PRC Land Appreciation Tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

(iii) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax for the eight-month period from 1 May 2009 to 31 December 2009 has been made as the Group has no estimated assessable profits arising in Hong Kong for this period (year ended 30 April 2009: Nil).

(iv) Other Income Tax

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands in respect of the eight-month period from 1 May 2009 to 31 December 2009 (year ended 30 April 2009: Nil).

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

	8 months ended 31 December 2009	**Year ended 30 April 2009**
	HK$'000	*HK$'000*
(Loss)/profit before taxation	(2,034,501)	338,698
Notional tax on (loss)/profit before taxation calculated at the rates applicable to (losses)/profits in the tax jurisdictions concerned	(530,632)	83,033
Tax effect of Land Appreciation Tax deductible for PRC Enterprise Income Tax	(8,032)	(23,031)
Tax effect of non-deductible expenses	891,158	249,974
Tax effect of non-taxable income	(357,559)	(194,455)
Tax effect of unused tax losses not recognised	122,130	76,448
Tax effect of prior years' tax losses utilised this year	–	(29,074)
Tax effect of concessionary rate	(1,173)	(6,181)
Provision for Land Appreciation tax for the period/year	32,129	92,125
Others	1,777	303
Actual tax expense	149,798	249,142

(c) The effects relating to each component of other comprehensive (loss)/income:

	8 months ended 31 December 2009			Year ended 30 April 2009		
	Before-tax amount	**Tax (expense)/ benefit**	**Net-of-tax amount**	**Before-tax amount**	**Tax (expense)/ benefit**	**Net-of-tax amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Exchange differences on translation into presentation currency	(1,235)	–	(1,235)	77,110	–	77,110
Realisation of exchange differences upon disposal of interests in subsidiaries	(145,234)	–	(145,234)	–	–	–
Realisation of exchange differences upon disposal of interest in an associate	(22,681)	–	(22,681)	–	–	–
Realisation of fair value gains upon sales of properties	(360)	90	(270)	(416)	104	(312)
Other comprehensive (loss)/income	(169,510)	90	(169,420)	76,694	104	76,798

7. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	8 months ended 31 December 2009					
	Directors' fees	**Salaries, allowances and benefits in kind**	**Retirement Scheme contributions**	**Sub-total**	**Share-based Payments** *(note)*	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Li Song Xiao (resigned on 22 August 2009)	–	900	–	900	14	914
Liu Yi	–	1,800	–	1,800	996	2,796
Niu Xiao Rong	–	1,200	–	1,200	996	2,196
Yuan Kun	–	1,420	–	1,420	652	2,072
Liu Yan	–	1,200	–	1,200	615	1,815
Jia Bo Wei	–	2,000	–	2,000	531	2,531
Bao Jing Tao	–	910	–	910	53	963
Lam Kwan Sing	–	1,400	8	1,408	–	1,408
Non-executive director:						
Lai Leong	–	–	–	–	–	–
Independent non-executive directors:						
Nie Mei Sheng	–	–	–	–	–	–
Gao Ling	–	–	–	–	–	–
Zhang Qing Lin (passed away on 19 February 2010)	–	–	–	–	–	–
Lai Man Leung (resigned on 9 May 2009)	–	–	–	–	–	–
	–	10,830	8	10,838	3,857	14,695

Details of directors' remuneration are as follows:

	Year ended 30 April 2009					
	Directors' fees	**Salaries, allowances and benefits in kind**	**Retirement Scheme contributions**	**Sub-total**	**Share-based Payments** *(note)*	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Li Song Xiao (resigned on 22 August 2009)	–	2,070	–	2,070	52	2,122
Liu Yi	–	2,090	–	2,090	2,539	4,629
Niu Xiao Rong	–	1,590	–	1,590	2,539	4,129
Yuan Kun	–	1,450	–	1,450	1,646	3,096
Liu Yan	–	1,160	–	1,160	1,506	2,666
Jia Bo Wei	–	1,860	–	1,860	1,160	3,020
Bao Jing Tao	–	845	–	845	116	961
Lam Kwan Sing (appointed on 7 May 2008)	–	1,257	11	1,268	–	1,268
Lu Zhao Qun (resigned on 21 April 2009)	–	490	–	490	–	490
Non-executive director:						
Lai Leong	–	–	–	–	–	–
Independent non-executive directors:						
Nie Mei Sheng	–	–	–	–	–	–
Gao Ling	–	–	–	–	–	–
Zhang Qing Lin (passed away on 19 February 2010)	–	–	–	–	–	–
Lai Man Leung (resigned on 9 May 2009)	–	–	–	–	–	–
	–	12,812	11	12,823	9,558	22,381

During the period, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any remuneration during the period (year ended 30 April 2009: Nil).

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(p)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share options" in the directors' report and note 30.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (year ended 30 April 2009: four) are directors of the Company whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other one (year ended 30 April 2009: one) individual are as follows:

	8 months ended 31 December 2009 *HK$'000*	Year ended 30 April 2009 *HK$'000*
Salaries and other benefits	189	112
Share-based payments	2,656	5,800
Retirement schemes contributions	5	7
	2,850	5,919

The emoluments of one individual (year ended 30 April 2009: one individual) with the highest emoluments are within the following bands:

	8 months ended 31 December 2009 *No. of employees*	Year ended 30 April 2009 *No. of employees*
HK$2,500,001 to HK$3,000,000	1	–
HK$5,500,001 to HK$6,000,000	–	1

During the period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (year ended 30 April 2009: Nil).

9. EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "Schemes") organized by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at rates ranging from 18% to 22% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$2,106,392,000 (year ended 30 April 2009: profit of HK$126,567,000) and the weighted average number of 1,945,640,189 ordinary shares (year ended 30 April 2009: 1,945,640,189 ordinary shares) in issue during the period.

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$2,532,627,000 (year ended 30 April 2009: profit of HK$117,827,000) and the weighted average number of 1,979,523,429 ordinary shares (year ended 30 April 2009: 2,118,654,012 ordinary shares), calculated as follows:

(i) (Loss)/profit attributable to ordinary equity shareholders of the Company (diluted)

	8 months ended 31 December 2009 *HK$'000*	**Year ended 30 April 2009** *HK$'000*
(Loss)/profit attributable to ordinary equity shareholders	(2,106,392)	126,567
After tax effect of effective interest on the liability component of convertible notes	439	5,762
After tax effect of exchange gain on the liability component of convertible notes	–	(26,502)
After tax effect of (gains)/losses recognised on the derivative component of convertible notes	(600)	12,000
Effect of gain recognised on redemption of convertible notes	(426,074)	–
(Loss)/profit attributable to ordinary equity shareholders (diluted)	(2,532,627)	117,827

(ii) Weighted average number of ordinary shares (diluted)

	8 months ended 31 December 2009	**Year ended 30 April 2009**
Weighted average number of ordinary shares (basic) at 31 December/30 April	1,945,640,189	1,945,640,189
Effect of conversion of convertible notes	33,883,240	152,347,488
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	–	20,666,335
Weighted average number of ordinary shares (diluted) at 31 December/30 April	1,979,523,429	2,118,654,012

During the eight-month period ended 31 December 2009, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options since the exercise would result in a decrease in diluted loss per share.

During the eight-month period ended 31 December 2009 and the year ended 30 April 2009, the computation of diluted (loss)/earnings per share did not assume the exercise of the Company's outstanding warrants since the exercise price of the warrants exceeded the average market price of ordinary shares during the period/year.

11. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organized by a mixture of both products and services and geography. On first-time adoption of HKFRS 8 "Operating Segments" and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Property leasing: this segment leases office and residential premises to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the Group's investment property portfolio is located in Mainland China.
- Property development: this segment develops and sells commercial and residential properties. Currently the Group's activities in this regard are carried out in Mainland China.
- Hotel operations: this segment is engaged in renting of hotel room accommodation, leasing of commercial shopping arcades and the provision of food and beverage at restaurant outlets and other services and facilities such as telephone, guest transportation and laundry within hotel premises. Currently the Group's activities in this regard are carried out in Mainland China.

(a) Segment Results, Assets and Liabilities

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

Segment assets include all tangible and current assets with the exception of investments in financial assets, deferred tax assets, prepaid income tax and other corporate assets. Segment liabilities include trade and other payables attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

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

The measure used for reporting segment profit/(loss) is "adjusted operating profit/(loss)". To arrive at "adjusted operating profit/(loss)", the Group's profit/(loss) are further adjusted for items not specifically attributable to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs. Taxation charge is not allocated to reporting segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the eight-month period from 1 May 2009 to 31 December 2009 and the year ended 30 April 2009 is set out below.

	Property development		Property leasing		Hotel operations		Total	
	8 months ended 31 December 2009	Year ended 30 April 2009	8 months ended 31 December 2009	Year ended 30 April 2009	8 months ended 31 December 2009	Year ended 30 April 2009	8 months ended 31 December 2009	Year ended 30 April 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	478,116	2,498,437	7,025	14,404	27,945	21,739	513,086	2,534,580
Inter-segment revenue	3,397	3,040	–	–	4,591	1,130	7,988	4,170
Reportable segment revenue	481,513	2,501,477	7,025	14,404	32,536	22,869	521,074	2,538,750
Reportable segment (loss)/ profit	(578,084)	227,434	(219,772)	340,099	(44,561)	(52,557)	(842,417)	514,976
Finance income	4,308	18,098	700	1,423	27	17	5,035	19,538
Finance costs	(10,283)	(21,379)	(18,729)	(32,636)	–	–	(29,012)	(54,015)
Net valuation (loss)/gain on investment properties	–	–	(158,337)	409,047	–	–	(158,337)	409,047
Depreciation and amortisation for the period/year	(4,984)	(7,510)	(706)	(1,279)	(23,779)	(27,590)	(29,469)	(36,379)
Share of losses of associates	(1,789)	(477)	–	–	–	–	(1,789)	(477)
Reportable segment assets	19,386,601	23,601,145	3,066,882	3,836,185	815,331	600,679	23,268,814	28,038,009
(including interests in associates)	328,380	–	–	–	–	–	328,380	–
Additions to associates during the period	330,169	–	–	–	–	–	330,169	–
Additions to non-current segment assets during the period/year	3,516	459,478	–	118	217,639	27,918	221,155	487,514
Reportable segment liabilities	12,844,227	12,638,546	435,098	464,771	44,377	49,700	13,323,702	13,153,017

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

	8 month ended 31 December 2009	Year end 30 April 2009
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	521,074	2,538,750
Elimination of inter-segment revenue	(7,988)	(4,170)
Consolidated turnover	513,086	2,534,580
Profit or loss		
Reportable segment (loss)/profit	(842,417)	514,976
Elimination of inter-segment (profits)/loss	(5,150)	24,061
Reportable segment (loss)/profit derived from Group's external customers	(847,567)	539,037
Finance costs	(103,330)	(156,209)
Corporate finance income	8,196	26,335
Fair value changes on derivative financial instruments	3,100	113,900
Other revenue and net income	227	130,643
Unallocated depreciation	(932)	(1,574)
Unallocated head office and corporate expenses	(62,035)	(111,420)
Impairment loss on assets of disposal group/non-current assets classified as held for sales	(1,790,000)	(201,000)
Gain on redemption of convertible notes	426,074	–
Gain on disposal of subsidiaries	336,866	–
Loss on disposal of an associate	(5,100)	(1,014)
Consolidated (loss)/profit before taxation	(2,034,501)	338,698

	At 31 December 2009 *HK$'000*	At 30 April 2009 *HK$'000*
Assets		
Reportable segment assets	23,268,814	28,038,009
Deferred tax assets	24,142	24,832
Prepaid income tax	339,673	231,172
Derivative financial instrument	600	–
Investments in securities held for trading	–	1,513
Unallocated head office and corporate assets	2,358,551	1,000,222
Consolidated total assets	25,991,780	29,295,748
Liabilities		
Reportable segment liabilities	13,323,702	13,153,017
Convertible notes	62,136	1,028,195
Senior notes	2,942,803	2,923,895
Derivative financial instrument	29,600	32,100
Income tax payable	1,238,927	1,093,457
Deferred tax liabilities	1,002,111	1,173,976
Dividend payable	6,473	6,473
Unallocated head office and corporate liabilities	726,046	812,492
Consolidated total liabilities	19,331,798	20,223,605

(c) Geographical information

As all segments of the Group are operating in the People's Republic of China (the "PRC"), including Hong Kong, no geographical information has further been disclosed.

(d) Major customer

For the eight months ended 31 December 2009, revenue from any customer of the Group does not exceed 10% of the Group's total turnover (year ended 30 April 2009: Nil).

12. INVESTMENT PROPERTIES

	8 months ended 31 December 2009 *HK$'000*	Year ended 30 April 2009 *HK$'000*
Balance at the beginning of year	3,313,447	3,395,620
Exchange adjustments	–	88,722
Additions	–	1,457
Disposals	(205,782)	
Fair value adjustments	(158,337)	409,047
Balance at the end of year	2,949,328	3,313,447

(a) Revaluation of investment properties

All investment properties of the Group were revalued as at 31 December 2009 and 30 April 2009 at their open market value by reference to recent market transactions in comparable properties. The valuations were carried out by an independent firm of qualified professional valuers, Savills Valuation and Professional Services Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

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

	At 31 December 2009	**At 30 April 2009**
	HK$'000	*HK$'000*
In the PRC		
– medium-term leases	2,949,328	3,313,447

(c) Investment properties leased out under operating leases

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 2 to 20 years, with an option to renew the lease after that date at which time all terms are renegotiated.

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

	At 31 December 2009	**At 30 April 2009**
	HK$'000	*HK$'000*
Within 1 year	48,898	21,518
After 1 year but within 5 years	306,427	87,248
After 5 years	1,146,627	195,483
	1,501,952	304,249

(d) Pledge of investment properties

As at 31 December 2009, certain investment properties with a total carrying amount of HK$2,912,586,000 (at 30 April 2009: HK$2,754,532,000) were pledged as collateral for the Group's bank borrowings, details of which are set out in note 24.

13. OTHER PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings and improvements	Hotel furniture and equipment	Leasehold improvements	Other furniture and equipment	Motor vehicles	Construction in progress	Sub-total	Interest in leasehold land held for own use under operating leases	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:									
At 1 May 2008	–	–	1,977	21,942	37,909	740,569	802,397	–	802,397
Exchange adjustments	3,755	4,494	53	567	945	18,954	28,768	1,262	30,030
Transfer upon completion	210,321	251,786	–	–	–	(553,302)	(91,195)	91,195	–
Reclassification to properties under development	–	–	–	–	–	(614,326)	(614,326)	–	(614,326)
Additions									
– through acquisition of subsidiaries	–	–	–	248	653	–	901	–	901
– others	–	–	–	4,207	9,289	473,372	486,868	–	486,868
Disposals	–	(105)	–	(428)	(1,733)	–	(2,266)	–	(2,266)
At 30 April 2009	214,076	256,175	2,030	26,536	47,063	65,267	611,147	92,457	703,604
At 1 May 2009	214,076	256,175	2,030	26,536	47,063	65,267	611,147	92,457	703,604
Transfer upon completion	21,999	10,601	–	–	–	(32,600)	–	–	–
Additions	–	3,053	1,342	967	2,926	214,527	222,815	–	222,815
Disposals									
– through disposal of subsidiaries	–	–	–	(3,418)	(2,246)	–	(5,664)	–	(5,664)
– others	–	(44)	–	–	(858)	–	(902)	–	(902)
Transfer to assets of disposal group classified as held for sale	–	–	–	(730)	(637)	–	(1,367)	–	(1,367)
31 December 2009	236,075	269,785	3,372	23,355	46,248	247,194	826,029	92,457	918,486
Accumulated amortisation and depreciation:									
At 1 May 2008	–	–	1,093	9,360	11,391	–	21,844	–	21,844
Exchange adjustments	137	292	44	240	359	–	1,072	46	1,118
Charge for the year	7,712	16,338	828	4,289	7,158	–	36,325	3,340	39,665
Written back on disposals	–	(2)	–	(75)	(254)	–	(331)	–	(331)
At 30 April 2009	7,849	16,628	1,965	13,814	18,654	–	58,910	3,386	62,296
At 1 May 2009	7,849	16,628	1,965	13,814	18,654	–	58,910	3,386	62,296
Charge for the period	6,106	15,941	131	2,688	4,939	–	29,805	1,533	31,338
Written back on disposals									
– through disposal of subsidiaries	–	–	–	(1,205)	(600)	–	(1,805)	–	(1,805)
– others	–	(12)	–	–	(785)	–	(797)	–	(797)
Transfer to assets of disposal group classified as held for sale	–	–	–	(234)	(212)	–	(446)	–	(446)
At 31 December 2009	13,955	32,557	2,096	15,063	21,996	–	85,667	4,919	90,586
Carrying amount:									
At 31 December 2009	222,120	237,228	1,276	8,292	24,252	247,194	740,362	87,538	827,900
At 30 April 2009	206,227	239,547	65	12,722	28,409	65,267	552,237	89,071	641,308

(a) The analysis of the carrying amount of leasehold land is as follows:

	At 31 December 2009	At 30 April 2009
	HK$'000	*HK$'000*
In the PRC		
– medium-term leases	87,538	89,071

(b) Pledge of hotel property

As at 31 December 2009, interest in leasehold land held for own use under operating leases and hotel buildings and improvements (hereinafter collectively referred to as the "hotel property") with a total carrying amount of HK$309,658,000 (at 30 April 2009: HK$295,298,000) were pledged as collateral for the Group's bank borrowings, details of which are set out in note 24.

14. INTERESTS IN ASSOCIATES

	The Group	
	At 31 December 2009	At 30 April 2009
	HK$'000	*HK$'000*
Share of net assets	328,380	–

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group:

				Proportion of ownership interest			
Name of associate	**Form of business structure**	**Place of incorporation and operation**	**Particulars of registered Capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
Tianjin City Yi Jia He Zhi Ye Co., Ltd ("天津市億嘉合置業有限公司")	Incorporated	The PRC	RMB38,000,000	40% *(note(a))*	–	40%	Property development
五礦嘉合(天津)房地產開發有限公司("五礦嘉合")	Incorporated	The PRC	RMB20,000,000	64% *(note(b))*	–	64%	Property development

Note:

(a) During the eight-month period ended 31 December 2009, the Group entered into a sale and purchase agreement and supplemental agreement with Wukuang Zhiye Company ("Wukuang"), a company which was duly incorporated and is existing under the laws of the PRC, whereby the Group agreed to sell and Wukuang agreed to purchase the Group's 40% equity interest in Tianjin City Yi Jia He Zhi Ye Co., Ltd. ("Yi Jia He"), a company established in the PRC and engaged in property development in Tianjin. After the disposal, the Group holds 40% of interests in Yi Jia He, which became an associate of the Group. Prior to this disposal, the Group held 80% equity interest in Yi Jia He.

Upon the completion of disposal of 40% equity interest in Yi Jia He (the "Disposal"), the Group agreed to pledge of the Group's shareholdings in Yi Jia He after the Disposal to Wukuang during the period, the controlling shareholder of Yi Jia He, which owned 60% of the equity interest in Yi Jia He upon the completion of Disposal, as security for any possible breach of the responsibilities of the Group under the supplemental agreement. The main responsibilities of the Group are that (i) the Group is responsible for undertaking the preliminary development works of the property development project in respect of the piece of land (the "Land") situated at Tianjin Beichen Qu Yi Xing Bu Jiu Chun (the "Project") including demolishment and re-settlement and obtaining planning approval and land clearance; (ii) Wukuang is responsible for contributing a total amount of funds of RMB1,584 million (equivalent to approximately HK$1,796 million) ("Wukuang's Contribution") for the demolishment and re-settlement expenses of the land lot nos. 7 and 8 with a gross construction area of 800,000 square meters comprised in the Land and the Group is responsible for payment of any excess amount of the actual amount of the demolishment and re-settlement expenses over Wukuang's Contribution; and (iii) in the event that there is any change in the shareholding of the Project, the affected outgoing shareholder shall provide complete and full disclosure to the new shareholder of the Project of all relevant matters and legal documents, and agreed terms of co-operation among the parties with respect to the Project. Details of such Disposal and pledge of equity shares were set out in the circular as issued by the Company on 15 July 2009.

(b) The Group holds 64% of the registered capital of 五礦嘉合. However, under a shareholders' agreement, the other shareholder controls the composition of the board of directors of 五礦嘉合 and therefore the Group does not control 五礦嘉合. According to the shareholders' agreement, the Group does have significant influence over 五礦嘉合 and it is therefore classified as an associate of the Group.

Summary of financial information on associates

	Assets	**Liabilities**	**Equity**	**Revenues**	**Profit/(loss)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2009					
100 percent	1,756,267	1,391,675	364,592	–	(4,416)
Group's effective interest	883,687	555,307	328,380	–	(1,789)

15. RESTRICTED BANK DEPOSITS

(a) The Group has entered into agreements with certain banks with respect to mortgage loans provided to the buyers of the Group's property units. As at 31 December 2009, the Group made deposits of RMB48,266,000 (equivalent to approximately HK$55,023,000) (At 30 April 2009: RMB152,105,000 (equivalent to approximately HK$173,399,000)) as security for the settlement of the mortgage instalments by the mortgagors under these agreements. Should the mortgagors fail to pay the mortgage instalments, the banks can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient. These restricted bank deposits will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers.

The directors of the Company are of the view that the above restricted bank deposits are not expected to be released within one year.

(b) As at 31 December 2009, the Group's bank deposits of RMBNil (equivalent to approximately HK$Nil) (at 30 April 2009: RMB16,693,000 (equivalent to approximately HK$19,030,000)) were pledged as collateral for the Group's bank borrowings, details of which are set out in note 24.

16. INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	At 31 December 2009 *HK$'000*	At 30 April 2009 *HK$'000*
Property development		
Properties under development	13,677,143	20,058,563
Completed properties held for sale	780,952	841,432
	14,458,095	20,899,995
Hotel operations		
Food and beverage and others	3,960	8,389
	14,462,055	20,908,384

All of the properties under development and completed properties held for sale are located in Mainland China.

At 31 December 2009, properties under development of approximately HK$743,969,000 (at 30 April 2009: HK$Nil) and completed properties held for sale of approximately HK$172,083,000 (at 30 April 2009: HK$Nil) were carried at fair value less costs to sell.

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	8 months ended 31 December 2009 *HK$'000*	Year ended 30 April 2009 *HK$'000*
Carrying amount of properties sold	437,015	2,038,681
Carrying amount of food, beverage and others	11,123	5,406
Write down of inventories (property development)	124,398	–
	572,536	2,044,087

Write down of inventories made in the current period arose due to a decrease in the estimated net realisable value of properties under development and completed properties held for sale as a result of an unfavourable change in market conditions.

(c) The amount of properties under development expected to be recovered after more than one year is analysed as follows:

	At 31 December 2009 *HK$'000*	At 30 April 2009 *HK$'000*
Properties under development	9,130,420	13,254,159

All of the other properties under development and completed properties held for sale are expected to be recovered within one year.

(d) Pledge of inventories

Certain of the Group's properties under development and completed properties held for sale were pledged as collateral for the Group's bank borrowings and loan payables, details of which are set out in notes 24 and 25.

17. INVESTMENTS IN SECURITIES HELD FOR TRADING

	At 31 December 2009 *HK$'000*	At 30 April 2009 *HK$'000*
Unlisted investments in securities held for trading, at fair value	–	1,513

18. LOAN RECEIVABLES

On 28 December 2009, the Group entered into two loan agreements with two independent third parties (the "Borrowers") whereby the Group lent RMB208,000,000 (equivalent to approximately HK$235,786,000) and RMB156,000,000 (equivalent to approximately HK$176,840,000) to these two independent third parties respectively for the three-month period commencing from 28 December 2009. The loans are non-trade in nature, unsecured, bear interest at 5% per annum and are repayable on 28 March 2010.

Subsequent to 31 December 2009, the loans were settled in full.

19. TRADE AND OTHER RECEIVABLES

	At 31 December 2009 *HK$'000*	At 30 April 2009 *HK$'000*
Trade debtors	39,495	56,253
Consideration receivable for disposal of investment properties	21,232	37,426
Consideration receivable for disposal of an associate	513,000	–
Consideration receivable for disposal of subsidiaries *(see note 33(b))*	836,154	–
Amounts due from associates *(see note below)*	77,602	7,845
Other debtors	60,811	59,215
Loans and receivables	1,548,294	160,739
Advance payments to contractors	42,377	131,877
Prepaid sales commission	155,354	113,947
Prepaid other taxes	441,461	252,969
Deposits and prepayments	44,428	48,448
	2,231,914	707,980

Note: The amounts due from associates are non-trade in nature, unsecured, interest free and repayable on demand.

(a) Ageing analysis Included in trade and other receivables are trade debtors with the following ageing analysis as of the balance sheet date:

	At 31 December 2009 *HK$'000*	**At 30 April 2009** *HK$'000*
Less than 90 days	16,442	40,908
More than 90 days but less than 180 days	6,284	2,235
More than 180 days	16,769	13,110
	23,053	15,345
	39,495	56,253

Trade debtors are generally due within 90 days from the date of the billing. Further details on the Group's credit policy are set out in note 31(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(j)(i)).

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	At 31 December 2009 *HK$'000*	**At 30 April 2009** *HK$'000*
Neither past due nor impaired	16,442	40,908
Less than 3 months past due	6,284	2,235
More than 3 months past due	16,769	13,110
	23,053	15,345
	39,495	56,253

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers. However, the Group would not release the property title deeds to the customers before the customers fully settle the purchase consideration of the relevant property units sold. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	At 31 December 2009 HK$'000	At 30 April 2009 HK$'000
Cash at banks and in hand	1,645,845	2,410,534
Cash balance maintained with a securities company	36,374	400,000
Less: restricted bank deposits *(see note 15)*	(55,023)	
Cash and cash equivalents in the consolidated balance sheet	1,627,196	2,618,105
Add: bank balances and cash included in assets of disposal group classified as held for sale *(see note 28)*	35,496	–
Cash and cash equivalents in the consolidated cash flow statement	1,662,692	2,618,105

(b) Reconciliation of (loss)/profit before taxation to cash generated from operations:

	Note	8 months ended 31 December 2009 HK$'000	Year ended 30 April 2009 HK$'000
(Loss)/profit before taxation		(2,034,501)	338,698
Adjustments for:			
Net valuation loss/(gain) on investment properties	*12*	158,337	(409,047)
Depreciation 5(c) 28,868 34,613			
Amortisation of land lease premium	*5(c)*	1,533	3,340
Impairment loss on assets of disposal group/ non-current assets classified as held for sale	*28*	1,790,000	201,000
Finance costs	*5(a)*	132,342	210,224
Interest income	*4*	(13,231)	(45,873)
Dividend income from unlisted investments held for trading	*4*	–	(27)
Loss on disposal of investment properties	*4*	23,639	31,218
Loss on disposal of other property, plant and equipment	*4*	51	113
Changes in fair values of derivative financial instruments	*4*	(3,100)	(113,900)
Gain on redemption of convertible notes	*26*	(426,074)	–
Write down of inventories	*16(b)*	124,398	–
Gain on disposal of subsidiaries	*33(b)*	(336,866)	–
Loss on disposal of associate	*28(b)*	5,100	1,014
Share of losses of associates		1,789	477
Impairment loss for a debtor	*4*	6,840	–
Transfer from equity on sales of completed properties held for sale		(270)	(312)
Equity-settled share-based payment expenses	*5(b)*	13,076	29,946
Foreign exchange gain		(1,235)	(107,943)
Changes in working capital:			
Increase in inventories		(2,615,522)	(1,717,813)
Decrease in investments in securities held for trading		1,513	–
(Increase)/decrease in trade and other receivables		(94,973)	412,880
Increase/(decrease) in trade and other payables		467,656	(487,908)
Increase in pre-sale receipts from customers		3,347,814	2,568,600
Cash generated from operations		577,184	949,300

21. TRADE AND OTHER PAYABLES

	At 31 December 2009	At 30 April 2009
	HK$'000	*HK$'000*
Accrued expenditure on properties under development	1,054,251	1,075,017
Retentions payable to contractors	1,712	1,485
Receipts from customers for payment of expenses on their behalf	98,168	176,545
Consideration payables for acquisition of subsidiaries and associates	443,592	578,271
Interest payable	199,085	285,715
Accrued charges and other payables	393,225	288,593
Amounts due to former shareholders of the Company's former subsidiaries *(note 21(a))*	137,039	21,944
Amounts due to minority shareholders *(note 21(a))*	48,055	48,055
Amounts due to related companies *(note 21(a))*	2,466	2,881
Financial liabilities measured at amortised cost	2,377,593	2,478,506
Advance payment from a minority shareholder for a property development project *(note 21(b))*	–	798,000
Other taxes payables *(note 21(c))*	35,414	10,430
	2,413,007	3,286,936

(a) The amounts due to former shareholders of the Company's former subsidiaries, minority shareholders and related companies are non-trade in nature, interest free, unsecured and repayable on demand. These related companies are controlled by Mr. Li Song Xiao, the controlling shareholder of the Company.

(b) At 30 April 2009, advance payment of RMB700,000,000 (equivalent to approximately HK$798,000,000) from a minority shareholder of Tianjin City Yi Jia Ye Co., Ltd. ("Yi Jia He"), a subsidiary of the Company established in the PRC, was secured by 20% equity interest in the registered capital of Yi Jia He, interest free and repayable on demand. During the eight months ended 31 December 2009, the Group disposed of 40% equity interest in Yi Jia He, and details of such disposal are disclosed in note 33(a)(iii).

(c) Other taxes payables comprise urban real estate tax payable, city maintenance and construction tax payable and business tax payable.

22. PRE-SALE RECEIPTS FROM CUSTOMERS

Pre-sale receipts from customers represent proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy (see note 1(s)(i)). Included in the pre-sale receipts from customers is an amount of HK$2,754,024,000 (at 30 April 2009: HK$2,178,414,000) which is expected to be recognised as revenue after more than one year.

23. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Income tax in the consolidated balance sheet represents:

(i) Movements in income tax payable

	8 months ended 31 December 2009 *HK$'000*	Year ended 30 April 2009 *HK$'000*
PRC Enterprise Income Tax		
At the beginning of the period/year	376,661	407,436
Exchange adjustments	–	10,278
Provision for the period/year	196,940	135,410
Tax paid	(151,121)	(176,463)
Transfer to liabilities of disposal group classified as held for sale *(see note 28)*	(550)	–
Disposal of subsidiaries *(see note 33(b))*	2	–
At the end of the period/year	421,932	376,661
Land Appreciation Tax		
At the beginning of the period/year	485,624	436,795
Exchange adjustments	–	12,455
Provision for the period/year	32,129	92,125
Tax paid	(40,431)	(55,751)
At the end of the period/year	477,322	485,624

(ii) Reconciliation to consolidated balance sheet

	At 31 December 2009			At 30 April 2009		
	PRC Enterprise Income Tax *HK$'000*	Land Appreciation Tax *HK$'000*	Total *HK$'000*	PRC Enterprise Income Tax *HK$'000*	Land Appreciation Tax *HK$'000*	Total *HK$'000*
Prepaid income tax recognised in the consolidated balance sheet	(243,636)	(96,037)	(339,673)	(161,535)	(69,637)	(231,172)
Income tax payable recognised in the consolidated balance sheet	665,568	573,359	1,238,927	538,196	555,261	1,093,457
	421,932	477,322	899,254	376,661	485,624	862,285

(b) Deferred tax assets and liabilities recognised:

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

	Convertible notes	Revaluation of investment properties	Fair value adjustment on properties under development/ properties held for sale	Fair value adjustment on hotel properties	Impairment on property, plant and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax arising from:						
At 1 May 2008	16,311	463,715	643,006	–	(25,186)	1,097,846
Exchange adjustments	–	13,533	16,470	351	(663)	29,691
Reclassification	–	–	(19,808)	19,808	–	–
Charged/(credited) to profit or loss	(4,146)	55,991	(31,070)	(185)	1,017	21,607
At 30 April 2009	12,165	533,239	608,598	19,974	(24,832)	1,149,144
At 1 May 2009	12,165	533,239	608,598	19,974	(24,832)	1,149,144
Disposal of subsidiaries	–	–	(81,267)	–	–	(81,267)
Redemption of convertible notes	(10,637)	–	–	–	–	(10,637)
Charged/(credited) to profit or loss	(1,090)	(66,637)	(12,097)	(137)	690	(79,271)
At 31 December 2009	438	466,602	515,234	19,837	(24,142)	977,969

(ii) Reconciliation to consolidated balance sheet

	At 31 December 2009	At 30 April 2009
	HK$'000	*HK$'000*
Net deferred tax assets recognised in the consolidated balance sheet	(24,142)	(24,832)
Net deferred tax liabilities recognised in the consolidated balance sheet	1,002,111	1,173,976
	977,969	1,149,144

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$1,040,541,000 (at 30 April 2009: HK$526,577,000) as at 31 December 2009 as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and entity.

At 31 December 2009, the tax losses of approximately HK$801,723,000 (at 30 April 2009: HK$320,681,000) will expire at various dates up to 2014, and other tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

Under the Corporate Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 8 December 2006, the withholding income tax rate was reduced to 5% if the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25% equity interest. On 22 February 2008, the Minister of Finance and State Administration of Tax approved Caishui (2008) No.1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.

As at 31 December 2009, temporary differences relating to the undistributed profits of certain subsidiaries amounted to HK$763,700,000 (at 30 April 2009: HK$426,420,000). Deferred tax liabilities of HK$38,800,000 (at 30 April 2009: HK$21,321,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group is able to control the timing of the reversal of the temporary differences and it is possible that the temporary differences will not reverse in the foreseeable future.

24. BANK BORROWINGS

At 31 December 2009, the bank loans were repayable as follows:

	At 31 December 2009	**At 30 April 2009**
	HK$'000	*HK$'000*
Within 1 year or on demand	702,240	971,656
After 1 year but within 2 years	116,850	972,192
After 2 years but within 5 years	321,754	240,677
After 5 years	329,460	341,179
Total bank loans	1,470,304	2,525,704
Less: repayable within 1 year or on demand as classified under current liabilities	(702,240)	(971,656
Repayable after 1 year as classified under non-current liabilities	768,064	1,554,048

During the period, the Group obtained new bank borrowings amounting to HK$302,100,000 (year ended 30 April 2009: HK$772,800,000). The proceeds were used to finance the development of properties.

All bank borrowings are denominated in RMB and variable-rate borrowings which carry interest at commercial rates in the PRC.

At 31 December 2009, the effective interest rates on the Group's bank borrowings range from 5.40% to 6.43% (at 30 April 2009: 5.13% to 7.94%) per annum.

The bank borrowings are secured by:

(i) certain properties under development, certain completed properties held for sale, a hotel property and certain investment properties of the Group located in the PRC with total carrying amounts of approximately HK$2,011,311,000 (at 30 April 2009: HK$3,322,106,000), HK$Nil (at 30 April 2009: HK$11,940,000), HK$309,658,000 (at 30 April 2009: HK$295,298,000) and HK$2,912,586,000 (at 30 April 2009: HK$2,754,532,000) as at 31 December 2009, respectively.

(ii) certain bank deposits of the Group amounting to approximately HK$Nil (at 30 April 2009: HK$19,030,000), which have been pledged to secure short-term bank borrowings and are therefore classified as current assets.

(iii) corporate guarantees given by 北京新松投資集團有限公司, in which the controlling shareholder of the Company, Mr. Li Song Xiao, has a controlling interest, to the extent of approximately HK$384,032,000 (30 April 2009: HK$420,314,000).

25. LOAN PAYABLES

	At 31 December 2009 *HK$'000*	At 30 April 2009 *HK$'000*
Loan Payable denominated in RMB *(see note 25(a))*	1,368,000	1,710,000
Loan Payable B *(see note 25(b))*	34,200	296,400
Loan Payable C *(see note 25(c))*	–	730,881
	1,402,200	2,737,281

(a) Loan Payable denominated in RMB

On 29 November 2007, the Group entered into a term loan agreement with an independent third party whereby the independent third party granted a term loan facility of RMB1,500,000,000 to the Group to finance the acquisition by the Group of a property development project in Zhuhai, the PRC ("Qi Ao Island Project").

Loan Payable denominated in RMB bears interest at 20% per annum and is secured by:

(i) a share mortgage over the entire issued capital of Moral Luck Group Limited, a wholly-owned subsidiary of the Company incorporated in the BVI;

(ii) an equity pledge over the entire registered capital of Zhuhai City Qi Zhou Island Movie Town Co., Ltd., a wholly-owned subsidiary of the Company established in the PRC;

(iii) a subordination of intra-group's balances between certain wholly-owned subsidiaries of the Company in favour of this independent third party; and

(iv) the corporate guarantees given by the Company and certain of the Company's subsidiaries.

On 2 December 2009, the Group has effectively refinanced the Loan Payable denominated in RMB in relation to a financing for the development project at Qi Ao East Road, Zhuhai City, Guangdong by agreeing amendments (i.e. both parties agreed to reschedule the repayment term) to the financing arrangements made in 2007 that were due to mature on 5 December 2009.

The Loan Payable denominated in RMB is repayable by nine instalments until 5 December 2011.

The Group may choose to prepay on the 5 December 2010 ("5th Repayment Date") or the 5 June 2011 ("7th Repayment Date") the whole of the Loan Payable denominated in RMB. Upon prepayment the Group may in certain circumstance be entitled to a prepayment rebate from the lender in an amount equal to (a) the amount of interest accrued on the Loan Payable denominated in RMB during the period from and including the 5 December 2009, 1st Repayment Date to but excluding the date of prepayment and actually paid by the Group less (b) the amount of such interest which would have been accrued for the same period had such interest been accrued and calculated at the relevant rate. The relevant rate means (a) (where the prepayment is made on the 5th Repayment Date) 12.5% per annum and (b) (where the prepayment is made on the 7th Repayment Date) 15% per annum.

During the eight months ended 31 December 2009, the Group failed to repay the loan according to the repayment schedule, therefore the whole loan amount became due as at 31 December 2009. However, the Group is in ongoing negotiation with the lender to reschedule the loan repayments. At the date of issue of these financial statements, the Group has obtained the lender's consent that all over-due instalments together with default interest must be repaid on or before 14 May 2010 and the remaining instalments will be repaid according to the relevant repayment schedule.

(b) Loan Payable B

An analysis of Loan Payable B is set out below:

	At 31 December 2009	**At 30 April 2009**
	HK$'000	*HK$'000*
Loan Payable under the Agreement *(see note 25(b)(i))*	34,200	68,400
Loan Payable under the Arrangement *(see note 25(b)(ii))*	–	228,000
	34,200	296,400

(i) Loan Payable under the Agreement

According to an agreement in February 2007 (the "Agreement"), an independent third party ("Lender B") contributed an amount of RMB60,000,000 in respect of 30.0% of the registered capital in a subsidiary (the "Project Company") and granted a loan facility of RMB240,000,000 ("Loan Payable under the Agreement") to the Project Company. However, under the Agreement, Lender B has no right to share any profits of the Project Company. The Group is obliged to purchase from Lender B the 30.0% registered capital of the Project Company for a consideration of RMB60,000,000 and repay the relevant loan of RMB240,000,000 utilised plus a guaranteed additional amount of RMB100,000,000 (the exact amount of which is determined with reference to the market situation in and the city development of a project in Chengdu, the PRC and the potential increase in the market value of the properties in Chengdu, the PRC) within 24 months from the date of the Agreement.

As the Group has contractual obligations to deliver cash in accordance with the Agreement and Lender B has no profit sharing rights in the Project Company irrespective of his equity ownership, Loan Payable under the Agreement is classified as a financial liability. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 1(m).

On 1 June 2008, the Group entered into another agreement with Lender B whereby the Group exercised its right under the Agreement and purchased the total capital contribution made by Lender B of RMB60,000,000 (equivalent to approximately HK$67,000,000) and the related loan of RMB326,110,000 (equivalent to approximately HK$365,000,000) in the Project Company for a total consideration of RMB486,110,000 (equivalent to approximately HK$544,000,000), which included the payment of the guaranteed additional amount of RMB100,000,000 (equivalent to approximately HK$112,000,000).

During the year ended 30 April 2009, the Group settled the loan of RMB326,110,000 (equivalent to approximately HK$365,000,000) together with the guaranteed additional amount of RMB100,000,000 (equivalent to approximately HK$112,000,000). During the eight months ended 31 December 2009, the Group settled the loan of RMB30,000,000 (equivalent to approximately HK$34,200,000). As at 31 December 2009, the carrying amount of Loan Payable under the Agreement was RMB30,000,000 (equivalent to approximately HK$34,200,000) (at 30 April 2009: RMB60,000,000 (equivalent to approximately HK$68,400,000)).

(ii) Loan Payable under the Arrangement

As at 30 April 2009, the carrying amount of Loan Payable under the Arrangement was RMB200,000,000 (equivalent to approximately HK$228,000,000), which was secured by certain properties under development of the Group located in the PRC with a total carrying amount of approximately HK$624,722,000, bore interest at a rate of 7.02% per annum and was repayable on or before 1 August 2009.

During the eight months ended 31 December 2009, Loan Payable under the Arrangement was settled in full.

(c) Loan Payable C

The loan was from minority shareholders of a subsidiary. It bore interest at 12.5% per annum, was unsecured and repayable on demand. During the eight months ended 31 December 2009, Loan Payable C was derecognised through the disposal of subsidiaries.

26. CONVERTIBLE NOTES

On 12 June 2006, the Company issued zero coupon convertible notes at par with a principal amount of HK$1,340,000,000 ("Convertible Note 2011"). Convertible Note 2011 will be redeemed at 135.7% of the principal amount on 11 May 2011 ("Maturity Date"). The Convertible Note 2011 is listed on the Stock Exchange.

The holders of Convertible Note 2011 have the right to convert all or any portion of Convertible Note 2011 into shares of the Company at an initial conversion price of HK$1.5048 per share, subject to anti-dilutive a adjustment. The conversion right can be exercised at any time on or after 60 days from the date on which Convertible Note 2011 is issued up to, and including, the close of business on the business day seven days prior to the Maturity Date.

On 12 June 2009, the holders of Convertible Note 2011 can put back the Convertible Note 2011 to the Company at the price of 120.103% of principal amount ("Redemption Right of the Holder"). As the economic characteristics and risks of the Redemption Right of the Holder are not closely related to the host contract, the Redemption Right of the Holder is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the Redemption Right of the Holder at 31 December 2009 was HK$Nil (at 30 April 2009: HK$Nil). Accordingly, a change in the fair value of the derivative financial instrument of approximately HK$Nil (year ended 30 April 2009: HK$34,000,000) was credited to the consolidated income statement for the period.

At any time after 12 June 2009 but not less than seven business days prior to the Maturity Date, the Company may redeem Convertible Note 2011 in whole but not in part at a pre-determined redemption amount if the closing price of the shares for any 20 trading days out of the 30 consecutive trading days prior to the date upon which notice of such redemption is given is at least 130 per cent of the applicable early redemption amount divided by the conversion ratio ("Redemption Right of the Issuer"). As the economic characteristics and risks of the Redemption Right of the Issuer are not closely related to the host contract, the Redemption Right of the Issuer is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the Redemption Right of the Issuer at 31 December 2009 was HK$600,000 (at 30 April 2009: HK$Nil). Accordingly, a change in the fair value of the derivative financial instrument of HK$600,000 was credited (year ended 30 April 2009: HK$46,000,000 was debited) to the consolidated income statement for the period.

In the event that the Company's Shares cease to be listed or admitted to trading on the Stock Exchange, each holder of Convertible Note 2011 shall have a right, at such holder's option, to require the Company to redeem Convertible Note 2011 on the twentieth business day after notice has been given to the holder at the early redemption amount ("Delisted Put Right"). As the economic characteristics and risks of the Delisted Put Right are not closely related to the host contract, the Delisted Put Right is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the Delisted Put Right is insignificant as at both 31 December 2009 and 30 April 2009.

Convertible Note 2011 contains a liability element, Redemption Right of the Holder, Redemption Right of the Issuer, Delisted Put Right and equity element. The equity element is represented in the equity heading "convertible note equity reserve". The effective interest rate of the liability element is 9.44%.

Pursuant to the terms and conditions of the Convertible Note 2011, the conversion price of the conversion right to the holders was adjusted with the consolidation of shares effective on 29 October 2007, and the holders are entitled to convert the Convertible Note 2011 for a fully paid share at the adjusted conversion price of HK$6.0193 per share. The number of shares issuable on the exercise of the conversion right is reduced to one-fourth of the outstanding shares issuable under the Convertible Note 2011 with effect from 29 October 2007.

During the eight months ended 31 December 2009 and the year ended 30 April 2009, no Convertible Note 2011 was converted into the Company's new ordinary shares.

On 11 May 2009, the Company announced, among other things, that the Company proposed to amend the terms of the Redemption Right of the Holder, at the option of the holders of the Convertible Note 2011, so as to enable the holders of the Convertible Note 2011 to exercise the Redemption Right of the Holder requiring the Company to redeem all of the Convertible Note 2011 at a price of HK$6,300 for each HK$10,000 principal amount of the Convertible Note 2011 ("Amendments to the Terms of the Redemption Right of the Holder") on 12 June 2009.

The meeting of holders of the Convertible Note 2011 held on 13 May 2009 passed an extraordinary resolution of holders of the Convertible Note 2011 to approve the Amendments to the Terms of the Redemption Right of the Holder.

On 12 June 2009, the Company redeemed Convertible Note 2011 of total principal amount of HK$864,850,000 for a total consideration of HK$544,855,500 (the "Redemption"), pursuant to the terms and conditions of Convertible Note 2011. Immediately after the Redemption, the principal amount of HK$52,160,000 remained outstanding, and a gain of approximately HK$426,074,000 from the Redemption was recognised in profit or loss.

27. SENIOR NOTES/WARRANTS

On 23 July 2007, the Company issued 4,000 units of senior notes at a par value of US$400,000,000, (equivalent to approximately HK$3,120,000,000) ("Senior Notes 2014") and 264,000,000 warrants ("Warrants 2012"). The Senior Notes 2014 bear interest at 9.75% and will mature on 23 July 2014 ("Notes Maturity Date"). The Senior Notes 2014 are guaranteed by all of the Company's existing subsidiaries at the date of issue other than those established under the laws of the PRC.

The Senior Notes 2014 and Warrants 2012 are separated immediately upon their issuance and the Warrants 2012 are detachable from the Senior Notes 2014.

The Warrants 2012 are exercisable at any time from the date of issue to 23 July 2012 at an exercise price of HK$1.68 per share, subject to anti-dilutive adjustment, to subscribe for shares of the Company. The Warrants 2012 are denominated in Hong Kong dollars and will be settled in net share settlement upon exercise. As the Warrants 2012 may be settled other than by exchange of a fixed amount of cash for a fixed number of the Company's shares, the Warrants 2012 are classified as a derivative financial liability and measured at fair value with changes in fair value recognised in the consolidated income statement.

The fair value of Warrants 2012 at 31 December 2009 was HK$29,600,000 (at 30 April 2009: HK$32,100,000). Accordingly, a change in fair value of warrants of HK$2,500,000 (year ended 30 April 2009: HK$125,900,000) was credited to the consolidated income statement for the period.

Pursuant to the terms and conditions of Warrants 2012, on 29 October 2007, the subscription price of Warrants 2012 was adjusted following the consolidation of the Company's shares. Warrants 2012 holders were entitled to subscribe in cash for fully paid shares at the adjusted subscription price of HK$6.72 per share. The number of shares issuable on the exercise of the Warrants 2012 was reduced to one-fourth of the outstanding number of shares issuable under Warrants 2012 as at 29 October 2007.

As at 31 December 2009, 66,000,000 (at 30 April 2009: 66,000,000) of Warrants 2012 were outstanding. Exercise in full of the outstanding Warrants 2012 would result in the issue of 66,000,000 (at 30 April 2009: 66,000,000) additional shares with an aggregate subscription value of HK$443,520,000 (at 30 April 2009: HK$443,520,000).

At any time prior to the Notes Maturity Date, the Company may redeem the Senior Notes 2014, in whole or in part, at a redemption price equal to 100% of the principal amount plus the greater of (1) 1% of the principal amount of Senior Notes 2014 being redeemed and (2) the excess of (A) the present value at such redemption date of (i) 100% of the principal amount of the Senior Notes 2014 plus (ii) all required remaining scheduled interest payments due on Senior Notes 2014 through to the Notes Maturity Date, computed using a discount rate equal to the comparable treasury issue plus 100 basis points, over (B) the principal amount of Senior Notes 2014 on such redemption date ("100% Redemption Right of the Issuer – Senior Notes 2014"). As the economic characteristics and risks of the 100% Redemption Right of the Issuer – Senior Notes 2014 are not closely related to the host contract, the 100% Redemption Right of the Issuer – Senior Notes 2014 is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the 100% Redemption Right of the Issuer – Senior Notes 2014 was insignificant as at both 31 December 2009 and 30 April 2009.

At any time prior to 23 July 2011, the Company may redeem up to 35% of the principal amount of the Senior Notes 2014 with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 109.75% of the principal amount of the Senior Notes 2014 ("35% Redemption Right of the Issuer – Senior Note 2014"). As the economic characteristics and risk of the 35% Redemption Right of the Issuer – Senior Notes 2014 are not closely related to the host contract, the 35% Redemption Right of the Issuer – Senior Notes 2014 is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the 35% Redemption Right of the Issuer – Senior Notes 2014 was insignificant as at both 31 December 2009 and 30 April 2009.

The Senior Notes 2014 contain a liability element, Warrants 2012, 100% Redemption Right of the Issuer – Senior Notes 2014 and 35% Redemption Right of the Issuer – Senior Notes 2014. At 31 December 2009, the effective interest rate of the liability element is 11.35% (at 30 April 2009: 11.35%).

28. DISPOSAL GROUP/NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Disposal group and non-current assets classified as held for sale are as follows:

	Note	**At 31 December 2009** *HK$'000*	**At 30 April 2009** *HK$'000*
Assets of a disposal group (net of impairment loss)	*(a)(i)*	2,732,943	–
Liabilities of a disposal group	*(a)(ii)*	(835)	–
Interest in the associate	*(b)*	–	857,578
Less: impairment loss		–	(201,000)
		2,732,108	656,578

(a) At the end of December 2009, the Group intended to dispose of a parcel of land, which is located at Qiao Island, Zhuhai, the PRC, through the disposal of 珠海市淇洲島影視城有限公司, a subsidiary of the Company, the assets and liabilities related to 珠海市淇洲島影視城有限公司 (the "Zhuhai Project Company") (part of property development) have been presented as held for sale. On 19 January 2010, the Group entered into an agreement with Turbo Wise Limited, a company wholly owned by Mr. Li

Song Xiao, the controlling shareholder of the Company, subject to certain conditions, to sell the Zhuhai Project Company for a consideration of HK$2,500,000,000. Further details of such disposal are disclosed in note 37.

The proceeds of the disposal are expected to be less than the net carrying amount of the interest in Zhuhai Project Company, and accordingly, an impairment loss of HK$1,790,000,000 for write-down of interest in Zhuhai Project Company to fair value less costs to sell was recognised in the consolidated income statement for the eight months ended 31 December 2009.

(i) Assets of disposal group classified as held for sale (net of impairment loss)

	At 31 December 2009 *HK$'000*
Properties under development, at cost	4,486,145
Less: impairment loss	(1,790,000)
Properties under development, at fair value less costs to sell	2,696,145
Property, plant and equipment	921
Trade and other receivables	381
Cash and cash equivalents	35,496
Total	2,732,943

(ii) Liabilities of disposal group classified as held for sale

	At 31 December 2009 *HK$'000*
Trade and other payables	285
Income tax payable	550
Total	835

(iii) Cumulative income or expense recognised directly in equity relating to disposal group classified as held for sale

	At 31 December 2009 *HK$'000*
Foreign exchange translation adjustments	232,008
Total	232,008

(b) During the year ended 30 April 2009, the director of the Company planned to sell a 40% equity interest in Invest Online, which owns a property development project in Harbin, the PRC, and has initiated an active programme to locate a buyer and complete the plan so as to increase the Group's working capital. Accordingly, the interest in this associate has been presented as non-current assets held for sale as at 30 April 2009. Subsequent to 30 April 2009, the Group entered into a sale and purchase agreement with an independent third party (the "Purchaser") whereby it was agreed that the Group shall sell and the Purchaser shall purchase the 40% equity interest in Invest Online for a total consideration of RMB556,000,000 (equivalent to approximately HK$633,000,000).

As the proceeds of disposal were less than the net carrying amount of the interest in this associate, an impairment loss of HK$201,000,000 for write-down of interest in the associate to fair value less costs to sell was recognised in the consolidated income statement for the year ended 30 April 2009. During the eight months ended 31 December 2009, this disposal transaction was completed, and loss of approximately HK$5,100,000 on disposal of this associate was recognised in the consolidated income statement.

29. CAPITAL AND RESERVES

(a) Movements in components of consolidated equity

The reconciliations between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(b) Share capital

Authorised and issued share capital

	At 31 December 2009		At 30 April 2009	
	Number of shares	**Nominal value** *HK$'000*	**Number of shares**	**Nominal value** *HK$'000*
Authorised:				
Ordinary shares of HK$0.04 each	10,000,000,000	400,000	10,000,000,000	400,000
Issued and fully paid:				
Ordinary shares of HK$0.04 each	1,945,640,189	77,826	1,945,640,189	77,826

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) Terms of unexpired and unexercised share options at the balance sheet date

Exercise period	**Exercise price**	**At 31 December 2009** *Number*	**At 30 April 2009** *Number*
4 April 2006 – 3 April 2016	HK$3.60	13,125,000	13,125,000
17 November 2006 – 22 October 2006	HK$3.72	65,000,000	65,000,000
14 March 2007 – 6 March 2017	HK$3.92	47,500,000	47,500,000
		125,625,000	125,625,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 30 to the consolidated financial statements.

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 90 of the Bermuda Companies Act 1981.

(ii) Convertible note equity reserve

The convertible notes equity reserve comprises the value of the unexercised equity component of convertible notes issued by the Group recognised in accordance with the accounting policy adopted for convertible notes in note 1(l).

(iii) Share options reserve

The share options reserve comprises the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(p)(ii).

(iv) Other revaluation reserve

The other revaluation reserve comprises the difference between the fair value, net of deferred tax, and the carrying amount of additional interest in associates being acquired and become subsidiaries of the Company. This reserve will be recognised in the consolidated income statement upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

(v) Exchange reserve

The exchange reserve comprises all exchange differences arising from the translation of the financial statements of the Group's operations not denominated in Hong Kong dollars. The reserve is dealt with in accordance with the accounting policy set out in note 1(u).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development and construction of real estate projects, and continue to provide returns for shareholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to strictly control the debt level. The Group maintains a strategy on acquiring land only if the project development can commence within a short period of time so as to minimise the time period between acquisition and development of the acquired land, thus the Group's capital can be efficiently deployed.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio. This ratio is calculated as net debt divided by total equity attributable to the equity shareholders of the Company. For this purpose, the Group defines net debt as total debt (which includes loans and borrowings, convertible notes and senior notes) less cash and cash equivalents and restricted bank deposits secured against bank borrowings.

During the period, the Group's strategy, which was unchanged from last year, was to maintain a gearing ratio of not more than 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

The gearing ratio as at 31 December 2009 and 30 April 2009 was as follows:

	Note	At 31 December 2009 HK$'000	At 30 April 2009 HK$'000
Current liabilities:			
– Bank borrowings	24	702,240	971,656
– Loan payables	25	1,402,200	2,737,281
		2,104,440	3,708,937
Non-current liabilities:			
– Bank borrowings	24	768,064	1,554,048
– Convertible notes	26	62,136	1,028,195
– Senior notes	27	2,942,803	2,923,895
Total debt		5,877,443	9,215,075
Less: Cash and cash equivalents	20	(1,627,196)	(2,618,105)
Restricted bank deposits secured against bank borrowings	15(b)	–	(19,030)
Cash and cash equivalents of disposal group classified as held for sales	28(a)(i)	(35,498)	–
Net debt		4,214,749	6,577,940
Total equity attributable to the equity shareholders of the Company		6,073,429	8,316,384
Gearing ratio		69.4%	79.1%

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

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 12 December 2002 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the group, to take up options for a consideration of HK$1 to subscribe for shares of the Company. The exercise period of the share options granted is determined by the directors of the Company, but no later than 10 years from the date of the offer. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 4 April 2006	18,750,000	– up to 20% immediately from the date of grant – up to 40% immediately after 1 year from the date of grant	10 years

	Number of instruments	Vesting conditions	Contractual life of options
		– up to 60% immediately after 2 years from the date of grant – up to 80% immediately after 3 years from the date of grant – up to 100% immediately after 4 years from the date of grant	
– on 17 November 2006	20,000,000	– up to 20% immediately from the date of grant – up to 40% immediately after 1 year from the date of grant – up to 60% immediately after 2 years from the date of grant – up to 80% immediately after 3 years from the date of grant – up to 100% immediately after 4 years from the date of grant	10 years
– on 14 March 2007	7,500,000	– up to 50% immediately from the date of grant – up to 100% immediately after 1 year from the date of grant	10 years
Options granted to employees:			
– on 4 April 2006	2,750,000	– up to 20% immediately from the date of grant – up to 40% immediately after 1 year from the date of grant – up to 60% immediately after 2 years from the date of grant – up to 80% immediately after 3 years from the date of grant – up to 100% immediately after 4 years from the date of grant	10 years
– on 17 November 2006	2,250,000	– up to 20% immediately from the date of grant – up to 40% immediately after 1 year from the date of grant – up to 60% immediately after 2 years from the date of grant	10 years

	Number of instruments	Vesting conditions	Contractual life of options
		– up to 80% immediately after 3 years from the date of grant – up to 100% immediately after 4 years from the date of grant	
– on 17 November 2006	55,250,000	– up to 20% immediately after 1 year from the date of grant – up to 40% immediately after 2 years from the date of grant – up to 60% immediately after 3 years from the date of grant – up to 80% immediately after 4 years from the date of grant – up to 100% immediately after 5 years from the date of grant	10 years
– on 14 March 2007	40,000,000	– up to 50% immediately from the date of grant – up to 100% immediately after 1 year from the date of grant	10 years
Total share options granted	146,500,000		

(b) The number and weighted average exercise prices of share options are as follows:

	8 months ended 31 December 2009		Year ended 30 April 2009	
	Weighted average exercise price	*Number of options*	*Weighted average exercise price*	*Number of options*
Outstanding at the beginning of the period/year	HK$3.783	125,625,000	HK$3.780	132,875,000
Forfeited during the period/year	–	–	HK$3.720	(7,250,000
Outstanding at the end of the period/year	HK$3.783	125,625,000	HK$3.783	125,625,000
Exercisable at the end of the period/year	HK$3.803	101,525,000	HK$3.816	87,025,000

The options outstanding at 31 December 2009 had exercise prices of HK$3.60, HK$3.72 or HK$3.92 (at 30 April 2009: HK$3.60, HK$3.72 or HK$3.92) and a weighted average remaining contractual lives of 6.33 years, 6.83 years and 7.33 years (at 30 April 2009: 7 years, 7.5 years and 8 years), respectively.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity and market risks (including interest rate, currency risk and equity price risk) arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from the movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from:

– the carrying amount of the respective financial assets as stated in the consolidated balance sheet; and

– the amount of contingent liabilities as disclosed in note 35.

In order to minimise the credit risk in relation to each class of recognised financial assets as stated in the consolidated financial statements, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and non-trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Cash and cash equivalents and restricted bank deposits are placed with banks and financial institutions with good credit ratings. The directors of the Company consider that the Group's credit risk on the cash and cash equivalents and restricted bank deposits is low.

In relation to the Group providing guarantees to secure obligations of the buyers of the property units for the repayment of their mortgage loans, if there is a default in repayment by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. Under such circumstances, the Group is able to retain the customer's deposits, take over the ownership of the relevant properties and sell the properties to recover any amounts paid by the Group to banks. In this regard, the directors of the Company consider that the Group's credit risk on such guarantees is significantly reduced. Detailed disclosure of these guarantees has been made in note 35.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the balance sheet date, the Group had no significant concentrations of credit risk within the property development business segment.

The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated balance sheet after deducting any impairment allowance. Except for the financial guarantees given by the Group as set out in note 35, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 35.

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

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its 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 following tables show the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

			At 31 December 2009			
			Contractual undiscounted cash outflow			
	Balance sheet carrying amount	**Total**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	2,377,593	2,377,593	2,377,593	–	–	–
Bank borrowings	1,470,304	1,700,348	773,508	160,392	387,108	379,340
Loan payables	1,402,200	1,675,800	1,675,800	–	–	–
Convertible notes	62,136	70,782	–	70,782	–	–
Senior notes	2,942,803	4,641,833	304,200	304,200	4,033,433	–
	8,255,036	10,466,356	5,131,101	535,374	4,420,541	379,340
Financial guarantees issued: Maximum amount guaranteed *(note 35(a))*	–	2,592,713	2,592,713	–	–	–

	At 30 April 2009					
		Contractual undiscounted cash outflow				
	Balance sheet carrying amount *HK$'000*	**Total** *HK$'000*	**Within 1 year or on demand** *HK$'000*	**More than 1 year but less than 2 years** *HK$'000*	**More than 2 years but less than 5 years** *HK$'000*	**More than 5 years** *HK$'000*
Trade and other payables	2,478,506	2,478,506	2,478,506	–	–	–
Bank borrowings	2,525,704	2,851,170	1,083,149	1,143,165	258,227	366,629
Loan payables	2,737,281	3,172,155	3,172,155	–	–	–
Convertible notes	1,028,195	1,244,401	–	–	1,244,401	–
Senior notes	2,923,895	4,792,683	304,200	304,200	913,433	3,270,850
	11,693,581	14,538,915	7,038,010	1,447,365	2,416,061	3,637,479
Financial guarantees issued: Maximum amount guaranteed *(note 35(a))*	–	1,839,871	1,839,871	–	–	–

(c) Interest rate risk

(i) Exposure to interest rate risk

The Group's interest rate risk arises primarily from bank borrowings, loan payables, convertible notes, senior notes, cash and cash equivalents and restricted bank deposits. Cash and cash equivalents and restricted bank deposits comprise mainly cash at banks, with annual interest rates ranging from 0.001% to 0.360% as at 31 December 2009 (at 30 April 2009: 0.001% to 0.360%). The interest rates of the Group's bank borrowings, loan payables, convertible notes and senior notes are disclosed in notes 24, 25, 26 and 27, respectively.

Bank deposits and borrowings issued at variable rates expose the Group to cash flow interest rate risk, and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group does not carry out any hedging activities to manage its interest rate exposure.

(ii) Sensitivity analysis

The Group does not anticipate there is any significant impact on its interest-bearing assets resulting from the changes in interest rates as the interest rates of bank deposits are not expected to change significantly.

As at 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates applicable to the Group's borrowings, with all other variables held constant, would decreased/increased the Group's profit after tax and retained profits by approximately HK$42,318,000 (at 30 April 2009: HK$24,838,000). Other components of consolidated equity would not be affected (at 30 April 2009: Nil) by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for the year ended 30 April 2009.

(d) Currency risk

Renminbi ("RMB") is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other financial institutions authorised to buy and sell foreign exchange. The exchange rate adopted for foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results. The Group did not hedge its currency exposure.

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Differences resulting from the translation of the financial statements of the entity within the Group into the Group's presentation currency are excluded.

	At 31 December 2009		**At 30 April 2009**	
	United States Dollars	**Hong Kong Dollars**	**United States Dollars**	**Hong Kong Dollars**
	'000	*'000*	*'000*	*'000*
Trade and other receivables	–	854,809	194	52,016
Cash and cash equivalents	249	79,737	31,680	417,641
Trade and other payables	(17,149)	(11,967)	(10,471)	
Convertible notes	–	(62,136)	–	(1,028,195
Senior notes	(377,282)	–	(374,858)	–
Overall exposure to currency risk	(394,182)	860,443	(353,455)	(570,810

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	At 31 December 2009		At 30 April 2009	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits *HK$'000*	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits *HK$'000*
United States Dollars	2%	(61,492)	2%	(55,139)
	(2)%	61,492	(2)%	55,139
Hong Kong Dollars	5%	43,022	5%	(28,541)
	(5)%	(43,022)	(5)%	28,541

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group's entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements of the entity within the Group into the Group's presentation currency. The analysis is performed on the same basis for the year ended 30 April 2009.

(e) Equity price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of financial derivatives of the Group. As at the balance sheet date, the Group is exposed to this risk through the warrants and redemption rights attached to the convertible notes issued by the Company as disclosed in notes 27 and 26, respectively.

(f) Fair value

(i) Financial instruments carried at fair value

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

Level 1: (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

Level 3: (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

Assets

	At 31 December 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial instrument – Redemption Right of the Issuer	–	600	–	600
	–	600	–	600

Liabilities

	Level 1	**Level 2**	**Level 3**	**Total**
Derivative financial instrument – Warrants	–	29,600	–	29,600
	–	29,600	–	29,600

During the period, there were no significant transfer between instruments in level 1 and level 2.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 30 April 2009.

(g) Estimation of fair values

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Cash and cash equivalents, trade and other receivables, trade and other payables

The carrying amounts approximate fair values because of the short maturities of these instruments.

(ii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) Derivatives

The Group selects appropriate valuation methods and makes assumptions with reference to market conditions existing at each balance sheet date to determine the fair value of the derivatives. The details of these derivatives are set out in notes 26 and 27.

(iv) Financial guarantees issued

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantee not been available, where reliable estimates of such information can be made.

32. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of assets and liabilities through the acquisition of subsidiaries

During the year ended 30 April 2009, the Group acquired assets and liabilities through the acquisition of a subsidiary with details below:

On 30 June 2008, the Group acquired a 12% equity interest in Beijing Jun He Bai Nian Property Development Co., Ltd. ("Jun He Bai Nian"), a company established in the PRC and engaged in property development in Beijing, the PRC, for a total consideration of RMB82,090,000 (equivalent to approximately HK$93,369,000). Prior to the acquisition, the Group held 43.95% interest in Jun He Bai Nian and this has been accounted for as interest in an associate. Jun He Bai Nian then became a 55.95% owned subsidiary of the Group subsequent to the acquisition.

Details of the net assets acquired in respect of the acquisition of Jun He Bai Nian are summarised below:

	Fair values on acquisition
	HK$'000
NET ASSETS ACQUIRED	
Plant and equipment	901
Properties under development	1,558,140
Trade and other receivables and prepayments	2,456
Bank balances and cash	1,280
Accruals and other payables	(63,478)
Amounts due to a shareholder	(710,786)
Amounts due to group companies	(1,912)
	786,601
Minority interests	(68,910)
	717,691
Less: interest in an associate held prior to the acquisition	(624,322)
	93,369
Total consideration satisfied by:	
Cash consideration paid	(93,369)
Net cash outflow arising on acquisition:	
Cash consideration paid	(93,369)
Bank balances and cash acquired	1,280
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	92,089

The subsidiary acquired did not contribute significantly to the Group's revenue and results during the year.

(b) Acquisition of assets and liabilities through the acquisition of additional interest in a subsidiary

On 31 December 2009, the Group completed the acquisition of a further 10% equity interest in Zhongou Chengkai Company Limited (中歐城開有限公司) ("Zhongou Chengkai"), a company established in the PRC to carry out a property development project in Hebei Province, the PRC, for a consideration of RMB25 million (equivalent to approximately HK$28.5 million) from the minority shareholder of Zhongou Chengkai. Prior to the acquisition, the Group had a 90% equity interest in Zhongou Chengkai, and Zhongou Chengkai then became a wholly-owned subsidiary of the Company. Due to the acquisition of additional interest in Zhongou Chengkai, the minority interests decreased by HK$11,385,000.

33. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries

For the Period Ended 31 December 2009

(i) Beijing Jun He Bai Nian Property Development Co., Ltd ("Jun He Bai Nian")

In July 2009, the Group completed the disposal of its entire interest in 北京國銳民合投資有限公司 ("北京國銳") for a total cash consideration of approximately HK$1,175,397,000. 北京國銳 owns a 55.95% equity interest in Jun He Bai Nian, a company established in the PRC and engaged in property development in Beijing, the PRC. A gain on disposal of approximately HK$105,526,000 arose from this disposal.

Details of the net assets disposed of in respect of 北京國銳 and Jun He Bai Nian are summarised below:

	HK$'000
Net assets disposed of	
Plant and equipment	515
Properties under development	1,837,607
Trade and other receivables	2,290
Bank balance and cash	4,790
Accruals and other payables	(83,457)
Loan payables	(615,719)
Amounts due to group companies	(8,819)
	1,137,207
Minority interests	(67,202)
	1,070,005
Release of exchange reserve upon disposal	(134)
	1,069,871
Gain on disposal of subsidiary	105,526
	1,175,397
Total consideration satisfied by:	
Cash received	1,175,397
Net cash inflow arising on disposal:	
Cash consideration received	1,175,397
Bank balances and cash disposed of	(4,790)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiary	1,170,607

(ii) 北京新松建築研究發展有限公司

In August 2009, the Group completed the disposal of the entire equity interest in 北京新松建築研究發展有限公司 ("北京新松建築"), a company established in the PRC and engaged in design and construction business, for a cash consideration of approximately HK$1,129,000. A gain on disposal of approximately HK$1,815,000 arose from this disposal.

Details of the net assets disposed of in respect of 北京新松建築 are summarised below:

	HK$'000
Net assets disposed of	
Plant and equipment	1,358
Trade and other receivables	252
Bank balance and cash	4,139
Amount from group companies	2,504
Accruals and other payables	(8,679)
Income tax payables	(112)
	(538)
Release of exchange reserve upon disposal	(148)
	(686)
Gain on disposal of a subsidiary	1,815
	1,129
Total consideration satisfied by:	
Consideration receivable for disposal of a subsidiary	1,129
Net cash outflow arising on disposal:	
Cash consideration received	–
Bank balances and cash disposed of	(4,139)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(4,139)

(iii) Tianjin City Yi Jia He Zhi Ye Co., Ltd. ("Yi Jia He")

In June 2009, the Group completed the disposal of a 40% equity interest in Yi Jia He, a company established in the PRC and engaged in property development in Tianjin, for a cash consideration of approximately HK$410,400,000. After the disposal, the Group retains 40% interests in Yi Jia He, which became an associate of the Group. A gain on disposal of approximately HK$115,485,000 arose from this disposal.

Details of the net assets disposed of in respect of Yi Jia He are summarised below:

	HK$'000
Net assets disposed of	
Plant and equipment	1,713
Properties under development	1,849,771
Trade and other receivables	1,275
Bank balance and cash	79,645
Accruals and other payables	(1,450)
Income tax payable	(210)
Advance payment from a minority shareholder for the property development project	(798,000)
Amounts due to group companies	(466,109)
	666,635
Minority interests	(12,712)
	653,923
Net assets transferred to interests in associates	(330,169)
	323,754
Release of exchange reserve upon disposal	(28,839)
	294,915
Gain on disposal of subsidiary	115,485
	410,400
Total consideration satisfied by:	
Cash received	410,400
Net cash inflow arising on disposal:	
Cash consideration received	410,400
Bank balances and cash disposed of	(79,645)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiary	330,755

(iv) 天津新潤房地產開發有限公司 ("Tianjin Xin Run")

In December 2009, the Group completed the disposal of the entire equity interest in Star Profit Group Limited ("Star Profit") and its subsidiaries for a total consideration of approximately HK$1,120,000,000. Profit Kingsway Limited, a wholly-owned subsidiary of Star Profit, owns the entire equity interest in Tianjin Xin Run, a company established in the PRC and engaged in property development in Tianjin, the PRC. A gain on disposal of approximately HK$69,523,000 arose from this disposal.

Details of the net assets disposed of in respect of Star Profit and its subsidiaries are summarised below:

	HK$'000
Net assets disposed of	
Plant and equipment	273
Properties under development	1,199,290
Trade and other receivables	144
Prepaid income tax	324
Bank balance and cash	14,441
Accruals and other payables	(11,100)
Deferred tax liabilities	(81,267)
	1,122,105
Release of exchange reserve upon disposal	(71,628)
	1,050,477
Gain on disposal of subsidiaries	69,523
	1,120,000
Total consideration satisfied by:	
Cash received	285,000
Consideration receivable for disposal of subsidiaries	835,000
	1,120,000
Net cash inflow arising on disposal:	
Cash consideration received	285,000
Bank balances and cash disposed of	(14,441)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	270,559

(v) 北京世銘企業管理有限公司 (“北京世銘”)

In December 2009, the Group completed the disposal of the entire equity interest in 北京世銘, a company established in the PRC and engaged in corporate management in Beijing, for a cash consideration of approximately HK$25,000. A gain on disposal of approximately HK$28,000 arose from this disposal.

Details of the net assets disposed of in respect of 北京世銘 are summarised below:

	HK$'000
Net assets disposed of	
Accruals and other payables	(7)
Release of exchange reserve upon disposal	4
	(3)
Gain on disposal of a subsidiary	28
	25
Total consideration satisfied by:	
Consideration receivable for disposal of a subsidiary	25
Net cash inflow arising on disposal:	
Cash consideration received	–
Bank balances and cash disposed of	–
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiaries	–

(vi) 榮鑫(北京)企業管理有限公司, 中新方圓科技(深圳)有限公司, 天津中新同城房地產開發有限公司, 天津中新泰華房地產開發有限公司 and 天津中新宜城房地產開發有限公司 (“deregistered subsidiaries”).

During the eight months ended 31 December 2009, the Group applied for and completed the deregistration of the deregistered subsidiaries, which were established in the PRC and had not yet commenced any business. A gain on disposal of approximately HK$44,489,000 arose from this disposal due to the release of exchange reserve.

(b) Summary of disposal of subsidiaries

For the Period Ended 31 December 2009

Details of the net assets disposed of in respect of subsidiaries are summarised below:

	8 months ended 31 December 2009
	HK$'000
Net assets disposed of	
Plant and equipment	3,859
Properties under development	4,886,668
Trade and other receivables	3,961
Prepaid income tax	324
Bank balance and cash	103,015
Accruals and other payables	(104,693)
Income tax payables	(322)
Deferred tax liabilities	(81,267)
Loan payables	(615,719)
Advance payment from a minority shareholder for the property development project	(798,000)
Amounts due to group companies	(472,424)
	2,925,402
Minority interests	(79,914)
	2,845,488
Net assets transferred to interests in associates	(330,169)
	2,515,319
Release of exchange reserve upon disposal	(145,234)
	2,370,085
Gain on disposal of subsidiaries	336,866
	2,706,951
Total consideration satisfied by:	
Cash received	1,870,797
Consideration receivable for disposal of subsidiaries	836,154
	2,706,951
Net cash inflow arising on disposal:	
Cash consideration received	1,870,797
Bank balances and cash disposed of	(103,015)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	1,767,782

The subsidiaries disposed of during the period did not contribute significantly to the Group's results and cash flows.

34. COMMITMENTS

(a) Commitments in respect of properties under development outstanding at 31 December 2009 and 30 April 2009 not provided for in the consolidated financial statements were as follows:

	The Group	
	At 31 December 2009	**At 30 April 2009**
	HK$'000	*HK$'000*
Authorised and contracted for but not provided for	3,210,742	6,064,142

(b) At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December 2009	**At 30 April 2009**
	HK$'000	*HK$'000*
Within one year	5,684	3,785
After one year but within five years	2,285	1,611
	7,969	5,396

Operating lease payments represent rentals payable by the Group for its office properties. The leases typically run for an initial period of three months to three years, with an option to renew the lease when all terms are renegotiated.

35. CONTINGENT ASSETS AND LIABILITIES

(a) Corporate guarantees

(i) Guarantees in respect of mortgage facilities for certain purchasers

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and has given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of guarantees, upon default in payments of mortgage instalments by these buyers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers. The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries was approximately HK$2,377,313,000 as at 31 December 2009 (at 30 April 2009: HK$1,617,631,000).

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition, and the directors of the Company consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in the consolidated financial statements for these guarantees.

(ii) Guarantees in respect of bank loans for a former subsidiary

The Company has entered into agreements with two banks to provide corporate guarantees with respect to bank loans granted to a former subsidiary. Pursuant to the terms of guarantees, upon default in payments of bank loans by the former subsidiary, the Company is responsible to repay the outstanding loan principals together with accrued interest and penalty owed by the former subsidiary to the banks. The guarantees will be released when the bank loans of the former subsidiary are repaid in full. The maximum liability of the Company at the balance sheet date under such guarantees is the outstanding amount of the bank loans to the former subsidiary of RMB224,000,000 (equivalent to approximately HK$255,360,000) (at 30 April 2009: RMB230,000,000 (equivalent to approximately HK$262,200,000)).

As at 31 December 2009, the Company holds a deposit of RMB36,000,000 (equivalent to approximately HK$39,960,000) (at 30 April 2009: RMB36,000,000 (equivalent to approximately HK$39,960,000)) from the holding company of the former subsidiary as a collateral for the guarantees, and such deposit is included in "Trade and other payables".

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and, the directors of the Company consider that the possibility of default by the former subsidiary is remote and, in case of default in payments, the net realisable value of the net assets of the former subsidiary can recover the repayment of the outstanding principals of the bank loans together with the accrued interest and penalty. Accordingly, no provision has been made in respect of such guarantees.

(b) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties with terms ranging from one to two years against certain specified defects as stipulated in the PRC laws and regulations which are covered by back-to-back warranties provided by the relevant contractors of the projects.

(c) Legal proceedings initiated by a third party against the Company

According to a statement of claim filed in the High Court of the Hong Kong Special Administrative Region by a third party (the "plaintiff") on 25 November 2009, the plaintiff alleges that 中置(北京)企業管理有限公司 ("中置(北京)"), a wholly owned subsidiary of the Company, was in breach of a share transfer agreement. According to this agreement, the plaintiff agreed to transfer its 30% equity interest in 成都中新錦泰房地產開發有限公司 ("成都錦泰"), a subsidiary of the Company, to 中置(北京) for the consideration of RMB160,000,000, and that the Company was a guarantor guaranteeing the performance of 中置(北京)'s obligations under the share transfer agreement. If the Company is found to be liable, the total expected monetary sum may amount to approximately RMB102,000,000 (equivalent to approximately HK$116,280,000), which comprises the outstanding consideration of RMB70,000,000 (equivalent to approximately HK$79,800,000), which included an amount of RMB30,000,000 (equivalent to approximately HK$34,200,000) (which is included in "Loan Payable") (see note 25(b)(i)), and the compensation of RMB32,000,000 (equivalent to approximately HK$36,480,000), plus interest and legal costs.

The Company, having obtained advice from its legal counsellor, is of the view that the above claim is based on unreasonable and invalid grounds because the plaintiff, 中置(北京) and 成都錦泰 have on or about 24 April 2009 reached a settlement agreement through 成都市中級人民法院 on this matter. Therefore, no provision has been made in respect of this claim.

36. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

(i) Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7, is as follows:

	8 months ended 31 December 2009	Year ended 30 April 2009
	HK$'000	*HK$'000*
Short-term employee benefits	10,830	12,812
Post-employment benefits	8	11
Equity compensation benefits	3,857	9,558
	14,695	22,381

Total remuneration is included in "staff costs" (see note 5(b)).

(ii) During the eight months ended 31 December 2009, Mr. Liu Yi and Ms. Liu Yan, the directors of the Company, entered into sale and purchase agreements with the Company's subsidiaries for the purchase of the Group's properties for the total considerations of approximately HK$1,335,000 and HK$1,265,000, respectively. At 31 December 2009, the Group received an amount of approximately HK$6,000 from Ms. Liu Yan as deposits in accordance with these agreements. Up to the date of the issue of these financial statements, the remaining balances of the total considerations were settled in full, but these transactions are not yet completed.

During the year ended 30 April 2009, Ms. Liu Yan entered into sale and purchase agreements with the Company's subsidiaries for the purchase of the Group's properties for the total consideration of approximately HK$6,517,000, and these transactions were completed during the year.

(b) Balances with related parties

Details of the balances with related parties as at 31 December 2009 and 30 April 2009 are set out in the notes 19, 21 and 25.

(c) Transactions with related parties

During the period, the Group entered into the following transactions with related companies:

(i) During the eight months ended 31 December 2009, the Group paid building management fee to 北京欣錦佳資產管理有限公司, in which Mr. Li Song Xiao, the controlling shareholder of Company, has controlling interest, for the Group's office. The amount of building management fee was agreed mutually by both parties. The amount of building management fee incurred in the period was HK$4,817,000 (year ended 30 April 2009: HK$5,611,000). An amount of HK$4,883,000 was outstanding (at 30 April 2009: HK$2,977,000) as at 31 December 2009 and was included in "Accrued charges and other payables" under "Trade and other payables" (note 21).

(ii) During the eight months ended 31 December 2009, agency fees were paid to 天津博華物業管理有限公司 ("博華物管") and 重慶中新嘉業物業服務有限公司 ("中新嘉業"), in which Mr. Li Song Xiao has controlling interest, 北京西宇嘉業物業管理有限公司深圳分公司 ("西宇嘉業"), in which Ms. Liu Yan, a director of the Company, has controlling interest, for providing property management services to the Company's subsidiaries. The amounts of agency fees charged were agreed mutually by both parties. The amounts of agency fees incurred in the period were HK$1,896,000 (year ended 30 April 2009: HK$2,808,000), HK$2,843,000 (year ended 30 April 2009: HK$971,000) and HK$1,334,000 (year ended 30 April 2009: HK$971,000), which were charged by 博華物管, 西宇嘉業 and 中新嘉業, respectively. An amount of HK$115,000 was outstanding and due to 西宇嘉業 as at 31 December 2009 (at 30 April 2009: HK$369,000 was outstanding and due to 中新嘉業) and was included in "Accrued charges and other payables" under "Trade and other payables" (note 21). No amount were outstanding and due to 中新嘉業 and 博華物管 as at 31 December 2009 (No amounts were outstanding and due to 博華物管 and 西宇嘉業 as at 30 April 2009).

(iii) During the eight months period ended and as at 31 December 2009, 北京新松投資集團有限公司 (新松投資集團), in which Mr. Li Song Xiao has a controlling interest, provided corporate guarantees to secure the Group's bank loan facilities to the extent of approximately HK$384,032,000 (at 30 April 2009: HK$420,314,000) at no charge.

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business.

37. NON-ADJUSTING POST BALANCE SHEET EVENTS

On 19 January 2010, the Company entered into an agreement with Turbo Wise Limited ("Turbo Wise"), a company wholly owned by Mr. Li Song Xiao, the controlling shareholder of the Company, subject to certain conditions, to dispose of the entire interest in a parcel of land located in Qiao Island, Zhuhai, the PRC, for a total consideration of HK$2,500,000,000. Details of this transaction were set out in the announcement as issued by the Company on 19 January 2010. Further details of such disposal are disclosed in note 28(a).

38. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are evaluated and 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 may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Current taxation and deferred taxation

The Group is subject to Enterprise Income Tax in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. 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 differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

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

(b) PRC Land Appreciation Tax

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

The Group is subject to LAT in the PRC which has been included in income tax of the Group. However, the Group has not finalised its land appreciation tax returns with the tax authorities for certain of its property development projects. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(c) Write-down of properties under development and completed properties held for sale

As explained in Note 1(k), the Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in write-down of properties under development and completed properties held for sale. Such write-down requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying amount and write-down of properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the write-down of properties would affect profit or loss in future years.

(d) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(e) Impairment for property, plant and equipment

If circumstances indicate that the carrying amounts of property, plant and equipment may not be recoverable, the asset may be considered "impaired", and an impairment loss is recognised in accordance with the accounting policy for impairment of property, plant and equipment as described in Note 1(j)(ii). The carrying amounts of property, plant and equipment are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of selling price and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of selling price and the amount of operating costs. Changes in these estimates could have a significant impact on the carrying amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(f) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the trade and other receivables balance, debtor credit-worthiness, and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(g) Derivative financial instruments

In determining the fair value of the derivative financial instruments, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

39. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 31 December 2009 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
HKFRS 3 (Revised) "Business Combinations"	1 July 2009
Amendments to HKAS 27 "Consolidated and Separate Financial Statements"	1 July 2009
Amendments to HKAS 39 "Financial Instruments: Recognition And Measurement" – *Eligible hedged items*	1 July 2009
HK(IFRIC) – Int 17 "Distributions of Non-Cash Assets to Owners"	1 July 2009
Amendments to HKFRS 5 as part of improvements to HKFRSs 2008	1 July 2009
Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010
Amendments to HKFRS 1 "First-time Adoption of Hong Kong Financial Reporting Standards" – *Additional exemptions for First-time Adopters*	1 January 2010
Amendments to HKFRS 2 "Share-based Payment" – *Group cash-settled share-based payment transactions*	1 January 2010
Amendments to HKAS 32 "Financial Instruments – Presentation" – *Classification of rights issues*	1 February 2010
HKAS 24 (Revised) "Related Party Disclosures"	1 January 2011
Amendments to HK(IFRIC) – Int 14 "HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – *Prepayments of a minimum funding requirement*	1 January 2011
HK(IFRIC) – Int 19 "Extinguishing Financial Liabilities with Equity Instruments"	1 July 2010
HKFRS 9 "Financial Instruments"	1 January 2013

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

40. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2009, the directors of the Company consider the immediate parent and ultimate controlling party of the Group to be Invest Gain Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

41. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2009 are set out below:

Name	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/and paid-up registered capital held		Principal activities
			Directly	Indirectly	
Eastern Beauty Investment Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Golden Bull Investment Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Honest State Limited	British Virgin Islands/Hong Kong	10,000,000 ordinary shares of US$1 each	–	100%	Investment holding
Leadway Pacific Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Neo-China Land Group (China) Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
Neo-China Property Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
Neo-China Real Estate (Shanghai) Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
New Direction Development Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Phoenix Real Property Limited	British Virgin Islands/Hong Kong	200 ordinary shares of US$1 each	–	80%	Investment holding
Profit Mainland Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Profit Store Development Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Reliance Profit Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Rich Glory Investments Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Rich Win Investments Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding

Name	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/and paid-up registered capital held Directly	Indirectly	Principal activities
Speed Max Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Star Tech Development Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Wonder Bridge Company Limited	Hong Kong	4 ordinary shares of HK$100 each	–	75%	Investment holding
Shenzhen Phoenix Real Estates Company Limited 深圳鳳凰置業有限公司 *(note (a))*	The PRC	US$10,000,000	–	82%	Property investment
中置(北京)企業管理有限公司 *(note (b))*	The PRC	HK$200,000,000	–	100%	Investment holding
北京金馬文華園房地產開發有限公司 *(note (a))*	The PRC	US$12,000,000	–	100%	Property development
北京新松房地產開發有限公司 (note (a))	The PRC	RMB190,000,000	–	100%	Property development
北京御水苑房地產開發有限責任公司 *(note (c))*	The PRC	RMB20,000,000	–	90%	Property development
北京新松置地投資顧問有限公司 *(note (c))*	The PRC	RMB30,000,000	–	100%	Investment holding
成都中新錦泰房地產開發有限公司 *(note (a))*	The PRC	RMB200,000,000	–	100%	Property development
西安滻灞建設開發有限公司 *(note (a))*	The PRC	US$86,880,000	–	71.5%	Property development
西安中新滻灞歐亞酒店發展有限公司 *(note (c))*	The PRC	RMB50,000,000	–	71.5%	Hotel operations
西安中新永榮房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新佳園房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新永佳房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新沁園房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新新柳域房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新華勝房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新榮景房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development

Name	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/and paid-up registered capital held Directly	Indirectly	Principal activities
西安中新濱河房地產開發 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新永景房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
湖南淺水灣湘雅溫泉花園有限公司 *(note (c))*	The PRC	RMB30,000,000	–	67%	Property development
重慶中華企業房地產發展有限公司 *(note (c))*	The PRC	RMB200,000,000	–	100%	Property development
天津中新濱海房地產開發有限公司 *(note (b))*	The PRC	HK$100,000,000	–	100%	Property development
天津中新華安房地產開發有限公司 *(note (b))*	The PRC	RMB240,000,000	–	100%	Property development
天津中新華城房地產開發有限公司 *(note (b))*	The PRC	RMB80,000,000	–	100%	Property investment
天津中新嘉業房地產開發有限公司 *(note (b))*	The PRC	RMB120,000,000	–	100%	Property development
天津中新信捷房地產開發有限公司 *(note (b))*	The PRC	RMB240,000,000	–	100%	Property development
天津凱津房地產開發有限公司 *(note (c))*	The PRC	RMB210,000,000	–	100%	Property development
上海九久廣場投資開發有限公司 *(note (c))*	The PRC	RMB226,160,000	–	100%	Property development
瀋陽向明長益置業有限公司 *(note (a))*	The PRC	USD63,750,000	–	80%	Property development
珠海市淇洲島影視城有限公司 *(note (a))*	The PRC	RMB90,000,000	–	100%	Property development
中歐城開有限公司 *(note (c))*	The PRC	RMB100,000,000	–	100%	Property development
北京盈通房地產開發有限公司 *(note (a))*	The PRC	USD6,000,000	–	67.5%	Primary land development

Notes:

(a) These companies were established in the PRC in the form of sino-foreign equity joint ventures.

(b) These companies were established in the PRC in the form of wholly-owned foreign enterprises.

(c) These companies were established in the PRC in the form of a limited liability company.

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

1. MANAGEMENT DISCUSSION AND ANALYSIS ON NEO-CHINA FOR THE PERIOD REPORTED IN THE ACCOUNTANT'S REPORT

Review of business performance

The Neo-China Group is principally engaged in the business of property development, property investment and hotel operations. The financial information on the Neo-China Group has been set out in Appendix II to this circular.

During the financial year ended 30 April 2008 ("**FY2008**"), Neo-China Group's businesses underwent an effective consolidation in accordance with its strategic plan. While expanding Neo-China Group's capability on property development, Neo-China Group also placed great emphasis on reasonable allocation of the operating cash flow. The total GFA of the properties sold and recognised during FY2008 was 822,491 sq.m. (FY2007: 274,000 sq.m.). For FY2008, the Neo-China Group recorded a turnover of approximately HK$5.03 billion (FY2007: HK$2.78 billion), representing an increase of approximately 80.9% over the previous year, which was mainly attributable to the Neo-China Group being capable of providing refined products, and the dedication by its employees. Profit attributable to shareholders amounted to HK$1.55 billion (FY2007: HK$833 million), representing an increase of approximately 86.1% over the previous year.

During the financial year ended 30 April 2009 ("**FY2009**"), the Neo-China Group focused on enhancing its cash inflows, and accelerated the launch of new projects or new phases in divers cities in the PRC, including Xian, Chengdu, Beijing, Tianjin and Shanghai. Total GFA of the properties sold for FY2009 remained a high level, amounted to 769,000 sq.m., and the total GFA sold and recognised for FY2009 amounted to 299,000 sq.m.. For FY2009, Neo-China Group recorded a turnover of approximately HK$2.53 billion, representing a decrease of approximately 49.6% over FY2008. Profit attributable to shareholders amounted to HK$127 million, representing a decrease of approximately 91.8% over FY2008.

For the eight months ended 31 December 2009 ("**FP2009**"), the Neo-China Group remained to focus on enhancing its cash inflows. Total GFA of the properties sold for FP2009 was 623,000 sq.m., while the total recognised saleable GFA for FP2009 amounted to 138,000 sq.m.. For FP2009, Neo-China Group recorded a turnover of approximately HK$513 million, representing a decrease of approximately 79.8% over FY2009. Loss attributable to shareholders amounted to HK$2.11 billion, as compared with profit attributable to shareholders of HK$127 million for FY2009.

Financial resources, capital structure and liquidity

As at 30 April 2008, 30 April 2009 and 31 December 2009, the Neo-China Group had cash and bank balances of approximately HK$4.36 billion, HK$2.62 billion and HK$1.63 billion respectively, and net assets totalling HK$9.08 billion, HK$9.07 billion and HK$6.66 billion respectively. The net debt of the Neo-China Group as at 30 April 2008, 30 April 2009 and 31 December 2009 amounted to HK$5.18 billion, HK$6.58 billion and HK$4.25 billion respectively, with a gearing ratio of 63.6%, 79.1% and

69.4% respectively. This ratio is calculated as net debt divided by total equity attributable to the equity shareholders of Neo-China. For this purpose, the Neo-China Group defines net debt as total debt (which includes loans and borrowings, convertible notes and senior notes) less cash and cash equivalents and restricted bank deposits secured against bank borrowings.

During FY2008, FY2009 and FP2009, Neo-China Group obtained new bank borrowings amounting to HK$1,890.36 million, HK$772.80 million and HK$302.10 million respectively. These proceeds were used to finance the development of properties.

All bank borrowings are denominated in RMB and variable-rate borrowings which carry interest at commercial rates in the PRC.

Charge on Neo-China Group's assets

As at 31 December 2009, certain bank deposits of approximately HK$55 million (30 April 2009: HK$173 million, 30 April 2008: HK$104 million) were pledged to banks to secure long-term mortgage loans granted by banks to the purchasers of pre-sold properties. These pledged deposits will be released upon the transfer of the property title certificates to the respective purchasers. Please also refer to the section headed "Contingent liabilities" below.

Certain bank deposits, properties under development, certain completed properties held for sale, a hotel property and certain investment properties of the Group located in the PRC, with total carrying amounts of approximately HK$Nil (30 April 2009: HK$19 million), HK$2 billion (30 April 2009: HK$3.32 billion, 30 April 2008: HK$2.76 billion), HK$Nil (30 April 2009: HK$11.94 million, 30 April 2008: HK$288.89 million), HK$310 million (30 April 2009: HK$295.30 million, 30 April 2008: Nil) and HK$2.9 billion (30 April 2009: HK$2.75 billion, 30 April 2008: HK$3.40 billion) respectively, were pledged as collateral for the Group's bank borrowings. Certain assets are also pledged to secure a loan payable denominated in RMB.

Contingent liabilities

The Neo-China Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Neo-China Group's property units and has given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of the guarantees, upon default in payment of mortgage instalments by these buyers, the Neo-China Group will be liable for repayment of the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Neo-China Group will be entitled to take over the legal title and possession of the related properties. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers. The total amount of outstanding mortgages guaranteed by Neo-China's subsidiaries was HK$2.13 billion as at 30 April 2008, HK$1.62 billion as at 30 April 2009, and HK$2.38 billion as at 31 December 2009.

The directors of Neo-China consider that the fair values of the abovementioned guarantee contracts of the Neo-China Group are insignificant at initial recognition, and that the possibility of default by the parties involved is remote, and in case of default in payments, the net realisable value of the related properties may be used for the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in the consolidated financial statements for the abovementioned guarantees.

Exchange rate risk

All revenue-generating operations of the Neo-China Group are transacted in RMB.

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("**PBOC**") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for foreign exchange transactions are the rates of exchange quoted by the PBOC which are in turn subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Neo-China Group) or must be arranged through the PBOC with government approval.

Neo-China Group is exposed to foreign currency risk on financing transactions denominated in currencies other than RMB. Depreciation or appreciation of the RMB against foreign currencies can therefore affect the results of the Neo-China Group. The Neo-China Group did not hedge against its currency exposure.

Credit risk

In order to minimise the credit risk in relation to each class of recognised financial assets as stated in the consolidated financial statements of the Neo-China Group, the Neo-China Group has a dedicated team of personnel responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the recoverable amount of each individual trade debt and non-trade debt is reviewed at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. Cash and cash equivalents and restricted bank deposits are placed with banks and financial institutions with good credit ratings. For FY2008, FY2009 and FP2009, the Neo-China Group had no significant concentration of credit risk within the property development business segment.

Acquisition / disposal of subsidiaries

Acquisition of subsidiaries

For FY2008

Beichen Project

In October 2007, the Neo-China Group acquired a property project in Tianjin, the PRC ("Beichen Project") and its related assets and liabilities for a total consideration of approximately HK$743,205,000, which was satisfied by cash of approximately HK$416,305,000 and by the allotment and issue of 35,000,000 Consolidated Shares at HK$9.34 each of Neo-China. The purchase was by way of acquisition of the entire issued share capital of Wah Po Holdings Limited.

Tai Yuan Street Project

In November 2007, the Neo-China Group entered into purchase agreements with independent third parties to acquire in aggregate a 80% equity interest in 沈陽向明陽益置業有限公司 ("Tai Yuan Street Project"), a company established in the PRC to carry out a property development project in Shenyang, the PRC, for a total cash consideration of approximately HK$609,800,000.

Qi Ao Island Project

In November 2007, the Neo-China Group entered into purchase agreements with independent third parties to acquire a 100% equity interest in Zhuhai City Qi Zhou Island Movie Town Co., Ltd (珠海市淇州島影視城有限公司) ("Qi Ao Island Project"), a company established in the PRC to carry out a property development project in Zhuhai, the PRC, for a total cash consideration of approximately HK$3,076,232,000.

Yanjiao Project

In December 2007, the Neo-China Group entered into purchase agreements with independent third parties to acquire a 90% equity interest in Zhongou Chengkai Co., Ltd. (中歐城開有限公司) ("Yanjiao Project"), a company established in the PRC to carry out a property development project in Hebei Province, the PRC, for a total cash consideration of approximately HK$547,260,000.

天津凱津房地產開發有限公司

In November 2007, the Neo-China Group entered into purchase agreements with independent third parties to acquire a 100% equity interest in 天津凱津房地產開發有限公司("天津凱津"), a company established in the PRC to carry out a property development project in Tianjin, the PRC, at a total cash consideration of approximately HK$222,000,000.

北京淺野水泥有限公司

In December 2007, the Neo-China Group entered into purchase agreements with independent third parties to acquire a 100% equity interest in 北京淺野水泥有限公司 ("淺野水泥"), a company established in the PRC to carry out a property development project in Beijing, the PRC, for a total cash consideration of approximately HK$100,468,000.

北京盈通房地產開發有限公司

In December 2007, Neo-China Group entered into purchase agreements with independent third parties to acquire in aggregate 100% equity interest in Win Early Investments Limited ("Win Early"), a company incorporated in the British Virgin Islands to carry out a primary land development project in Beijing, the PRC, for a total cash consideration of approximately HK$90,000,000. Win Early owns 67.5% equity interest in 北京盈通房地產開發有限公司 ("北京盈通"), a company established in the PRC and engaged in primary land development project in Beijing.

北京中新沃克建築裝飾工程有限公司 and 北京新松建築研究發展有限公司

In May 2007, 100% equity interest in 北京中新沃克建築裝飾工程有限公司 ("中新沃克") and 北京新松建築研究發展有限公司 ("新松建築研發") were transferred into the Neo-China Group for a total consideration of HK$2,020,000 from the controlling shareholder, Mr. Li. 中新沃克 and 新松建築研發 are engaged in the design and construction business in the PRC.

Jiujiu Youth City Project

In October 2007, the Neo-China Group acquired from the controlling shareholder, Mr. Li, a property project in Shanghai, the PRC ("Jiujiu Youth City Project") and its related assets and liabilities for a consideration of approximately HK$1,056,759,000, which was settled by the issue of 467,592,592 ordinary shares at HK$2.26 each of Neo-China. The purchase was by way of the acquisition of 100% interest in One Alliance Investment Limited.

For FY2009

On 30 June 2008, the Neo-China Group acquired 12% equity interest in Beijing Jun He Bai Nian Property Development Co., Ltd. ("Jun He Bai Nian"), a company established in the PRC and engaged in property development in Beijing, the PRC, for a total consideration of RMB82,090,000 (equivalent to approximately HK$93,369,000).

On 31 December 2009, the Neo-China Group completed the acquisition of a further 10% equity interest in Zhongou Chengkai Company Limited (中歐城開有限公司) ("Zhongou Chengkai"), a company established in the PRC to carry out a property development project in Hebei Province, the PRC, for a consideration of RMB25 million (equivalent to approximately HK$28.5 million) from the minority shareholder of Zhongou Chengkai. Prior to the acquisition, the Neo-China Group had a 90% equity interest in Zhongou Chengkai, and Zhongou Chengkai then became a wholly-owned subsidiary of Neo-China. Due to the acquisition of additional interest in Zhongou Chengkai, the minority interests decreased by HK$11,385,000.

Disposal of subsidiaries

For FY2008

中新綿世(成都)建設發展有限公司

In March 2008, the Neo-China Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest in 中新綿世(成都)建設發展有限公司 ("中新綿世") for a consideration of approximately HK$142,080,000, and this transaction was completed in April 2008.

Tianjin Zhongxin Mingshi

During FY2008, the Neo-China Group completed the disposal of the entire interest in Tianjin Zhongxin Mingshi for a consideration of approximately HK$223,086,000. A loss on disposal of HK$35,400,000 arose from this disposal.

For FP2009

Beijing Jun He Bai Nian Property Development Co., Ltd ("Jun He Bai Nian")

In July 2009, the Neo-China Group completed the disposal of its entire interest in 北京國銳民合投資有限公司("北京國銳") for a total cash consideration of approximately HK$1,175,397,000. 北京國銳 owns a 55.95% equity interest in Jun He Bai Nian, a company established in the PRC and engaged in property development in Beijing, the PRC.

北京新松建築研究發展有限公司

In August 2009, the Neo-China Group completed the disposal of the entire equity interest in 北京新松建築研究發展有限公司("北京新松建築"), a company established in the PRC and engaged in design and construction business, for a cash consideration of approximately HK$1,129,000.

Tianjin City Yi Jia He Zhi Ye Co., Ltd. ("Yi Jia He")

In June 2009, the Neo-China Group completed the disposal of a 40% equity interest in Yi Jia He, a company established in the PRC and engaged in property development in Tianjin, for a cash consideration of approximately HK$410,400,000. After the disposal, the Neo-China Group retains 40% interests in Yi Jia He, which became an associate of the Neo-China Group.

天津新潤房地產開發有限公司 ("Tianjin Xin Run")

In December 2009, the Neo-China Group completed the disposal of the entire equity interest in Star Profit Group Limited ("Star Profit") and its subsidiaries for a total consideration of approximately HK$1,120,000,000. Profit Kingsway Limited, a wholly-owned subsidiary of Star Profit, owns the entire equity interest in Tianjin Xin Run, a company established in the PRC and engaged in property development in Tianjin, the PRC.

北京世銘企業管理有限公司("北京世銘")

In December 2009, the Neo-China Group completed the disposal of the entire equity interest in 北京世銘, a company established in the PRC and engaged in corporate management in Beijing, for a cash consideration of approximately HK$25,000.

榮鑫(北京)企業管理有限公司, 中新方圓科技(深圳)有限公司, 天津中新同城房地產開發有限公司, 天津中新泰華房地產開發有限公司 and 天津中新宜城房地產開發有限公司 ("deregistered subsidiaries").

During the FP2009, the Group applied for and completed the deregistration of the deregistered subsidiaries, which were established in the PRC and had not yet commenced any business.

Segmental information

Neo-China Group comprises the following main business segments:

Property development: the development and sale of commercial and residential properties.

Property leasing: the leasing of properties to generate rental income and/or to gain from the appreciation in the properties' values in the long term.

Hotel operations: renting of hotel room accommodation, leasing of commercial shopping arcades, provision of food and beverage at restaurant outlets, and other minor departments such as telephone, guest transportation and laundry within hotel premises.

Future plans

In the year to come, the Neo-China Group plans to launch new properties for sale in mainland China cities such as Xian, Chengdu and Changsha. As for land reserves, the existing land bank owned by the Neo-China Group is able to cater for development needs in the next three to four years. The Neo-China Group will cautiously carry out its land reserve policy to moderately increase its land reserve in a selective way and based on its own development strategy, regional distribution and development progress. The Neo-China Group will keep on enhancing the product quality and building up the brand as a base for long term development and in attaining profits.

Staff and remuneration policy

As at 30 April 2008, 30 April 2009 and 31 December 2009, Neo-China Group employed 1,176, 1163 and 622 employees respectively (including Hong Kong and PRC offices).

The employee remunerations of Neo-China for each of the FY2008, FY2009 and FP2009 is HK$199,546,000, HK$192,328,000 and 117,015,000 respectively.

The emolument policy of the employees of the Neo-China Group is determined by the Remuneration Committee of the Neo-China Group on the basis of the merit, qualifications and competence of each employee.

The emolument of the directors of Neo-China is also determined by the Remuneration Committee of the Neo-China Group, having regard to Neo-China's operating results, individual performance and comparable market statistics.

Staff benefits include contributions to the Mandatory Provident Fund Schemes and discretionary bonus payments which are linked to the profit performance of the Neo-China Group and individual performances.

The Neo-China Group has also adopted a share option scheme as an incentive to directors and eligible employees.

1. UNAUDITED PRO FORMA INFORMATION OF THE ENLARGED GROUP AFTER COMPLETION

(A) Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group after Completion

The following is a summary of the unaudited pro forma statement of assets and liabilities of the Enlarged Group, assuming that the Acquisition, the Subscription and the Offers had been completed as at 31st December 2009 for the purpose of illustrating how the transactions might have affected the financial position of the Group.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared based on the audited consolidated statement of financial position of the Group as at 31st December 2009 as extracted from the annual report of the Company for the year ended 31st December 2009 and the audited consolidated statement of financial position of Neo-China as at 31st December 2009 as extracted from the annual report of Neo-China for the eight months ended 31st December 2009 as set out in Appendix II to this circular.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared to provide financial information of the Enlarged Group as a result of the completion of the Acquisition, the Subscription and the Offers. As it is prepared for illustrative purpose only, it may not purport to present what the assets and liabilities of the Enlarged Group are on completion of the Acquisition, the Subscription and the Offers.

	The Group as at 31st December 2009	**Neo-China Group as at 31st December 2009**	*Notes*	**Adjustments**	**Unaudited Pro forma**
	HK$'000	*HK$'000*		*HK$'000*	*HK$'000*
	(Note 1(a)) *Audited*	*(Note 1(b))* *Audited*			
Non-Current Assets					
Investment properties	2,135,393	2,949,328	2	22,639	5,107,360
Property, plant and equipment	4,260,054	827,900	2	96,424	5,184,378
Prepaid lease payments – non-current portion	409,609	–			409,609
Toll road operating rights	9,467,968	–			9,467,968
Other intangible assets	120,222	–			120,222
Goodwill	13,723	–			13,723
Interests in jointly controlled entities	1,026,433	–			1,026,433
Interests in associates	298,734	328,380	2	(94,209)	532,905
Investments	3,256,718	–			3,256,718
Deposits paid on acquisition of property, plant and equipment	149,111	–			149,111
Consideration receivables	–	–	3	2,330,000	2,330,000

	The Group as at 31st December 2009	Neo-China Group as at 31st December 2009	Notes	Adjustments	Unaudited Pro forma
	HK$'000	HK$'000		HK$'000	HK$'000
	(Note 1(a)) Audited	(Note 1(b)) Audited			
Derivative financial instrument – redemption right of the issuer	–	600			600
Restricted bank deposits	73,376	55,023			128,399
Deferred tax assets	96,953	24,142			121,095
	21,308,294	4,185,373			27,848,521
Current Assets					
Inventories	17,487,594	14,462,055	2	2,011,405	33,961,054
Trade and other receivables	3,668,144	2,231,914			5,900,058
Prepaid lease payments – current portion	13,779	–			13,779
Loan receivables	–	412,626			412,626
Investments	158,759	–			158,759
Taxation recoverable	65,543	339,673			405,216
Pledged bank deposits	911,828	–			911,828
Short-term bank deposits	262,234	–			262,234
Bank balances and cash	9,256,359	1,627,196	5	(1,601,457)	9,282,098
	31,824,240	19,073,464			51,307,652
Assets classified as held for sale	7,096,169	2,732,943	3	(2,732,943)	7,096,169
	38,920,409	21,806,407			58,403,821
Current Liabilities					
Trade and other payables	7,679,155	2,413,007	4	8,769,875	18,862,037
Pre-sale receipts from customers	–	8,763,402	4	(8,763,402)	–
Loan payables	–	1,402,200			1,402,200
Derivative financial instrument – warrants	–	29,600			29,600
Taxation payable	852,077	1,238,927			2,091,004
Bank and other borrowings	3,490,737	702,240			4,192,977
Dividend payable	–	6,473	4	(6,473)	–
	12,021,969	14,555,849			26,577,818
Liabilities associated with assets classified as held for sale	1,734,249	835	3	(835)	1,734,249

	The Group as at 31st December 2009	Neo-China Group as at 31st December 2009	Notes	Adjustments	Unaudited Pro forma
	HK$'000	*HK$'000*		*HK$'000*	*HK$'000*
	(Note 1(a)) *Audited*	*(Note 1(b))* *Audited*			
	13,756,218	14,556,684			28,312,067
Net Current Assets	25,164,191	7,249,723			30,091,754
Total Assets Less Current Liabilities	46,472,485	11,435,096			57,940,275
Capital and Reserves					
Share Capital	107,977	77,826	6	(77,826)	107,977
Share premium and reserves	24,783,269	5,995,603	7	(4,630,261)	26,148,611
Equity attributable to owners of the Company	24,891,246	6,073,429			26,256,588
Minority interests	9,196,106	586,553	8	4,107,864	13,890,523
Total Equity	34,087,352	6,659,982			40,147,111
Non-Current Liabilities					
Bank and other borrowings	10,136,987	768,064			10,905,051
Convertible notes	–	62,136			62,136
Senior notes	–	2,942,803			2,942,803
Deferred tax liabilities	2,248,146	1,002,111	9	632,917	3,883,174
	12,385,133	4,775,114			17,793,164
Total Equity and Non-Current Liabilities	46,472,485	11,435,096			57,940,275

Notes on adjustments:

1(a). The figures are extracted from the annual report of the Company for the year ended 31st December 2009 dated 31st March 2010.

1(b). The figures are extracted from the annual report of Neo-China for the eight months ended 31st December 2009 dated 9th April 2010.

2. Fair value adjustments extracted from the valuation report as at 31st January 2010 as set out in Appendix V to this circular and translated into HK$ at the exchange rate of RMB0.8804 to HK$1. The followings show the reconciliations of investment properties, property, plant and equipment, interests in associates and inventories between the amounts shown in Appendices II and V.

	HK$'000
Reconciliation of Investment Properties:	
RMB2,616,520,000 per valuation report (Total per Group II) and translated to HK dollar equivalent	2,971,967
Carrying value of investment properties	(2,949,328)
Fair value adjustment	22,639

	HK$'000
Reconciliation of Property, Plant and Equipment:	
Hotel properties of RMB784,000,000 per valuation report (Total per Group V) and translated to HK dollar equivalent	890,504
Carrying value of hotel properties included in property, plant and equipment	(794,080)
Fair value adjustment	96,424

	HK$'000
Reconciliation of Interests in Associates:	
Properties under development held by an associate of RMB1,254,000,000 per valuation report (Group IV, item 30) and translated to HK dollar equivalent	1,424,353
Carrying value of properties under development held by the associate	(1,738,383)
Fair value adjustment	(314,030)
Deferred tax recognised in respect of fair value adjustment	78,508
Net adjustment	(235,522)
Shared by the associate	(94,209)

	'000
Reconciliation of Inventories:	
Per valuation report:	
Total per Group I	RMB1,441,600
Total per Group III	RMB7,581,000
Total per Group IV	RMB8,794,000
Less: Group IV, item 30: properties held by an associate	RMB(1,254,000)
Group IV, item 36: properties classified as assets held for sale	RMB(2,250,000)
Inventories per valuation report	RMB14,312,600
Translated to HK dollar equivalent	HK$16,256,929
Other inventories not subject to revaluation (note)	HK$216,531
	HK$16,473,460
Carrying value of inventories	HK$(14,462,055)
Fair value adjustment	HK$2,011,405

Note: The amount represents inventories for hotel operations with carrying values approximating to their fair values and properties, on which Neo-China does not have the formal legal title, stated at cost.

3. The adjustments represent the completion of the Qi Ao Agreement that HK$100 million is received at the date of completion with the remaining HK$2,400 million carrying no interest to be received by installments in the coming 3 years from date of completion of the transaction. The consideration receivables recognised represents the net present value of HK$2,400 million which is arrived at based on the discount rate of 1.46% per annum and the Directors consider the net present value of the receivables approximate its fair value. However, the rate of 1.46% is determined by the Directors' best estimate for the purpose of the preparation of the unaudited pro forma financial information and is subject to change upon actual completion.

4. The adjustments represent the reclassifications of pre-sale receipts from customers of HK$8,763,402,000 and dividend payable to the Neo-China Shareholders of HK$6,473,000 to trade and other payables in order to be consistent with the Group's presentation.

5. The adjustments represent cash payments to acquire 500,000,000 Neo-China Shares from the Vendor in the Acquisition and 233,386,647 Neo-China Shares from other Neo-China Shareholders pursuant to the Share Offer, based on the consideration of HK$2.32 per Neo-China Share and the receipt of HK$100 million upon completion of the Qi Ao Agreement (see note 3 above). Transaction costs in connection with these transactions are ignored for the purpose of the preparation of the unaudited pro forma financial information.

   The number of Neo-China Shares acquired from the Neo-China Shareholders (other than the Vendor who, together with Mr. Li, hold 554,920,495 Neo-China Shares and undertake not to sell such shares and accept the Share Offer) pursuant to the Share Offer is limited to 233,386,647 in order to maintain the 25% minimum public float of Neo-China. Upon completion of the Acquisition, the Subscription (subscribe 683,692,000 new Neo-China Shares at a price of HK$2.32 per Neo-China Share) and the Share Offer, which collectively constitute major transactions for the Company, the Company is assumed to hold an aggregate of 1,417,078,647 issued shares of Neo-China, representing 53.9% equity interest in Neo-China.

6. The adjustment represents the elimination of share capital of Neo-China upon consolidation.

7. The adjustments represent the elimination of share premium and reserves of Neo-China and the recognition of discount on acquisition of the 53.9% shareholdings of Neo-China in profit and loss of HK$1,365,342,000.

Discount arising from the acquisition of 53.9% equity interest in Neo-China is determined based on the aggregate consideration paid, the amount of the minority interest's proportionate share of the net identifiable assets of the Neo-China Group and the adjusted carrying value of the net identifiable assets of the Neo-China Group as at 31st December 2009 attributable to the corresponding shareholding. The following shows the calculation of discount on acquisition:

	HK$'000
Consolidated net assets attributable to owners of Neo-China as at 31st December 2009	6,073,429
Increase in consolidated net assets on completion of the Subscription	1,586,165
Fair value adjustment on investment properties	22,639
Fair value adjustment on property, plant and equipment	96,424
Net fair value adjustment on interests in associates	(94,209)
Fair value adjustment on inventories	2,011,405
Deferred tax recognised in respect of fair value adjustments	(632,917)
Fair value adjustments on properties, net of deferred tax, shared by minority interests	(128,242)
Loss recognised upon completion of the Qi Ao Agreement	(302,108)
Adjusted consolidated net assets attributable to owners of Neo-China as at 31st December 2009	8,632,586
Minority interests	(3,979,622)
Discount on acquisition	(1,365,342)
Total cash consideration paid in the Acquisition, the Subscription and the Share Offer	3,287,622

Subject to completion of the Acquisition and the Subscription, the Company is also required to make the CB Offer, the Warrant Offer and the Option Offer, apart from the Share Offer, to acquire, or for the cancellation of, all the outstanding Convertible Bonds, Warrants and Share Options, respectively, of Neo-China. In the opinion of the Directors, the acceptance of those offers is highly unlikely as the price of each offer may not be favourable to the holders. Accordingly, no adjustment is considered to make in respect of the CB Offer, the Warrant Offer and the Option Offer.

For the purpose of the preparation of the unaudited pro forma financial information, the fair values of the identifiable net assets of the Neo-China Group are assumed to be the same as their adjusted carrying values as at 31st December 2009.

Since the fair values of the net identifiable assets of the Neo-China Group at the date of completion of the Acquisition, the Subscription and the Offers may be substantially different from the adjusted carrying values used in the preparation of this unaudited pro forma financial information of the Enlarged Group, the actual fair values of the net identifiable assets of the Neo-China Group, as well as goodwill or discount on acquisition to be recognised could be different from the amounts stated herein.

Hong Kong Financial Reporting Standard ("HKFRS") 3 (Revised) "Business Combinations" is effective for business combinations for which the acquisition date is on or after the beginning of accounting periods beginning on or after 1st July 2009. The Acquisition, the Subscription and the Offers will be completed in 2010 and hence for the purpose of the preparation of the unaudited pro forma statement of assets and liabilities, it is assumed that the Enlarged Group has adopted HKFRS 3 (Revised).

8. The adjustment represents the minority interest's proportionate share of the net identifiable assets of the Neo-China Group.

9. The adjustment represents the deferred tax recognised in respect of fair value adjustments on the properties of Neo-China.

(B) Accountants' Report on Unaudited Pro Forma Financial Information of the Enlarged Group after Completion

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Shanghai Industrial Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as enlarged upon completion of the acquisition of issued shares and the subscription of new shares in Neo-China Land Group (Holdings) Limited ("Neo-China") and the possible mandatory conditional cash offer as detailed in the joint announcement of the Company and Neo-China dated 19th January 2010 (the "Proposed Transactions") (hereinafter collectively referred to as the "Enlarged Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Proposed Transactions might have affected the financial information presented, for inclusion in Appendix IV of the circular dated 30th April 2010 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages IV-1 to IV-6 of the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31st December 2009 or any future date.

OPINION

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group to the extent that such accounting policies are applicable to transactions that will occur on or after 1st January 2010; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30th April 2010

2. INDEBTEDNESS

Borrowings

At the close of business on 28th February 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following outstanding borrowings:

	HK$'000
Bank loans	
– secured	5,834,180
– unsecured (note)	11,352,826
	17,187,006
Other loans	
– secured	1,539,000
– unsecured	34,200
	1,573,200
	18,760,206

Note: Included in unsecured bank loans is an amount of approximately HK$1,169,923,000 which is guaranteed by a minority shareholder of a subsidiary and an entity controlled by this minority shareholder.

	HK$'000
Others	
– amount due to Xuhui District Stated-owned Assets Administrative Committee ("Xuhui SAAC")	449,354
– amounts due to fellow subsidiaries under common control by the ultimate holding company of the Enlarged Group	1,728,931
– amounts due to minority shareholders of subsidiaries	48,055
– amounts due to former shareholders of the Enlarged Group's former subsidiaries	137,039
– amounts due to related companies	47,466

The maturity of the bank loans and other loans are as follows:

	HK$'000
– within one year	3,722,342
– more than one year	15,037,864
	18,760,206

Debt securities

As at 28th February 2010, the Enlarged Group had senior notes with an outstanding principal amount of HK$3,120,000,000 and convertible notes with an outstanding principal amount of HK$52,160,000. The carrying amount of the senior notes and the debt component of the convertible notes amounted to approximately HK$2,947,651,000 and HK$63,084,000 as at 28th February 2010 respectively.

Pledge of assets

As at 28th February 2010, the following assets were pledged by the Enlarged Group to secure general banking facilities granted by banks and other secured loans:

a. investment properties with a carrying value of approximately HK$5,009,487,000;

b. plant and machinery with a carrying value of approximately HK$472,724,000;

c. leasehold land and buildings with a carrying value of approximately HK$514,888,000;

d. properties under development held for sale with a carrying value of approximately HK$4,170,696,000;

e. properties held for sale with a carrying value of approximately HK$49,623,000;

f. toll road operating right with a carrying value of approximately HK$5,727,374,000;

g. other inventories with a carrying value of approximately HK$72,592,000;

h. trade receivables with a carrying value of approximately HK$11,875,000;

i. bank deposits of approximately HK$666,805,000;

j. share mortgage over the issued capital of a wholly-owned subsidiary of the Enlarged Group; and

k. equity pledge over the registered capital of two wholly-owned subsidiaries of the Enlarged Group.

In addition, as at 28th February 2010, the Enlarged Group pledged the 40% equity interest in an associate to the controlling shareholder of the associate as security for any possible breach of the responsibilities of the Enlarged Group. Such responsibilities are mainly set out as follows.

(i) The Enlarged Group undertakes the preliminary development works of a property development project in respect of a piece of land (the "Land") including demolishment, resettlement, obtaining planning approval and land clearance;

(ii) Apart from the funds to be contributed by the controlling shareholder of the associate for certain part of the Land, the Enlarged Group shall be responsible for the payment of any excess amount over the funds to be contributed by the controlling shareholder of the associate; and

(iii) In the event that there is any change in the shareholding of the project, the affected outgoing shareholder shall provide complete and full disclosure to the new shareholder of the project of all relevant matters and legal documents, and agreed terms of co-operation among the parties with respect to the project.

Contingent liabilities

As at 28th February 2010, the Enlarged Group had given guarantees to banks in respect of banking facilities utilised by:

	HK$'000
– an entity controlled by Xuhui SAAC	722,399
– property purchasers	3,030,139
– a former subsidiary	119,700
	3,872,238

As at 28th February 2010, certain subsidiaries of the Enlarged Group have been named as defendants in certain litigation cases in respect of an alleged breach of contractual undertakings for an amount of approximately HK$131,328,000. The subsidiaries and the legal counsel are strongly resisting these claims and, accordingly, no provision for any potential liability has been made.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, consideration payables in respect of acquisition of subsidiaries and normal trade payables, the Enlarged Group did not have outstanding at the close of business on 28th February 2010 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account its internal resources and the present available banking facilities, the Enlarged Group will, immediately following completion of the Acquisition, the Subscription and the Offers, have sufficient working capital for its present requirements for the next twelve months from the date of this circular.

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market values of the Properties held in the PRC as at 31st January 2010.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

30th April 2010

The Directors
Shanghai Industrial Holdings Limited
26th Floor
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

Instructions, Purpose & Date of Valuation

In accordance with your instruction for us to carry out the valuation of the market value of the properties ("Properties") held by Neo-China Land Group (Holdings) Limited ("Neo-China") and its subsidiaries and associate (together "Neo-China Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you (the "Company") with our opinion of the market values of the Properties in existing state as at 31st January 2010 (the "date of valuation").

Definition of Market Value

Our valuation of each of the Properties represents its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Valuation Basis and Assumption

Our valuations of the Properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Properties situated in the PRC, with reference to the PRC legal opinion of the legal adviser, Allbright Law Offices (上海市錦天城律師事務所) dated 30th April 2010, we have prepared our valuation on the basis that transferable land use rights in respect of the Properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by Neo-China Group, regarding the title to the Properties and the interests in the Properties. In valuing the Properties, with reference to the PRC legal opinion, we have prepared our valuation on the basis that the owners have enforceable title to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuations for any charges, pledges or amounts owing on the Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

According to financial information of Neo-China Group, for indicate purpose and based on prevailing rules and information available as at the Latest Practicable Date, the potential tax liability which would arise on the disposal of the Properties in the PRC are PRC business tax (approximately 5%), PRC land appreciation tax (approximately 30%-60% of the appreciation amount) and withholding tax for foreign company (approximately 20%), if any. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability. The precise tax implication will be subject to prevailing rules and regulation at the time of disposal.

The Properties in Group I held by Neo-China Group for sale, a potential tax liability attributable to the Neo-China Group estimated to be approximately RMB102,650,000 would arise if such Properties were to be sold at the amount of valuations. Depending on the sale status, there is likelihood of such liability referred to in above being crystallised.

The Properties in Group II, III, IV and V are held by Neo-China Group for investment, under development, future development and owner-occupation purposes respectively, the likelihood of the relevant tax liabilities being crystallized is remote in near future.

Method of Valuation

In valuing the Properties in Group I, II and IV, which are held by Neo-China Group for sale, investment and future development in the PRC respectively, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market.

In valuing the Properties in Group III and V, which are held by Neo-China Group under development and owner-occupation in the PRC respectively, we have valued them on the basis that they will be developed and completed in accordance with Neo-China Group's latest development proposal provided to us. In arriving at our opinion of value of the land, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market and where appropriate, we have also taken into account the estimated total and expended construction costs.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Rule 11 of the Codes on Takeovers and Mergers and Share Repurchases issued by Securities and Futures Commission and The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institutes of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by Neo-China Group and the opinion of the PRC legal adviser as to PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, completion dates of building, construction cost, particulars of occupancy, development scheme, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by Neo-China Group which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by Neo-China Group with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

We have inspected the exterior, and wherever possible, the interior of the Properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not able to report whether the Properties are free of rot, infestation and any other structural defects; no tests were carried out to any of the services. Moreover, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

Remark

Please note that we are also appointed by Neo-China to prepare valuation of the same Properties for another public disclosure purposes. We have sought consent from the Company for us to carry out the valuation for Neo-China. The Company and Neo-China understand that our valuations are carried out on an impartial basis without bias to any party concerned.

We attach herewith a summary of valuations and valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor (GP)
China Real Estate Appraiser
MSc, MRICS, MHKIS
Director

Note: Mr. Philip C Y Tsang is a Registered Professional Surveyor who has over 17 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
Group I – Properties held by Neo-China Group for sale in the PRC				
1.	The unsold portion of Phases 1 and 2 of Xidiaoyutai, Lot Nos. 1 and 2 of West Diaoyutai Village, Haidian District, Beijing	232,200,000	90	208,980,000
2.	The unsold portion of Phase 1 and 2 of Youngman Point, No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing	139,000,000	100	139,000,000
3.	The unsold portion of American Rock, No. 16 Baiziwan Road, Chaoyang District, Beijing	65,200,000	100	65,200,000
4.	The unsold portion of Lot No. 9 (excluding Block 12) at Laochengxiang, south of Beima Road, Laocheng Xiang Area, Nankai District, Tianjin	16,000,000	100	16,000,000
5.	The unsold portion of Lot No. A9, Phase 1 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaoxin District, Chongqing	81,000,000	100	81,000,000

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
6.	The unsold portion of Lot No. A5 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	3,500,000	71.5	2,502,500
7.	The unsold portion of Block 1 to 5, Block 10 to 24 of Lot No. A6 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	71,000,000	71.5	50,765,000
8.	The unsold portion of Phase 1 of Jiujiu Youth City, No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai	3,000,000	100	3,000,000
9.	The unsold portion of District A of Phase 1, Neo-China Forest Garden, No. 140 Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha, Hunan Province	23,000,000	67	15,410,000

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
10.	The unsold portion of Lot Nos. B1 and B2, Phase 1 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaoxin District, Chongqing (excluding unsold commercial portion of Lot No. B2)	807,700,000	100	807,700,000
	sub-total of Group I in RMB:	**1,441,600,000**		**1,389,557,500**

Group II – Properties held by Neo-China Group for investment in the PRC

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
11.	The unsold portion of Phoenix Tower, No. 2008 Shennan Road, Futian District, Shenzhen, Guangdong Province	50,820,000	90.6	46,042,920
12.	The unsold portion of Laochengxiang, Lot No. 11 of Laochengxiang Area, Nankai District, Tianjin	900,000,000	100	900,000,000
13.	The unsold commercial portion of Lot No. B2, Phase 1 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaoxin District, Chongqing	1,665,700,000	100	1,665,700,000
	sub-total of Group II in RMB:	**2,616,520,000**		**2,611,742,920**

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
Group III – Properties held by Neo-China Group under development in the PRC				
14.	Phase 3 of Youngman Point, No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing	573,000,000	100	573,000,000
15.	Lot No. 1 of Laochengxiang, west of Chengxiang Central Road, Laocheng Xiang Area, Nankai District, Tianjin	1,778,000,000	100	1,778,000,000
16.	Jinfeng Building at Lot No. 4 of Laochengxiang, north of Nanma Road, east of Chengxiang East Road, Laocheng Xiang Area, Nankai District, Tianjin	498,000,000	100	498,000,000
17.	Lot No. A10 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	606,000,000	71.5	433,290,000
18.	Lot No. A13 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	365,000,000	71.5	260,975,000

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
19.	Lot No. A14 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	507,000,000	71.5	362,505,000
20.	Lot No. A15 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	458,000,000	71.5	327,470,000
21.	District B to E of Phase 1, Neo-China Forest Garden, No. 140 Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha, Hunan Province	318,000,000	67	213,060,000
22.	Phase 1 of Gongyuandadao, No. 66 Gingquan North Street, Yongquan Town, Wenjiang District, Chengdu, Sichuan Province	736,000,000	100	736,000,000
23.	Phase 2 of Jiujiu Youth City, No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai	1,247,000,000	100	1,247,000,000

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
24.	Block 12 of Lot No. 9 of Laochengxiang, Laocheng Xiang Area, Nankai District, Tianjin,	263,000,000	100	263,000,000
25.	Lot No. A4 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian	232,000,000	71.5	165,880,000
	sub-total of Group III in RMB:	**7,581,000,000**		**6,858,180,000**

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
Group IV – Properties held by Neo-China Group for future development in the PRC				
26.	Phase 3 of Xidiaoyutai, Lot Nos. 1 and 2 of West Diaoyutai Village, Haidian District, Beijing	687,000,000	90	618,300,000
27.	Yanjiao, East of Yingbin South Road, Yanjiao Economic Technology Development Zone, Hebei Province	635,000,000	100	635,000,000
28.	Lot No. 2 of Laochengxiang, Laocheng Xiang Area, Nankai District, Tianjin	359,000,000	100	359,000,000
29.	The commercial portion of Lot No. 15 of Laochengxiang, Laocheng Xiang Area, Nankai District, Tianjin	309,000,000	100	309,000,000
30.	Bichen Yixingfu, south of Pujihedong Road, west of Outer Ring North Road, Yixingfu Old Village, Beichen District, Tianjin	1,254,000,000	40	501,600,000
31.	Lot Nos. C1 and E4 Phase 2 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagong, Gaoxin District, Chongqing	296,000,000	100	296,000,000

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
32.	Lot Nos. A2 to A3 & A11 to A12 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian	1,261,000,000	71.5	901,615,000
33.	District F of Phase 1 and Phase 2 of Neo-China Forest Garden, No. 140 Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha, Hunan Province	357,000,000	67	239,190,000
34.	Phase 2 of Gongyuandadao, No. 66 Gingquan North Street, Yongquan Town, Wenjiang District, Chengdu, Sichuan Province	576,000,000	100	576,000,000
35.	Tai Yuan Street, west of Tianjin South Street, Heping District, Shenyang, Liaoning Province	810,000,000	80	648,000,000

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
36.	A plot of land Lot No. A0203001 at east of Qiao East Line Road, Wangchiling Hills, Qiao Island, Zhuhai, Guangdong Province	2,250,000,000	100	2,250,000,000
	sub-total of Group IV in RMB:	**8,794,000,000**		**7,333,705,000**

Group V – Property held by Neo-China Group for owner-occupation in the PRC

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
37.	Lot No. A1 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	784,000,000	71.5	560,560,000
	sub-total of Group V in RMB:	784,000,000		560,560,000
	Grand total:	**21,217,120,000**		**18,753,745,420**

Note: We have also issued a Valuation Report dated 18th January 2010 to Neo-China for the valuation of Property no. 36 as at 31st December 2009 for public disclosure purposes.

VALUATION CERTIFICATE

Group I – Properties held by Neo-China Group for sale in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
1.	The unsold portion of Phases 1 and 2 of Xidiaoyutai, Lot Nos. 1 and 2 of West Diaoyutai Village, Haidian District, Beijing	Xidiaoyutai is a large-scale residential and retail development erected on two parcels of land Lot Nos. 1 and 2 with a total site area of approximately 42,541.05 sq m. Phases 1 and 2 of Xidiaoyutai are erected upon Lot No. 1 and portion of Lot No. 2 and completed in 2006 and 2008. According to the information provided by Neo-China Group, the Property comprises unsold retail, residential and car park units of Phases 1 and 2 of Xidiaoyutai with a total gross floor area of 6,676.03 sq m. The land use rights of the Property have been granted for various terms due to expire on 18th February 2074, 18th February 2044 and 18th February 2054 for residential, ancillary facilities and carpark uses respectively.	The Property is currently vacant.	RMB232,200,000 (90% interest attributable to Neo-China Group: RMB208,980,000)

Notes:

(1) According to Certificate for the Use of State-owned Land Nos. (2004)3026 and (2005)3487, the land use rights of the development with a total site area of approximately 42,541.05 sq m have been granted to Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) with details as follows:–

Certificate No.	Location	Site Area *(sq m)*	Uses	Expiry Date
(2004)3026	Lot No. 1, West Diaoyutai Village, Haidian District	15,452.81	Residential, ancillary facilities and carpark	Residential: 18th February 2074 Ancillary facilities: 18th February 2044 Carpark: 18th February 2054

Certificate No.	Location	Site Area (sq m)	Uses	Expiry Date
(2005)3487	Lot No. 2, West Diaoyutai Village, Haidian District	27,088.24	Residential, ancillary facilities and carpark	Residential: 18th February 2074 Ancillary facilities: 18th February 2044 Carpark: 18th February 2054
	Total	**42,541.05**		

(2) According to three Building Ownership Certificates, a total gross floor area of approximately 678.97 sq m is held by Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司):

Certificate No.	Building No.	Room No.	Gross Floor Area (sq m)
008237	1 (underground)	B102	78.41
008237	1 (underground)	B105	93.57
008237	1 (underground)	B106	102.49
014366	2	2-1801	355.67
018347	1 (underground)	1 carpark	48.83
		Total	**678.97**

Note: Building Nos. 5, 7, 9 and 10 were not issued with Building Ownership Certificate yet.

Note: Unit B102, B105, B106 of Building No. 1 and Unit 1801 of Building No. 2 of the Property, were sealed up by a Court Order. We have assigned no commercial value to the said 4 sealed up units.

(3) According to Business Licence No.1101080064387, Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) was established as a limited liability company on 15th August 2003 with a registered capital of RMB20,000,000 for a valid operation period from 15th August 2003 to 14th August 2023.

(4) According to the PRC legal opinion:–

(i) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司), a 90% owned subsidiary of Neo-China, has legally obtained valid business licence and is legally established under the PRC law;

(ii) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) has fully settled all the land premium and obtained Certificate for the Use of State-owned Land and partly Building Ownership Certificate;

(iii) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) has right to transfer the Property with unsold gross floor area of 6,676.03 sq m;

(iv) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. The permits have not been revoked or modified; and

(v) Unit B102, B105, B106 of Building No. 1 and Unit 1801 of Building No. 2 of the Property, were sealed up by a Court Order and cannot be transferred or disposal of or pledged from 13th May 2009 to 12th May 2011.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes (Partly)**
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

** Partly sealed up by a Court Order

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
2.	The unsold portion of Phases 1 and 2 of Youngman Point, No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing	Youngman Point is a large-scale retail and residential development erected on three parcels of land (one land under Certificates for the Use of State-owned Land No. (2006)0262 including portion of Phase 2 and Phase 3 of Youngman Point) with a total site area of approximately 87,373.15 sq m and completed in 2008. According to the information provided by Neo-China Group, the Property comprises unsold portion of Youngman Point with a total gross floor area of approximately 25,436.24 sq m. The land use rights of the Property have been granted for various terms due to expire on 20th June 2043 for ancillary facilities use, 20th June 2053 and 30th August 2054 for basement carpark use, 5th February 2044 and 30th August 2044 for commercial use and 20th June 2073 and 30th August 2074 for residential use.	The Property is currently vacant.	RMB139,000,000 (100% interest attributable to Neo-China Group: RMB139,000,000)

Notes:

(1) According to five Building Ownership Certificates, a total gross floor area of approximately 142,475.50 sq m of Phase 1 of Youngman Point is held by Beijing New Shine Properties Development Company Limited (北京新松房地產開發有限公司):–

Certificate No.	Location	Gross Floor Area *(sq m)*	Uses
00176	Buildings 2-5,8-10, Ganluyuan Zhongli, Chaoyang District	101,424.03	Residential and ancillary facilities
534178	Underground carpark, Ganluyuan Zhongli, Chaoyang District	12,979.18	Carpark

Certificate No.	Location	Gross Floor Area *(sq m)*	Uses
555067	Buildings 6, Ganluyuan Zhongli, Chaoyang District	14,622.76	Residential, ancillary facilities and public facilities
555068	Buildings 7, Ganluyuan Zhongli, Chaoyang District	12,012.74	Residential, ancillary facilities and public facilities
528560	Buildings 1, Ganluyuan Zhongli, Chaoyang District	1,436.79	Club
	Total	**142,475.50**	

The Property is part of the said gross floor area.

(2) According to two Building Ownership Certificates, a gross floor area of approximately 93,070.56 sq m of Phase 2 of Youngman Point is held by Beijing New Shine Properties Development Company Limited (北京新松房地產開發有限公司):–

Certificate No.	Location	Gross Floor Area *(sq m)*	Uses
625476	Two buildings in Ganluyuan Zhongli, Chaoyang District	45,167.31	Residential and commercial
625537	Buildings 106, 108, 110, 112 in Chaoyang North Street, Chaoyang District	47,903.25	Residential, commercial, carpark and others
	Total	93,070.56	

The Property is part of the said gross floor area.

(3) According to three Certificates for the Use of State-owned Land, the land use rights of Youngman Point, comprising a total site area of approximately 87,373.15 sq m, have been granted to Beijing New Shine Properties Development Company Limited (北京新松房地產開發有限公司):–

Certificate No.	Location	Site Area *(sq m)*	Uses	Expiry Date
(2004)0232	Phase 1	40,917.30	Ancillary facilities, basement carpark and residential	Ancillary facilities: 20th June 2043 Basement carpark: 20th June 2053 Residential: 20th June 2073
(2004)0459	Phase 2	17,472.30	Commercial	5th February 2044

Certificate No.	Location	Site Area (sq m)	Uses	Expiry Date
(2006)0262	Portion of Phase 2 and Phase 3	28,983.55	Residential, commercial, basement carpark and storage	Residential: 30th August 2074 Commercial: 30th August 2044 Basement carpark and storage: 30th August 2054
	Total	**87,373.15**		

(4) According to Business Licence No. 110000410267241, Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) was established as a limited liability company on 29th May 2000 with a registered capital of RMB190,000,000 for a valid operation period from 29th May 2000 to 17th August 2055.

(5) According to the PRC legal opinion:–

(i) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has fully settled all the land premium and obtained Certificate for the Use of State-owned Land and Building Ownership Certificate;

(iii) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property with unsold gross floor area of 25,436.24 sq m;

(iv) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. The permits have not been revoked or modified; and

(v) The Property is not subject to any pledge.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
3.	The unsold portion of American Rock, No. 16 Baiziwan Road, Chaoyang District, Beijing	American Rock is a large-scale residential and commercial development erected on a land with a total site area of approximately 121,498.50 sq m and completed in 2006. According to the information provided by Neo-China Group, the Property comprises unsold portion of American Rock with a total gross floor area of approximately 15,209.41 sq m. The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (2).	The Property is currently vacant.	RMB65,200,000 (100% interest attributable to Neo-China Group: RMB65,200,000)

Notes:

(1) According to five Building Ownership Certificates, a total gross floor area of approximately 15,554.81 sq m of the Property is held by Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司):–

Certificate No.	Location	Gross Floor Area *(sq m)*	Uses
05-0088	District A club	A-110: 63.45 A-204: 183.47	Commercial
04-0083	Building no. 4	004-A-103: 176.45 004-C-103: 76.61 004-A-302: 218.84	Commercial
06-501703	Building no. 16	16-102: 85.43 16-103: 85.43 16-104: 95.70	Reserve for Post Office, can sold
04-00075	Building no. 1	001-D-204: 157.72 001-D-205: 111.07	Community Office, cannot be sold

Certificate No.	Location	Gross Floor Area (sq m)	Uses
584402 & 05-0088	Car park space	Basement car park: 14,300.64	–
	Total	**15,554.81**	

The Property is part of the said gross floor area.

(2) According to four Certificates for the Use of State-owned Land, the land use rights of the development with a total site area of approximately 121,498.50 sq m have been granted to Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司):–

Certificate No.	Site Area (sq m)	Uses	Expiry Date
(2002) 0240	27,820.26	Residential, ancillary facilities, basement carpark	Residential: 9th February 2072 Ancillary facilities: 9th February 2042 Basement carpark: 9th February 2052
(2003) 0052	35,011.07	Residential and ancillary facilities	Residential: 14th January 2073 Ancillary facilities: 14th January 2043
(2003) 0125	22,922.77	Residential and basement carpark	Residential: 8th February 2073 Basement carpark: 8th February 2053
(2005) 0477	35,744.40	Residential and basement carpark	Residential: 8th February 2073 Basement carpark: 8th February 2053
Total	**121,498.50**		

(3) According to Business Licence No.110000410175777, Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司) was established as a limited liability company on 9th August 2000 with a registered capital of USD12,000,000 for a valid operation period from 9th August 2000 to 14th October 2022.

(4) According to the PRC legal opinion:–

(i) Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Beijing Jin Ma Wen Hua Yuan Properties Development co., Ltd. ((北京金馬文華園房地產開發有限公司)) has fully settled all the land premium and obtained Certificate for the Use of State-owned Land and Building Ownership Certificate;

(iii) Beijing Jin Ma Wen Hua Yuan Properties Development co., Ltd. (北京金馬文華園房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and

(iv) Beijing Jin Ma Wen Hua Yuan Properties Development co., Ltd. (北京金馬文華園房地產開發有限公司) has right to transfer, lease and pledge the land use rights of the Property with unsold gross floor area of 15,209.41 sq m.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
4.	The unsold portion of Lot No. 9 (excluding Block 12) at Laochengxiang, south of Beima Road, Laocheng Xiang Area, Nankai District, Tianjin	Lot No. 9 at Laochengxiang is a residential development with 12 blocks to be erected upon a parcel of land with a site area of approximately 41,107.10 sq m and Block 1 to 11 completed in 2009. According to the information provided by Neo-China Group, the Property comprises the unsold portion of Block 1 to 11 of Lot No. 9 at Laochengxiang with a total gross floor area of approximately 1,048.87 sq m. The land use rights of the Property have been granted for a term due to expire on 30th December 2076 for mixed residential use.	The Property is currently vacant.	RMB16,000,000 (100% interest attributable to Neo-China Group: RMB16,000,000)

Notes:

(1) According to Real Estate Title Certificate No. 060300000006, the land use rights of Lot No. 9, with a site area of approximately 41,107.10 sq m, have been granted to Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) for a term due to expire on 30th December 2076 for mixed residential use.

The Property comprises only the unsold portion of the whole residential development, whilst the documents stated here are for the whole residential development.

(2) According to Grant Contract of Land Use Rights No. 2004-024 dated 6th September 2004 and its Supplement Contract No. 1 for Lot No. 9 dated 29th September 2006:–

(i)	Grantee	:	Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司)
(ii)	Site Area	:	799,285.20 sq m (in which 239,786 sq m for public facilities and 559,499.20 sq m for residential)
(iii)	Land Use	:	Residential and public facilities
(iv)	Planned Gross Floor Area	:	Not exceeding 172,362 sq m (in which 146,362 sq m for residential and ancillary public facilities, 26,000 sq m for office and service apartment)
(v)	Land Premium	:	RMB388,473,147.06

(3) According to Planning Permit for Construction Use of Land No. (2006)0112 dated 31st October 2006, the construction land of Lot No. 9 was in compliance with the requirement of urban planning and was permitted to be developed with a site area of approximately 41,107.10 sq m.

(4) According to Planning Permit for Construction Works No. (2006)0110 dated 29th December 2006, the Property has been permitted for the construction with a total gross floor area of 146,362 sq m (underground 28,390 sq m).

(5) According to Permit for Commencement of Construction Works No. 1210420200702014, the Property has been permitted to commence construction works with a total gross floor area of 146,362 sq m (underground 28,390 sq m).

(6) According to 11 Pre-sale Permits for Commodity Housing, Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) was permitted to pre-sale the Property with a total gross floor area of 145,704.16 sq m.

(7) According to Business Licence No. 120000400078160, Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) was established as a limited liability company with a registered capital of RMB240,000,000 for a valid operation period from 3rd June 2005 to 2nd June 2025.

(8) According to the PRC legal opinion:–

(i) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) According to Planning Permit for Construction Works, the total gross floor area is 146,362.00 sq m in which underground gross floor area is 28,390.00 sq m;

(iii) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has fully settled all the land premium of the Property and obtained the Real Estate Title Certificate;

(iv) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property with unsold gross floor area of 1,048.87 sq m; and

(v) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified.

(9) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Real Estate Title Certificate	Yes
Grant Contract of Land Use Rights	Yes
Supplement Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
5.	The unsold portion of Lot No. A9, Phase 1 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaoxin District, Chongqing	Lot No. A9, Phase 1 of Yuanjiagang is a commercial development erected upon a parcel of land with a site area of approximately 16,753.30 sq m and completed in 2009. According to the information provided by Neo-China Group, the Property comprises the unsold portion of Lot No. A9, Phase 1 of Yuanjiagang with a total gross floor area of approximately 3,053.75 sq m. The land use rights of the Property have been granted for a term due to expire in February 2044 for commercial and February 2054 for residential uses.	The Property is currently vacant.	RMB81,000,000 (100% interest attributable to Neo-China Group: RMB81,000,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. 114-2008-37441, the land use rights of Lot No. A9, with a site area of approximately 16,753.30 sq m, have been granted to Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) for a term due to expire in February 2044 for commercial and February 2054 for residential uses.

(2) According to Planning Permit for Construction Use of Land No. (2004)0028 dated 17th September 2004, the construction site of a parcel of land with a total site area of approximately 16,741 sq m is in compliance with the requirements of urban planning requirement.

(3) According to Planning Permit for Construction Works No. (2005)0005 dated 22nd February 2005, the construction works of Lot No. A9, with a total gross floor area of approximately 31,967.55 sq m was in compliance with the requirement of urban planning and was permitted to be developed.

(4) According to Permit for Commencement of Construction Works No. 510202200708240101 dated 24th August 2007, the construction works of Lot No. A9 was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 31,967.55 sq m.

(5) According to Business Licence No. 500901000052947 1-1-1, Chongqing Chinese enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), was established as a limited liability company with a registered capital of RMB200,000,000 for a valid operation period from 28th May 2003 to 28th May 2023.

(6) According to the PRC legal opinion:–

(i) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

(iii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has right to use, lease, transfer and pledge the land use rights of the Property with unsold gross floor area of 3,053.75 sq m;

(iv) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. The permits have not been revoked or modified; and

(v) According to Planning Permit for Construction Works, the total gross floor area of the Property is 31,967.55 sq m.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Real Estate Title Certificate	No
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
6.	The unsold portion of Lot No. A5 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	Lot No. A5 of Neo Water City is a composite residential/ commercial development with 13 blocks erected upon a land with a site area of approximately 86,444.10 sq m and completed in 2008. According to the information provided by Neo-China Group, the Property comprises the unsold portion of Lot No. A5 of Neo Water City with a total gross floor area of approximately 806.11 sq m. The land use rights of the Property have been granted for a term due to expire on 30th March 2076 for residential use.	The Property is currently vacant.	RMB3,500,000 (71.5% interest attributable to Neo-China Group: RMB2,502,500)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2007)008 dated 28th August 2007, the land use rights of the Property, comprising a site area of 86,444.10 sq m, have been granted to Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) for a term due to expire on 30th March 2076 for residential use.

(2) According to Planning Permit for Construction Use of Land No. (2005)007 dated 5 April 2007, the construction site of land with a total site area of 154.908 mu (103,272 sq m) (in which 25.242 mu for road use) is in compliance with the requirements of urban planning requirement.

(3) According to Planning Permit for Construction Works No. (2005)013, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 181,686.47 sq m.

(4) According to Permit for Commencement of Construction Works No.(2007)003, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 181,686.47 sq m.

(5) According to Business Licence No. 610100400004748, Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) was established as a limited liability company on 24th November 2004 with a registered capital of USD86,880,000 for a valid operation period from 24th November 2004 to 24th November 2024

(6) According to the PRC legal opinion:–

(i) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

(iii) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) has right to transfer, lease, transfer and pledge the land use rights of the Property with unsold gross floor area of 806.11 sq m;

(iv) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and

(v) According to Planning Permit for Construction Works, the total gross floor area of the Property is 181,686.47 sq m.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	No
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
7.	The unsold portion of Block 1 to 5, Block 10 to 24 of Lot No. A6 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	Lot No. A6 of Neo Water City is a composite residential/ commercial development with 24 blocks erected upon a land with a site area of 153,404.53 sq m. Block 1 to 5, 10 to 24 completed in 2008 whilst Block 6 to 9 are under construction. According to the information provided by Neo-China Group, the Property comprises the unsold portion of Block 1 to 5, Block 10 to 24 with a total gross floor area of approximately 7,597.06 sq m. The land use rights of the Property have been granted for a term due to expire on 30th March 2076 for residential, 30th March 2056 for commercial public facilities, green area and water facilities uses.	The Property is currently vacant.	RMB71,000,000 (71.5% interest attributable to Neo-China Group: RMB50,765,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2007)012, the land use rights of the Property, comprising a site area of approximately 153,404.53 sq m, have been granted to Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) for a term due to expire on 30th March 2076 for residential, 30th March 2056 for commercial public facilities, green area and water facilities uses.

(2) According to Grant Contract of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:–

Lot No.	**A6**
Grantee	Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司)
Supplement Contract No.	(CB) 718
Site Area	230 mu (153,333 sq m)
Land Use	Composite, residential
Plot Ratio	1.41

(3) According to Planning Permit for Construction Use of Land No. (2005)008 dated 5th April 2007, the construction site of a parcel of land with a total site area of 267.116 mu (178,077 sq m) is in compliance with the requirements of urban planning requirement.

(4) According to Planning Permit for Construction Works No. (2009)020 dated 27th August 2009, the construction works of Lot No. A6, with a total gross floor area of 232,800 sq m was in compliance with the requirement of urban planning and was permitted to be developed.

(5) According to Permit for Commencement of Construction Works No. (2009)018 dated 3rd June 2009, the construction works of Lot No. A6 was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 232,800 sq m.

(6) According to Business Licence No. 610100400004748, Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) was established as a limited liability company on 24th November 2004 with a registered capital of USD86,880,000 for a valid operation period from 24th November 2004 to 24th November 2024.

(7) According to the PRC legal opinion:–

(i) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

(iii) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) has right to transfer, lease, transfer and pledge the land use rights of the Property with unsold gross floor area of 7,597.06 sq m;

(iv) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permits for Commodity Housing. The permits have not been revoked or modified; and

(v) According to Planning Permit for Construction Works, the total gross floor area of the Property is 232,800 sq m.

(8) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
8.	The unsold portion of Phase 1 of Jiujiu Youth City, No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai	Phase 1 of Jiujiu Youth City comprises a composite development erected on a parcel of land with a site area of 16,782.00 sq m and completed in 2009. According to the information provided by Neo-China Group, the Property comprises the unsold portion of Phase 1 of Jiujiu Youth City with a total gross floor area of approximately 165.46 sq m. The land use rights of the Property have been granted for a term from 9th July 2005 to 8th July 2055 for composite use.	The Property is currently vacant.	RMB3,000,000 (100% interest attributable to Neo-China Group: RMB3,000,000)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2009)007490 dated 23rd April 2009, the land use rights and building ownership of the Property, comprising a total site area of 16,782.00 sq m and a total gross floor area of 40,947.61 sq m, have been vested in Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) for a term from 9th July 2005 to 8th July 2055 for composite use.

The Property is part of the said gross floor area.

(2) According to Business Licence No.310227000954132 dated 30th September 2003, Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) was established as a limited liability company with a registered capital of RMB226,160,000 for a valid operation period from 30th September 2003 to 29th September 2013.

(3) According to the PRC legal opinion:–

(i) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) have has fully settled all the land premium of the Property and obtained Shanghai Certificate of Real Estate Ownership;

(iii) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property with unsold gross floor area of 165.46 sq m; and

(iv) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permits for Commodity Housing. The permits have not been revoked or modified.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
9.	The unsold portion of District A of Phase 1, Neo-China Forest Garden, No. 140 Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha, Hunan Province	District A of Phase 1, Neo-China Forest Garden comprises a residential development erected on a parcel of land with a site area of approximately 35,945.80 sq m and completed in between 2008 and 2009. According to the information provided by Neo-China Group, the Property comprises the unsold units with a total gross floor area of approximately 5,947.58 sq m. The land use rights of the Property have been granted for a term due to expire on 21st October 2075 for residential use.	The Property is currently vacant.	RMB23,000,000 (67% interest attributable to Neo-China Group: RMB15,410,000)

Notes:

(1) According to twenty three Building Ownership Certificates dated 6th May 2009, a total gross floor area of approximately 49,694.30 sq m is held by Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) for residential use.

The Property is part of the said gross floor area.

(2) According to Certificate for the Use of State-owned Land No. (2009)486, the land use rights of the a land comprising a total site area of 35,945.80 sq m have been vested in Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) for a term due to expire on 21st October 2075 for residential use.

(3) According to twenty three Pre-sale Permits for Commodity Housing, the development was permitted to pre-sale with a total gross floor area of 49,809.66 sq m.

(4) According to the information provided by Neo-China, part of the total land premium was approximately RMB5,000,000.

(5) According to Business Licence No. 430122000003429, Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) was established as a limited liability company on 14th September 2005 with a registered capital of RMB30,000,000 for a valid operation period of 30 years.

(6) According to the PRC legal opinion:–

(i) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司), a 67% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has fully settled all land premium and obtained Real Estate Title Certificates and Certificate for the Use of State-owned Land;

(iii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has right to use, lease, transfer and pledge the land use rights of the Property with unsold gross floor area of 5,947.58 sq m; and

(iv) The Property is not subject to any pledge.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Pre-sale Permits for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
10.	The unsold portion of Lot Nos. B1 and B2, Phase 1 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaoxin District, Chongqing (excluding unsold commercial portion of Lot No. B2)	Lot Nos. B1 and B2, Phase 1 of Yuanjiagang is a large-scale residential, office and commercial development erected on two parcels of land with a total site area of approximately 77,886.30 sq m and completed in between 2008 and 2009. According to the information provided by Neo-China Group, the Property comprises the unsold portion of Lot Nos. B1 and B2 (excluding unsold commercial portion of Lot No. B2), Phase 1 of Yuanjiagang with a total gross floor area of approximately 157,458.97 sq m. The land use rights of the Property have been granted for various terms due to expire in February 2054 for residential use and February 2044 commercial use.	The Property is currently vacant.	RMB807,700,000 (100% interest attributable to Neo-China Group: RMB807,700,000)

Notes:

(1) According to two Certificates for the Use of State-owned Land, the land use rights of Lot Nos. B1 and B2, Phase 1 of Yuanjiagang, with a total site area of approximately 77,886.30 sq m, have been granted to Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司):–

Certificate No.	Location	Site Area *(sq m)*	Uses	Expiry Date
114-2008-046896	Chenshangchen Sport Centre Lot No. B1	16,488.60	Mixed residential	Commercial: February 2044 Residential: February 2054
114-2008-046897	Chenshangchen Sport Centre Lot No. B2	61,397.70	Mixed residential	Commercial: February 2044 Residential: February 2054
	Total	**77,886.30**		

The Property is under part of the said land.

(2) According to ten Real Estate Title Certificates, a total gross floor area of approximately 510,577.34 sq m of Lot Nos. B1 and B2, Phase 1 of Yuanjiagang is held by Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司):–

Certificate No.	Land Uses	Site Area (sq m)	Building Uses	Gross Floor Area (sq m)	Expiry Date
114-2008-046898	Commercial service	47,217.80	Non-residential	282,361.86	August 2043
114-2008-042041	Composite residential	945.70	Residential	20,868.35	Residential: February 2054
114-2008-042042	Composite residential	920.60	Residential	20,283.50	Residential: February 2054
114-2008-042043	Composite residential	15,127.80	Residential	20,013.66	Residential: February 2054
114-2008-042044	Composite residential	906.10	Residential	20,869.04	Residential: February 2054
114-2008-042085	Composite residential	907.90	Residential	20,286.60	Residential: February 2054
114-2008-042086	Composite residential	909.30	Residential	19,421.58	Residential: February 2054
114-2009-050984	Composite residential	15,066.10	Residential and non-residential	50,621.13	Commercial: 29th February 2044 Residential: February 2054
114-2009-050985	Composite residential	1,422.50	Residential and non-residential	15,372.80	Commercial: 29th February 2044 Residential: February 2054
114-2009-059344	Other commercial service	1,437.70	Hotel- type apartment	40,478.82	Commercial: 29th February 2044
	Total	**84,861.50**		**510,577.34**	

The Property is part of the said gross floor area.

(3) According to the information provided by Neo-China, part of the total land premium was approximately RMB255,600,000.

(4) According to Business Licence No. 500901000052947 1-1-1, Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) was established as a limited liability company with a registered capital of RMB200,000,000 for a valid operation period from 28th May 2003 to 28th May 2023.

(5) According to the PRC legal opinion:–

(i) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land and Real Estate Title Certificate;

(iii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has right to use, lease, transfer and pledge the land use right of the Property with unsold gross floor area of 157,458.97 sq m;

(iv) Level 7 to 42 of building no. 5 of Lot No. B2 is pledged to a bank. The transfer or further pledging is subject to the consent from the bank;

(v) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. The permits have not been revoked or modified; and

(vi) According to Planning Permit for Construction Works, the total gross floor area of the Property is 616,026.16 sq m.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Real Estate Title Certificate	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Properties held by Neo-China Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
11.	The unsold portion of Phoenix Tower, No. 2008 Shennan Road, Futian District, Shenzhen, Guangdong Province	Phoenix Tower is a composite residential/commercial development erected upon a land with a site area of approximately 11,038.40 sq m and completed in 2006. According to the information provided by Neo-China Group, the Property comprises 4 unsold units of Phoenix Tower with a total gross floor area of approximately 1,048.17 sq m and Neo-China Group has the operation rights of 485 carparks of Phoenix Tower. The land use rights of the Property have been granted for a term of 50 years from 11th June 2001 to 10th June 2051 for office, business apartment and commercial uses.	Three unsold office units, with a total gross floor area of 857.25 sq m, are currently occupied by Neo-China Group for office use. One unsold apartment unit, with a gross floor area of 190.92 sq m, is currently vacant. The car parks are licensed on hourly or monthly basis.	RMB50,820,000 (90.6% interest attributable to Neo-China Group: RMB46,042,920)

Notes:

(1) According to four Real Estate Title Certificates, the land use rights of the Property for a term from 11th June 2001 to 10th June 2051 for office, business apartment and commercial uses and the building ownership rights of the Property have been granted to Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司):–

Certificate No.	Unit	Uses	Gross Floor Area *(sq m)*
3000465350	19B, Tower 1, China Phoenix Tower	Office	242.53
3000464951	25A, Tower 1, China Phoenix Tower	Office	435.67
3000464953	25E, Tower 1, China Phoenix Tower	Office	179.05
3000464954	24C, Tower 2, China Phoenix Tower	Apartment	190.92
		Total	**1,048.17**

(2) According to Business Licence No. 440301501119818 dated on 9th January 2002, Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司) was established as a limited liability company with a registered capital of USD10,000,000 for a valid operation period from 9th January 2002 to 9th January 2052.

(3) According to the PRC legal opinion:–

(i) Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司), a 90.6% owned subsidiary of Neo-China, has obtained valid business license and is legally established under the PRC law;

(ii) Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司) has obtained Real Estate Title Certificates and has right to transfer, pledge and lease of the Property;

(iii) The Property is not subject to any pledge; and

(iv) The Property has 485 carparks and Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司) has the right to operate and charge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser are as follows:–

Real Estate Title Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
12.	The unsold portion of Laochengxiang, Lot No. 11 of Laochengxiang Area, Nankai District, Tianjin	Lot No. 11 of Laochengxiang Area is a residential development erected upon a parcel of land with a site area of approximately 62,866.60 sq m and completed in 2007. According to the information provided by Neo-China Group, the Property comprises 166 unsold units of Lot No. 11 of Laochengxiang Area with a total gross floor area of approximately 43,692.74 sq m. The land use rights of the Property have been granted for a term due to expire on 29th March 2075 for residential use.	According to the information provided by Neo-China Group, portion of Property, with a total gross floor area of 220 sq m, is currently occupied by Neo-China Group as office use. Portion of Property with a total gross floor area of 3,600.24 sq m is rented by third party for the latest expiry date on 29th June 2014 at a total annual rental of approximately RMB3,858,210 for office use, exclusive of management fee. The remaining portion of Property with a total gross floor area of 39,872.50 sq m, is currently vacant.	RMB900,000,000 (100% interest attributable to Neo-China Group: RMB900,000,000)

Notes:

(1) According to One hundred and sixty-six Building Ownership Certificates, a total gross floor area of approximately 43,692.74 sq m is held by Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司) for residential, non-residential, office and retail uses.

(2) According to Certificate for the Use of State-owned Land No. (2005)039, the land use rights of Lot No. 11 of Laochengxiang Area, comprising a site area of 62,866.60 sq m, have been vested in Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司) for a term due to expire on 29th March 2075 for residential use.

(3) According to the information provided by Neo-China, the land premium was approximately RMB193,500,000.

(4) According to Business Licence No. 120000400032528, Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司) was established as a limited liability company with a registered capital of RMB80,000,000 for a valid operation period from 23rd September 2004 to 2nd July 2026.

(5) According to the PRC legal opinion:–

(i) Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) According to Planning Permit for Construction Works, the total gross floor area of the Property is 44,081.74 sq m (underground 9,757.07 sq m);

(iii) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has fully settled all land premium and obtained Real Estate Title Certificates and Certificate for the Use of State-owned Land;

(iv) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permits for Commodity Housing. The permits have not been revoked or modified;

(v) 145 units of the Property are pledged to a bank. The transfer or further pledging is subject to the consent from the bank; and

(vi) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has obtained Real Estate Title Certificates for another 13 protected historical units which could not be sold without government approval.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser-

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permits for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
13.	The unsold commercial portion of Lot No. B2, Phase 1 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaoxin District, Chongqing	Lot No. B2, Phase 1 of Yuanjiagang is a large-scale residential, office and commercial development erected upon a parcel of land with a site area of approximately 61,397.70 sq m and completed in between 2008 and 2009. According to the information provided by Neo-China Group, the Property comprises the unsold commercial portion of Lot No. B2, Phase 1 of Yuanjiagang with a total gross floor area of approximately 193,616.32 sq m. The land use rights of the Property have been granted for various terms due to expire in February 2054 for residential use and February 2044 commercial use.	Portion of Property with a total gross floor area of 150,144.61 sq m is rented by third party for the latest expiry date on 6th November 2029 at a total annual rental of approximately RMB12,000,000 for commercial use, exclusive of management fee. The remaining portion of property, with a total gross floor area of 43,471.71 sq m, is currently vacant.	RMB1,665,700,000 (100% interest attributable to Neo-China Group: RMB1,665,700,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No.114-2008-046897, the land use rights of the Property, with a site area of approximately 61,397.70 sq m, have been granted to Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) for a term due to expire in February 2054 for residential use and February 2044 for commercial use. The Property is part of the said land.

(2) According to Real Estate Title Certificate No. 114-2008-046898, a gross floor area of approximately 282,361.86 sq m of Lot No. B2, Phase 1 of Yuanjiagang is held by Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) for non-residential use.

The Property is part of the said gross floor area.

(3) According to Business Licence No. 500901000052947 1-1-1, Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) was established as a limited liability company with a registered capital of RMB200,000,000 for a valid operation period from 28th May 2003 to 28th May 2023.

(4) According to the PRC legal opinion:–

(i) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land and Real Estate Title Certificate;

(iii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has right to use, lease, transfer and pledge the land use right of the Property with unsold gross floor area of 193,616.32 sq m;

(iv) The Property is pledged to a bank. The transfer or further pledging is subject to the consent from the bank;

(v) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. The permits have not been revoked or modified; and

(vi) According to Planning Permit for Construction Works, the total gross floor area of Lot Nos. B1 and B2 is 616,026.16 sq m.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Real Estate Title Certificate	Yes (Partly)
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by Neo-China Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
14.	Phase 3 of Youngman Point, No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing	The Property comprises a composite residential/ commercial development under construction erected upon three parcels of land (one land under Certificates for the Use of State-owned Land No. (2006)0262 including portion of Phase 2 and Phase 3 of Youngman Point) with a total site area of approximately 54,776.60 sq m. According to the information provided by Neo-China Group, the Property upon completion will have a planned total gross floor area of approximately 101,053.50 sq m (including basement). The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (1).	The Property is under construction and scheduled to be completed in 2012.	RMB573,000,000 (100% interest attributable to Neo-China Group: RMB573,000,000)

Notes:

(1) According to three Certificates for the Use of State-owned Land, the land use rights of the development with a total site area of 54,776.60 sq m has been granted to Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司):–

Certificate No.	Location	Site Area *(sq m)*	Uses	Expiry Date
(2004) 0460	Phase 3	12,128.50	Commercial	5th February 2044
(2004) 0461	Phase 3	13,664.55	Residential, ancillary facilities and basement car parking	Residential: 5th February 2074 Ancillary facilities: 5th February 2044 Basement car parking: 5th February 2054

Certificate No.	Location	Site Area *(sq m)*	Uses	Expiry Date
(2006) 0262	Portion of Phase 2 and Phase 3	28,983.55	Residential, commercial and basement car parking and commercial storage	Residential: 30th August 2074 Commercial: 30th August 2044 Basement car parking and commercial storage uses: 30th August 2054
	Total	**54,776.60**		

(2) According to two Grant Contract of Land Use Rights Supplement Contracts, the land use rights of the Property have been granted to Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司)) for residential, ancillary facilities, basement car park and commercial storage uses:–

Contract No.	Site Area *(sq m)*	Land Premium *(RMB)*	Planned Gross Floor Area *(sq m)*
(2004) 137	16,600.00	20,618,620	47,700.00
(2004) 0839	29,389.10	33,597,510	79,841.50
Total	**45,989.10**	**54,216,130**	**127,541.50**

(3) According to five Planning Permits for Construction Works, the construction works of the Property, with a total gross floor area of 101,053.50 sq m was in compliance with the requirement of urban planning and was permitted to be developed.

(4) According to the information provided by Neo-China Group, 35,333 sq m has been pre-sold at a total consideration of RMB455,760,000 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(5) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB459,000,000; a construction cost of approximately RMB123,300,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the said expended construction cost.

(6) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB1,200,000,000.

(7) According to Business Licence No. 110000410267241 dated 29th May 2000, Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) was established as a limited liability company with a registered capital of RMB190,000,000 for a valid operation period from 29th May 2000 to 17th August 2055.

(8) According to the PRC legal opinion:–

(i) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

(iii) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property;

(iv) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 101,054 sq m;

(v) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and

(vi) The Property is not subject to any pledge.

(9) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights Supplement Contract	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
15.	Lot No. 1 of Laochengxiang, west of Chengxiang Central Road, Laocheng Xiang Area, Nankai District, Tianjin	The Property comprises a residential development under construction erected upon a parcel of land with a site area of approximately 55,423.40 sq m. According to the information provided by Neo-China Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 195,966.75 sq m. The land use rights of the Property have been granted for a term due to expire on 30th December 2076 for mixed residential use.	The Property is under construction and scheduled to be completed in mid 2010.	RMB1,778,000,000 (100% interest attributable to Neo-China Group: RMB1,778,000,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No.060300000008, the land use rights of the Property, comprising a site area of 55,423.40 sq m, have been vested in Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) for a term due to expire on 30th December 2076 for mixed residential use.

(2) According to Grant Contract of Land Use Rights No. 2004-024 dated 22nd July 2005 and its Supplement Contract No. 1 dated 8th September 2006:–

(i)	Grantee	:	Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司)
(ii)	Site Area	:	55,423.40 sq m to be developed by the Grantee
(iii)	Land Use	:	Residential, office and ancillary facilities
(iv)	Planned Gross Floor Area	:	Not exceeding 201,300 sq m above ground

According to the information provided by Neo-China, the land premium was approximately RMB463,500,000.

(3) According to Planning Permit for Construction Use of Land No. (2006)0113 dated 31st October 2006, the construction site of land with a total site area of 55,423.40 sq m is in compliance with the requirements of urban planning requirement.

(4) According to Planning Permits for Construction Works No. (2007)0007 dated 1st August 2007, the Property has been permitted for the construction with the development scheme with a total gross floor area of approximately 193,600.00 sq m (underground gross floor area of 36,870 sq m).

(5) According to Permit for Commencement of Construction Works No. 1210420200708310 dated 22nd August 2007, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 193,600.00 sq m (underground gross floor area of 36,870 sq m).

(6) According to the information provided by Neo-China Group, 194,169.39 sq m has been pre-sold at a total consideration of RMB2,115,046,701 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(7) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB1,054,000,000; a construction cost of approximately RMB864,700,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the above expended construction cost.

(8) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB2,100,000,000.

(9) According to Business Licence No. 120000400078186, Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) was established as a limited liability company with a registered capital of RMB240,000,000 for a valid operation period from 3rd June 2005 to 2nd June 2025.

(10) According to the PRC legal opinion:–

(i) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

(iii) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property; and

(iv) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified.

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
16.	Jinfeng Building at Lot No. 4 of Laochengxiang, north of Nanma Road, east of Chengxiang East Road, Laocheng Xiang Area, Nankai District, Tianjin	The Property comprises a composite residential/ commercial development under construction erected upon a parcel of land with a site area of approximately 19,007.90 sq m. According to the information provided by Neo-China Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 71,846.40 sq m. The land use rights of the Property have been granted for a term due to expire on 30th January 2075 for mixed residential use.	The Property is currently under construction and scheduled to be completed in mid 2010.	RMB498,000,000 (100% interest attributable to Neo-China Group: RMB498,000,000)

Notes:

(1) According to Real Estate Title Certificate No. 104050800076 dated 19th September 2008, a site area of approximately 19,007.90 sq m of the Property is held by the Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) for a term due to expire on 30th January 2075 for mixed residential use.

(2) According to Project Cooperation Agreement dated 23rd July 2007, Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) had agreed to acquire the Property at a total consideration of RMB179,246,000.

(3) According to Grant Contract of Land Use Rights No. 2004-111 dated 29th September 2004 and its Supplement Contract No. 1 dated 8th September 2006:–

(i)	Site Area	:	19,007.90 sq m
(ii)	Land Use	:	Residential and public facilities
(iii)	Planned Gross Floor Area	:	32,000 sq m for residential 25,000 sq m for public facilities
(iv)	Building Covenant	:	To complete the construction before 31st December 2007

(4) According to Planning Permit for Construction Use of Land No. (2008)0276 dated 27th August 2008, the construction site of a parcel of land with a total site area of 19,007.90 sq m is in compliance with the requirements of urban planning.

(5) According to Planning Permit for Construction Works No. (2008)0008 dated 8th September 2008, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 56,999.98 sq m (underground 14,846.42 sq m).

(6) According to Permit for Commencement of Construction Works No. 12104021200809004 dated 26th September 2008, the construction works of the Property was in compliance with the requirement of works commencement and was permitted to be developed with a total gross floor area of approximately 71,846.40 sq m (public facilities: 24,999.99 sq m and residential: 31,999.99 sq m).

(7) According to the information provided by Neo-China Group, 53,554.23 sq m has been pre-sold at a total consideration of RMB652,203,960 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB361,300,000; a construction cost of approximately RMB222,000,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the said expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB690,000,000.

(10) According to Business Licence No. 120104000003855, Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) was established as a limited liability company on 19th July 2007 with a registered capital of RMB210,000,000 for a valid operation period from 19th July 2007 to 18th July 2027.

(11) According to the PRC legal opinion:–

(i) Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) has obtained Real Estate Title Certificate. Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property; and

(iii) Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) has obtained Real Estate Title Certificate, Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Real Estate Title Certificate	Yes
Project Cooperation Agreement	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
17.	Lot No. A10 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	The Property comprises a residential development under construction erected upon a parcel of land with a total site area of 106,940.60 sq m. According to the information provided by Neo-China Group, the Property will be developed into a composite building including commercial and residential development with a planned total gross floor area of approximately 290,123.03 sq m. The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (1).	The Property is under construction and scheduled to be completed in end 2010.	RMB606,000,000 (71.5% interest attributable to Neo-China Group: RMB433,290,000)

Notes:

(1) According to two Certificates for the Use of State-owned Land, the land use rights of the Property, comprising a site area of 106,940.60 sq m, have been granted to Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司):–

Certificate No.	Lot No.	Site Area *(sq m)*	Uses	Expiry Date
(2007)017	A10	89,427.70	Residential (Residential, commercial, public construction, green area, water facilities)	Residential: 30th March 2076 Commercial: 30th March 2046 Green area & Water facilities: 30th March 2056
(2008)009	A10	17,512.90	Composite	Residential: 30th March 2076 Commercial: 30th March 2046 Green area & Water facilities: 30th March 2056
	Total	**106,940.60**		

(2) According to Grant Contract of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:–

Lot No.	**A10**
Grantee	Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司)
Supplement Contract No.	(CB)711
Site Area	160 mu (106,667 sq m)
Land Use	Composite, residential
Plot Ratio	2.65

According to the information provided by Neo-China, the land premium was approximately RMB38,200,000.

(3) According to Planning Permit for Construction Use of Land No. (2007)13 dated 10th September 2007, the construction site of a parcel of land with a total site area of 186.816 mu is in compliance with the requirements of urban planning.

(4) According to Planning Permit for Construction Works No. (2007)007 dated 20th December 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 323,650.00 sq m (above ground: 283,900.00 sq m and underground: 39,750.00 sq m).

(5) According to Permit for Commencement of Construction Works No. (2008)004 dated 8th April 2008, the construction works of the Property was in compliance with the requirement of works commencement and was permitted to be developed with a total gross floor area of approximately 323,650.00 sq m.

(6) According to the information provided by Neo-China Group, 255,653.97 sq m has been pre-sold at a total consideration of RMB1,003,907,100 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(7) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB730,600,000; a construction cost of approximately RMB442,000,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the said expended construction cost.

(8) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB1,100,000,000.

(9) According to Business Licence No. 610100400003735, Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) was established as a limited liability company on 2nd July 2007 with a registered capital of RMB10,000,000 for a valid operation period from 2nd July 2007 to 1st July 2037.

(10) According to the PRC legal opinion:–

(i) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) has obtained Certificate for the Use of State-owned Land;

(iii) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) has right to transfer, lease and pledge of the Property;

(iv) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and

(v) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 323,650 sq m (aboveground: 283,900 sq m and underground: 39,750 sq m).

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
18.	Lot No. A13 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	The Property comprises a residential development under construction erected upon a parcel of land with a total site area of approximately 118,077.40 sq m. According to the information provided by Neo-China Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 213,178.10 sq m. The land use rights of the Property have been granted for a term due to expire on 30th March 2076 for residential use.	The Property is under construction and scheduled to be completed in mid 2010.	RMB365,000,000 (71.5% interest attributable to Neo-China Group: RMB260,975,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2007)005 dated 25th September 2007, the land use rights of the Property, comprising a site area of 118,077.40 sq m, have been granted to Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) for a term due to expire on 30th March 2076 for residential use.

(2) According to Grant Contract of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:–

Lot No.	**A13**
Grantee	Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司)
Supplement Contract No.	(CB)714
Site Area	177 mu (118,000 sq m)
Land Use	Residential
Plot Ratio	1.77

According to the information provided by Neo-China, the land premium was approximately RMB42,000,000.

(3) According to Planning Permit for Construction Use of Land No. (2007)16 dated 10th September 2007, the construction site of a parcel of land with a total site area of 204.674 mu is in compliance with the requirements of urban planning.

(4) According to Planning Permit for Construction Works No. (2007)008 dated 20th December 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 232,296.00 sq m (aboveground: 209,700 sq m and underground: 22,596 sq m).

(5) According to Permit for Commencement of Construction Works No. (2008)020 dated 8th April 2008, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 232,296.00 sq m.

(6) According to the information provided by Neo-China Group, 87,917.17 sq m has been pre-sold at a total consideration of RMB455,246,600 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(7) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB490,600,000; a construction cost of approximately RMB186,000,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the above expended construction cost.

(8) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB900,000,000.

(9) According to Business Licence No. 610100400003778, Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) was established as a limited liability company on 8th August 2007 with a registered capital of RMB10,000,000 for a valid operation period from 31st July 2009 to 31st July 2011.

(10) According to the PRC legal opinion:–

(i) Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) has obtained Certificate for the Use of State-owned Land;

(iii) Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) has right to transfer, lease and pledge of the Property;

(iv) Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified;

(v) The Property is pledged to a bank. The transfer or further pledging is subject to the consent from the bank; and

(vi) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 232,296 sq m (aboveground: 209,700 sq m and underground: 22,596 sq m).

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
19.	Lot No. A14 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	The Property comprises a residential development under construction erected upon two parcels of land with a total site area of approximately 103,834.90 sq m. According to the information provided by Neo-China Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 210,188.38 sq m. The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (1).	The Property is under construction and scheduled to be completed in 2011.	RMB507,000,000 (71.5% interest attributable to Neo-China Group: RMB362,505,000)

Notes:

(1) According to two Certificates for the Use of State-owned Land, the land use rights of the Property have been granted to Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司):–

Certificate No.	Lot No.	Site Area *(sq m)*	Uses	Expiry Date
(2007) 018	A14	63,214.60	Residential (Residential, green area)	Residential: 30th March 2076 Green area: 30th March 2056
(2008) 005	A14	40,620.30	Composite	Residential: 30th March 2076 Commercial: 30th March 2046 Green area & Water facilities: 30th March 2056
	Total	**103,834.90**		

(2) According to Grant Contract of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:–

Lot No.	**A14**
Grantee	Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司)
Supplement Contract No.	(CB)715
Site Area	157 mu (104,667 sq m)
Land Use	Composite, residential
Plot Ratio	2.17

According to the information provided by Neo-China, the land premium was approximately RMB41,100,000.

(3) According to Planning Permit for Construction Use of Land No. (2007)17 dated 10th September 2007, the construction site of a parcel of land with a total site area of 186.29 mu is in compliance with the requirements of urban planning.

(4) According to Planning Permit for Construction Works No. (2007)009 dated 20th December 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 232,630.00 sq m (aboveground: 209,400 sq m and underground: 23,230 sq m).

(5) According to Permit for Commencement of Construction Works No. (2008)009 dated 25th July 2008, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 231,500.20 sq m.

(6) According to the information provided by Neo-China Group, 184,088.18 sq m has been pre-sold at a total consideration of RMB823,449,600 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(7) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB575,200,000; a construction cost of approximately RMB360,000,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the said expended construction cost.

(8) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB890,000,000.

(9) According to Business Licence No. 610100400003743, Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司) was established as a limited liability company on 8th August 2007 with a registered capital of RMB10,000,000 for a valid operation period from 8th August 2007 to 7th August 2037.

(10) According to the PRC legal opinion:–

(i) Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licences and is legally established under the PRC law;

(ii) Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司) has obtained Certificate for the Use of State-owned Land;

(iii) Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司) has right to transfer, lease and pledge of the Property;

(iv) As advised, the Property is under construction, but the date of commence to construction has expired. However, most part of the Property has been pre-sold, therefore, the legal risk of the government to levy the related land idling charges is relatively low;

(v) Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and

(vi) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 232,630 sq m (aboveground: 209,400 sq m and underground: 23,230 sq m).

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
20.	Lot No. A15 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	The Property comprises a residential development under construction erected upon a parcel of land with a total site area of 92,119.40 sq m. According to the information provided by Neo-China Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 228,131.52 sq m. The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (1).	The Property is under construction and scheduled to be completed in 2011.	RMB458,000,000 (71.5% interest attributable to Neo-China Group: RMB327,470,000)

Notes:

(1) According to two Certificates for the Use of State-owned Land, the land use rights of the Property have been granted to Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司):–

Certificate No.	Lot No.	Site Area *(sq m)*	Uses	Expiry Date
(2007) 019	A15	50,930.80	Residential (Residential, green area)	Residential: 30th March 2076 Green area: 30th March 2056
(2008) 008	A15	41,188.60	Composite	Residential: 30th March 2076 Commercial: 30th March 2046 Green area & Water facilities: 30th March 2056
	Total	**92,119.40**		

(2) According to Grant Contract of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:–

Lot No.	**A15**
Grantee	Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司)
Supplement Contract No.	(CB)716
Site Area	138 mu (92,000 sq m)
Land Use	Composite, residential
Plot Ratio	2.11

According to the information provided by Neo-China, the land premium was approximately RMB36,900,000.

(3) According to Planning Permit for Construction Use of Land No. (2007)18 dated 10th September 2007, the construction site of a parcel of land with a total site area of 161.269 mu is in compliance with the requirements of urban planning.

(4) According to Planning Permit for Construction Works No. (2007)010 dated 20th December 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 249,818.00 sq m (aboveground: 225,600 sq m and underground: 24,218.00 sq m).

(5) According to Permit for Commencement of Construction Works No. (2008)005 dated 8th April 2008, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 249,818.00 sq m.

(6) According to the information provided by Neo-China Group, 188,897.32 sq m has been pre-sold at a total consideration of RMB757,072,800 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(7) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB517,900,000; a construction cost of approximately RMB289,000,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the said expended construction cost.

(8) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB880,000,000.

(9) According to Business Licence No. 610100400003727, Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司) was established as a limited liability company on 8th August 2007 with a registered capital of RMB10,000,000 for a valid operation period from 8th August 2007 to 7th August 2037.

(10) According to the PRC legal opinion:–

(i) Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licences and is legally established under the PRC law;

(ii) Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司) has obtained Certificate for the Use of State-owned Land;

(iii) Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司) has right to transfer, lease and pledge of the Property;

(iv) Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and

(v) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 249,818 sq m (aboveground: 225,600 sq m and underground: 24,218 sq m).

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
21.	District B to E of Phase 1, Neo-China Forest Garden, No. 140 Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha, Hunan Province	The Property comprises a residential development under construction erected upon a parcel of land with a total site area of approximately 150,448.17 sq m. According to the information provided by Neo-China Group, the Property will be developed into various blocks of residential building and villa with a planned total gross floor area of approximately 200,137.42 sq m. In addition, the Property also has 1,038 carparks above ground and 448 carparks in the basement with a total gross floor area of 17,548 sq m. The land use rights of the Property have been granted for a term of due to expire on 27th November 2076 for residential use.	The Property is under construction and scheduled to be completed in end 2011.	RMB318,000,000 (67% interest attributable to Neo-China Group: RMB213,060,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2007)006, the land use rights of the Property, comprising a total site area of 150,448.17 sq m, have been vested in Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) for a term due to expire on 27th November 2076 for residential use.

(2) According to Grant Contract of Land Use Rights dated 27th November 2006:–

(i)	Grantee	:	Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司)
(ii)	Site Area	:	150,448 sq m
(iii)	Land Use	:	Residential
(iv)	Plot Ratio	:	1.5
(v)	Land Premium	:	RMB7,612,269
(vi)	Land Use Term	:	70 years for residential

(3) According to Planning Permit for Construction Use of Land No. 200701004 (for Phase 1) dated 25th January 2007, the construction site of land (Phase 1) (Property no. 9 is also under Phase 1) with a total site area of 456.318 mu (304,212 sq m) is in compliance with the requirements of urban planning requirement.

(4) According to Planning Permit for Construction Works No. 200710091, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 194,377.80 sq m.

(5) According to Permit for Commencement of Construction Works No. 430109200801180401, the construction works of the portion of Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 99,476.77 sq m. Application for Permit for Commencement of Construction Works for the remaining portion of the Property is being applied. Our valuation is prepared on the basis that the said Permit will be issued in due course.

We noted that the planned gross floor area as per the information provided by Neo-China Group is 200,137.42 sq m, which exceeds the permitted gross floor area of 194,377.80 sq m as stipulated in the Permits for Commencement of Construction Works. As per the instruction, our valuation is based on planned gross floor area of the information provided by Neo-China Group of 200,137.42 sq m and assumed that the Property has obtained the relevant approval and the Property can be freely transferred to third party with the land premium being fully settled.

(6) According to 80 Pre-sale Permits for Commodity Housing, Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) was permitted to pre-sale the Property with a total planned gross floor area of 184,391.32 sq m.

(7) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB200,000,000; a construction cost of approximately RMB113,500,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the above expended construction cost.

(8) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB473,000,000.

(9) According to Business Licence No. 430122000003429, Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) was established as a limited liability company on 14th September 2005 with a registered capital of RMB30,000,000 for a valid operation period from 14th September 2005 to 14th September 2034.

(10) According to the PRC legal opinion:–

(i) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司), a 67% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has fully settled all land premium of the Property and has obtained Certificate for the Use of State-owned Land;

(iii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has right to use, lease, transfer and pledge the land use right of the Property; and

(iv) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, partly Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing; Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) is applying for the remaining Permit for Commencement of Construction Works without legal obstacle.

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes (Partly)
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
22.	Phase 1 of Gongyuandadao, No. 66 Gingquan North Street, Yongquan Town, Wenjiang District, Chengdu, Sichuan Province	The Property comprises a composite development under construction erected upon a parcel of land with a total site area of approximately 79,013.33 sq m. According to the information provided by Neo-China Group, the Property will be developed into various blocks of residential and commercial buildings with a planned total gross floor area of approximately 304,715.55 sq m. The land use rights of the Property have been granted for a term from 16th February 2007 to 17th December 2076 for residential and from 16th February 2007 to 17th December 2046 for commercial uses.	The Property is under construction and scheduled to be completed in 2011.	RMB736,000,000 (100% interest attributable to Neo-China Group: RMB736,000,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2007)243, the land use rights of the Property, comprising a total site area of 79,013.33 sq m, have been vested in Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司) for a term from 16th February 2007 to 17th December 2076 for residential and 16th February 2007 to 17th December 2046 for commercial uses.

(2) According to Grant Contract of Land Use Rights No. (2007)21 dated 18th December 2006 and its Supplements dated 2nd March 2007:–

(i)	Grantee	:	Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司)
(ii)	Site Area	:	79,013.33 sq m
(iii)	Land Use	:	Commercial and residential
(iv)	Plot Ratio	:	Not less than 2.2
(v)	Land Premium	:	RMB270,225,600
(vi)	Land Use Term	:	40 years for commercial and 70 years for residential

(3) According to Planning Permit for Construction Use of Land No. (2007)011 dated 14th March 2007, the construction sites of land with a site area of 118.52 mu (79,013 sq m) are in compliance with urban planning requirements.

(4) According to two Planning Permits for Construction Works, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with the development scheme:–

Permit No.	Planned Gross Floor Area *(sq m)*	Issuing Date
(2007)035	143,023.46	4th September 2007
510115200830007	161,692.09 (aboveground: 135,161.93 sq m underground: 26,530.16 sq m)	3rd March 2008
Total	**304,715.55**	

(5) According to two Permits for Commencement of Construction Works:–

Permit No.	Planned Gross Floor Area *(sq m)*	Issuing Date
510123200912160101	143,023.46	16th December 2009
510123200812020101	161,692.09	2nd December 2008
Total	**304,715.55**	

(6) According to three Pre-sale Permits for Commodity Housing Nos. 660, 622 and 755, Chengdu Zhongxin-jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) was permitted to pre-sale the Property with a total planned gross floor area of 117,181.80 sq m:–

Permit Nos.	Planned Gross Floor Area *(sq m)*	Issuing Date
660	28,214.46	26th September 2008
622	53,695.76	26th September 2008
755	35,271.58	3rd January 2010
Total	**117,181.80**	

(7) According to the information provided by Neo-China Group, 95,651.85 sq m has been pre-sold at a total consideration of RMB358,842,659 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB401,800,000; a construction cost of approximately RMB175,500,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the above expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB1,180,000,000.

(10) According to Business Licence No. 5101231800997, Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司) was established as a limited liability company on 30th January 2007 with a registered capital of RMB200,000,000 for a valid operation period from 30th January 2007 to 29th January 2027.

(11) According to the PRC legal opinion:–

(i) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

(iii) Chengdu Zhongxin-jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;

(iv) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified;

(v) The Property is pledged to a bank. The transfer or further pledging of the Property is subject to the consent from the bank; and

(vi) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 304,715.55 sq m.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
23.	Phase 2 of Jiujiu Youth City, No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai	The Property comprises a composite development under construction erected upon a parcel of land with a total site area of approximately 41,162.00 sq m. According to the information provided by Neo-China Group, the Property will be developed into a composite development with a planned total gross floor area of approximately 172,460.00 sq m. The land use rights of the Property have been granted for a term from 9th July 2005 to 8th July 2055 for composite (commercial, office and hotel-type apartment) uses.	The Property is currently under construction and scheduled to be completed in mid 2010.	RMB1,247,000,000 (100% interest attributable to Neo-China Group: RMB1,247,000,000)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2007)032278 dated 26th October 2007, the land use rights of the Property, comprising a site area of 41,162 sq m, have been vested in Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) for a term from 9th July 2005 to 8th July 2055 for composite (commercial, office and hotel-type apartment) uses.

(2) According to Grant Contract for State-owned Land Use Rights No. (2005)122 and its Ancillary Facilities Contract No. (2005)007 both dated 9th May 2005:–

(i)	Grantee	:	Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司)
(ii)	Site Area	:	57,944 sq m
(iii)	Land Use	:	Composite (commercial, office and hotel-type apartment)
(iv)	Land Use Term	:	50 years
(v)	Land Grant Premium	:	RMB73,749,000
(vi)	Demolishment and Resettlement Fee	:	RMB172,081,000
(vii)	Plot Ratio	:	Not greater than 2.8

(3) According to Planning Permit for Construction Use of Land No. (2006)17060707E01192 dated 7th July 2006, the construction land of Youth Plaza was in compliance with the requirement of urban planning and was permitted to be developed with a total site area of approximately 57,944 sq m.

(4) According to Planning Permit for Construction Works No. (2007)17070917F02610 dated 17th September 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 172,460 sq m.

(5) According to Permit for Commencement of Construction Works No. 0601SJ0015D02 dated 26th October 2007, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 172,460 sq m.

(6) According to two Pre-sale Permits for Commodity Housing Nos. (2008)0000534 and (2008)0000694, Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) was permitted to pre-sale the Property with a total gross floor area of 87,385.36 sq m:–

Permit No.	**Planned Gross Floor Area** *(sq m)*	**Issuing Date**
(2008)0000534	36,824.15	28th July 2008
(2008)0000694	50,561.21	29th September 2008
Total	**87,385.36**	

(7) According to the information provided by Neo-China Group, a total gross floor area of 87,041.62 sq m apartment office and retail units has been pre-sold at a total consideration of RMB980,567,459 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB939,200,000; a construction cost of approximately RMB805,000,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the said expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB1,609,000,000.

(10) According to Business Licence No. 310227000954132, Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) was established as a limited liability company on 30th September 2003 with a registered Market of RMB226,160,000 for a valid operation period from 30th September 2003 to 29th September 2013.

(11) According to the PRC legal opinion:–

(i) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has fully settled all the land premium of the Property and obtained Shanghai Certificate of Real Estate Ownership;

(iii) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property;

(iv) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and

(v) The Property is pledged to a bank. The transfer or further pledging of the Property is subject to the consent from the bank.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Shanghai Certificate of Real Estate Ownership	Yes
Grant Contract for State-owned Land Use Rights and its Ancillary Facilities Contract	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
24.	Block 12 of Lot No. 9 of Laochengxiang, south of Beima Road, Laocheng Xiang Area, Nankai District, Tianjin,	Lot No. 9 of Laochengxiang is a residential development with 12 blocks under construction erected upon a parcel of land with a site area of approximately 41,107.10 sq m. According to the information provided by Neo-China Group, the Property comprises Block 12 of Lot No. 9 of Laochengxiang, with a planned total gross floor area of approximately 26,201.44 sq m. The land use rights of the Property have been granted for a term due to expire on 30th December 2076 for composite town residential use.	The Property is currently under construction and scheduled to be completed in mid 2010.	RMB263,000,000 (100% interest attributable to Neo-China Group: RMB263,000,000)

Notes:

(1) According to Real Estate Title Certificate No. 060300000006, the land use rights of the Lot No. 9, with a site area of approximately 41,107.10 sq m, have been granted to Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) for a term due to expire on 30th December 2076 for mixed residential use.

(2) According to Grant Contract of Land Use Rights No. 2004-024 dated 6th September 2004 and its Supplement Contract No. 1 for Lot No. 9 dated 8th September 2006:–

(i)	Grantee	:	Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司)
(ii)	Site Area		799,285.20 sq m (239,786 sq m for public facilities and 559,499.20 sq m for residential)
(iii)	Land Use	:	Residential and public facilities
(iv)	Planned Gross Floor Area	:	Not exceeding 172,362 sq m (146,362 sq m for residential and ancillary public facilities, 26,000 sq m for office and service apartment);
(v)	Land Premium	:	RMB388,473,147.06

(3) According to Planning Permit for Construction Use of Land No. (2006)0112 dated 31st October 2006, the construction land of Lot No. 9 was in compliance with the requirement of urban planning and was permitted to be developed with a site area of approximately 41,107.10 sq m.

(4) According to Planning Permit for Construction Works No. (2007)0016 dated 19th April 2007, the Property has been permitted for the construction with a total gross floor area of 26,000 sq m (underground 3,900 sq m).

(5) According to Permit for Commencement of Construction Works No. 1210420200705034, the Property has been permitted to commence construction works with a total gross floor area of 26,000 sq m (underground 3,848 sq m).

(6) According to Pre-sale Permits for Commodity Housing No. (2007)509-001, Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) was permitted to pre-sale the Property with a total gross floor area of 26,164.76 sq m.

(7) According to the information provided by Neo-China Group, 24,073.16 sq m has been pre-sold at a total consideration of approximately RMB313,000,000 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB153,100,000; a construction cost of approximately RMB113,400,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the said expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB320,000,000.

(10) According to Business Licence No. 120000400078160, Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司), was established as a limited liability company with a registered capital of RMB240,000,000 for a valid operation period from 3rd June 2005 to 2nd June 2025.

(11) According to the PRC legal opinion:–

(i) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) According to Planning Permit for Construction Works, the total gross floor area is 26,000. 00 sq m in which underground gross floor area is 3,900.00 sq m;

(iii) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has fully settled all the land premium of the Property and obtained the Real Estate Title Certificate;

(iv) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property; and

(v) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Real Estate Title Certificate	Yes
Grant Contract for State-owned Land Use Rights	Yes
Supplement Grant Contract for State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
25.	Lot No. A4 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian	The Property comprises a composite residential/ commercial development under construction erected upon a parcel of land with a site area of approximately 113,551.70 sq m. According to the information provided by Neo-China Group, the Property will be developed into a composite residential/ commercial development with a planned total gross floor area of approximately 212,296 sq m. The land use rights of the Property have been granted for a term due to expire on 30th March 2076 for residential use.	The Property is currently under construction and scheduled to be completed in 2012.	RMB232,000,000 (71.5% interest attributable to Neo-China Group: RMB165,880,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2007)009, the land use rights of the Property, comprising a site area of approximately 113,551.70 sq m, have been granted to Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司) for a term due to expire on 30th March 2076 for residential use.

(2) According to Grant Contract of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:–

Lot No.	**A4**
Grantee	Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司)
Supplement Contract No.	(CB)710
Site Area	57 mu (38,000 sq m)
Land Use	Residential
Plot Ratio	1.62

According to the information provided by Neo-China, the land premium was approximately RMB60,900,000.

(3) According to Planning Permit for Construction Use of Land No. (2007)12, the construction site of a parcel of land of 197.866 mu (131,911 sq m) is in compliance with the requirements of urban planning requirement.

(4) According to Planning Permit for Construction Works No. (2009)019 dated 20th August 2009, the construction works of Lot No. A4 was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 212,296 sq m.

(5) According to the information provided by Neo-China Group, 60,065.47 sq m has been pre-sold at a total consideration of approximately RMB277,000,000 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(6) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB469,400,000; a construction cost of approximately RMB91,000,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the said expended construction cost.

(7) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB810,000,000.

(8) According to Business Licence No. 610100400003786, Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司) was established as a limited liability company on 2nd July 2007 with a registered capital of RMB10,000,000 for a valid operation period from 2nd July 2007 to 1st July 2037.

(9) According to the PRC legal opinion:–

(i) Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licences; however, the establishment is defective and Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司) does not have the appropriate qualification of real estate development, however, the legal risk of punishment is relatively low;

(ii) Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司) has fully settled the land premium and obtained Certificate for the Use of State-owned Land;

(iii) Upon fulfilling the relevant stipulation in the Grant Contracts of Land Use Rights, Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司) has right to transfer, lease and pledge of the Property;

(iv) Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司) has obtained Planning Permit for Construction Use of Land. Planning Permit for Construction Works. Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and

(v) The Property is pledged to a bank. The transfer or further pledging of the Property is subject to the consent from the bank.

(10) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes (Partly)
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IV – Properties held by Neo-China Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
26.	Phase 3 of Xidiaoyutai, Lot No. 2 of West Diaoyutai Village, Haidian District, Beijing	Xidiaoyutai is a large-scale composite residential/retail development erected upon two parcels of land Lot Nos. 1 and 2 with a total site area of approximately 42,541.05 sq m. The Property comprises Phase 3 of Xidiaoyutai to be erected on portion of Lot No. 2 with a site area of approximately 6,000 sq m. According to the information provided by Neo-China Group, the Property will be developed into a composite residential/ retail development with a total gross floor area of approximately 46,125 sq m. The land use rights of the Property have been granted for various terms due to expire on 18th February 2074 for residential, 18th February 2044 for ancillary facilities and 18th February 2054 for carpark uses.	The Property is currently vacant pending development.	RMB687,000,000 (90% interest attributable to Neo-China Group: RMB618,300,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2005)3487 dated 29th September 2005, the land use rights of the Lot No. 2, comprising a total site area of approximately 27,088.24 sq m, have been granted to Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) for various terms due to expire on 18th February 2074 for residential, 18th February 2044 for ancillary facilities and 18th February 2054 for carpark uses.

(2) According to Grant Contract of Land Use Rights No. (2004)173 dated 19th February 2004:–

(i)	Grantee	:	Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司)
(ii)	Site Area	:	27,088.24 sq m
(iii)	Land Use	:	Commercial service uses
(iv)	Planned Gross Floor Area	:	146,996 sq m

(3) According to Business Licence No.1101080064387 dated 15th August 2003, Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) was established as a limited liability company with a registered capital of RMB20,000,000 for a valid operation period from 15th August 2003 to 14th August 2023.

(4) According to the PRC legal opinion:–

(i) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司), a 90% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) has fully settled the land premium and obtained Certificate for the Use of State-owned Land;

(iii) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;

(iv) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) has obtained Planning Permit for Construction Use of Land;

(v) The Property is pledged to a bank. The transfer or further pledging is subject to the consent from the bank; and

(vi) The Property was granted together with other portion of land that has commenced development. Since portion of the whole land has commenced development, the Property is thus not considered as idle land.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
27.	Yanjiao, East of Yingbin South Road, Yanjiao Economic Technology Development Zone, Hebei Province	The Property comprises a parcel of land with a site area of approximately 333,333 sq m. According to the information provided by Neo-China Group, the Property will be developed into a composite development including commercial, residential, office, hotel and ancillary facilities with a planned total gross floor area of approximately 460,000 sq m. The land use rights of the Property have been granted for a term due to expire on 21st June 2056 for composite use.	The Property is currently vacant pending development.	RMB635,000,000 (100% interest attributable to Neo-China Group: RMB635,000,000)

Note:

(1) According to Certificate for the Use of State-owned Land No. (2006) 024 dated 28th June 2006, the land use rights of the Property, comprising a site area of approximately 333,333 sq m, have been granted to Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司) for a term due to expire on 21st June 2056 for composite use.

(2) According to Grant Contract of Land Use Rights dated 31st March 2006:–

(i)	Grantee	:	Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司)
(ii)	Site Area		333,333 sq m
(iii)	Land Use	:	Composite
(iv)	Plot Ratio	:	Greater than or equal to 1.3
(v)	Land Premium	:	RMB76,000,000
(vi)	Land Use Term	:	50 years
(vii)	Building Covenant	:	Commence construction before end of October 2006 and complete construction before end of Year 2008

(3) According to Business Licence No. 131082400000363, Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司) was established as a limited liability company with a registered capital of RMB100,000,000 for a valid operation period from 7th April 2006 to 6th April 2026.

(4) According to the PRC legal opinion:–

(i) Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

(iii) Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司) has right to use, transfer, lease and pledge the land use rights of the Property; and

(iv) The adjustment planning of the Property is being processed, it is thus not able to commence the construction work before the government approval. The cause of not commencing development on the Property is mainly on the government due to the construction planning change, the legal risk of recovery by the government due to idle land is relatively low.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
28.	Lot No. 2 of Laochengxiang, Laocheng Xiang Area, Nankai District, Tianjin	The Property comprises a parcel of land with a site area of approximately 27,552.10 sq m. According to the information provided by Neo-China Group, the Property will be developed into a commercial development with a planned total gross floor area of approximately 46,502.00 sq m. The land use rights of the Property have been granted for a term due to expire on 17th April 2048 for commercial use.	The Property is currently vacant pending development.	RMB359,000,000 (100% interest attributable to Neo-China Group: RMB359,000,000)

Notes:

(1) According to Real Estate Title Certificate No. 104050800066, the land use rights of the Property, comprising a total site area of 27,552.10 sq m, have been vested in Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) for a term due to expire on 17th April 2048 for commercial use. The Property should commence construction before 30th December 2004 and to complete construction before 30th December 2009. This Certificate is valid till 30th March 2010.

(2) According to Grant Contract of Land Use Rights No. 2004-024 Supplement Contract No. 2 dated 22nd July 2005:–

(i)	Grantee	:	Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司)
(ii)	Site Area		27,600 sq m to be developed by the Grantee
(iii)	Land Use	:	Commercial
(iv)	Planned Gross Floor Area	:	32,800 sq m for commercial

According to the information provided by Neo-China, the land premium was approximately RMB218,000,000.

(3) According to Planning Permit for Construction Use of Land No. (2008)0240 dated 6th June 2008, the construction site of a parcel of land with a total site area of 27,552.10 sq m is in compliance with the requirements of urban planning requirement.

(4) According to Planning Permit for Construction Works No. (2008)0027 dated 22nd August 2008, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a gross floor area of approximately 32,800 sq m (underground gross floor area of 13,702 sq m).

(5) According to Permit for Commencement of Construction Works No. 12104071200809003 dated 26th September 2008, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 46,502 sq m (public facilities: 32,800 sq m and underground: 13,702 sq m).

(6) According to Business Licence No. 120000400021876, Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) was established as a limited liability company with a registered capital of HKD100,000,000 for a valid operation period from 9th December 2004 to 8th December 2024.

(7) According to the PRC legal opinion:–

(i) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land which is valid till 30th March 2010;

(iii) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) has right to use, lease, transfer and pledge of the Property;

(iv) The Property is pledged to a bank. The transfer or further pledging is subject to the consent from the bank;

(v) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Real Estate Title Certificate;

(vi) According to Planning Permit for Construction Works, the Property should commence construction before 26th September 2008 and Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) has not applied the Permits for extension. The Permits for Commencement of Construction Works had lapsed on 25th December 2008; and

(vii) According to Real Estate Title Certificate, the Property should commence construction before 30th December 2004 and to complete construction before 30th December 2009. This Certificate is valid till 30th March 2010. Application of extension of Real Estate Title Certificate is being applied, therefore, Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) will not lose the land use rights of the Property.

(8) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Real Estate Title Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes**
Business Licence	Yes

** Lapsed. Our valuation is prepared on the basis that such extension will be approved in due course.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
29.	The commercial portion of Lot No. 15 of Laochengxiang, Laocheng Xiang Area, Nankai District, Tianjin	Lot No. 15 of Laochengxiang is planned as a composite residential/commercial development to be erected upon a parcel of land with a site area of approximately 38,295.10 sq m. The Property comprises the commercial portion of Lot No. 15 of Laochengxiang. According to the information provided by Neo-China Group, the Property will be developed into commercial development with a planned total gross floor area of approximately 30,000 sq m above ground. The land use rights of the Property have been granted for a term due to expire on 22nd August 2075 for residential and ancillary facilities and 22nd August 2045 for commercial uses.	The Property is currently vacant and pending for development.	RMB309,000,000 (100% interest attributable to Neo-China Group: RMB309,000,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2006)005 dated 23rd January 2006, the land use rights of a parcel of land with a site area of approximately 38,295.10 sq m have been granted to Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) for a term due to expire on 22nd August 2075 for residential and ancillary facilities and 22nd August 2045 for commercial uses. (Heyuan Xinju Blocks 1 to 6 with basement carpark erected upon a land has been registered separately on 28th July 2008.)

(2) According to Grant Contract of Land Use Rights Supplement Contract dated 22nd July 2005:–

(i)	Grantee	:	Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司))
(ii)	Site Area	:	38,295.10 sq m to be developed by the Grantee
(iii)	Land Use	:	Residential, commercial
(iv)	Planned Gross Floor Area	:	Total 107,744 sq m (in which 30,000 sq m for commercial)
(v)	Land Premium	:	RMB264,135,812

(3) According to Planning Permit for Construction Use of Land No. (2005)0130 dated 20th September 2005, the construction site of a parcel of land with a total site area of 38,295.10 sq m is in compliance with the requirements of urban planning requirement.

(4) According to Business Licence No. 120000400084090, Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) was established as a limited liability company with a registered capital of RMB120,000,000 for a valid operation period from 3rd June 2005 to 2nd June 2025.

(5) According to the PRC legal opinion:–

(i) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

(iii) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) has right to transfer, lease and pledge the land use rights of the Property;

(iv) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and

(v) The Property was granted together with other portion of land that has commenced development. Since portion of the whole land has commenced development, the Property is thus not considered as idle land.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights Supplement Contract	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
30.	Bichen Yixingfu, South of Pujihedong Road, west of Outer Ring North Road, Yixingfu Old Village, Beichen District, Tianjin	The Property comprises a parcel of land with a site area of approximately 1,115,476.40 sq m. According to the information provided by Neo-China Group, the Property will be developed into a composite residential/ commercial development with a planned total gross floor area of approximately 2,042,750 sq m. The land use rights of the Property are agreed to be granted for a term of 70 years for residential, 50 years for office and 40 years for commercial uses.	There are some old bungalows erected on the site and pending for demolish.	RMB1,254,000,000 (40% interest attributable to Neo-China Group: RMB501,600,000)

Notes:

(1) According to Grant Contract of State-owned Land Use Rights No. 2004-063 dated 18th October 2004 and its Supplement Contract dated 14th November 2007:–

(i)	Grantee	:	Tianjin City Yijiahe Real Estate Development Co., Ltd. (天津市億嘉合置業有限公司)
(ii)	Site Area	:	1,115,476.40 sq m (in which 1,007,008 sq m for residential, 73,347.50 sq m for office and 35,120.90 sq m for commercial)
(iii)	Land Use	:	Residential, commercial and office
(iv)	Planned Gross Floor Area	:	Total 2,042,750 sq m (in which 1,664,810 sq m for residential and 377,940 sq m for commercial and office)
(v)	Land Premium	:	RMB1,228,115,902
(vi)	Building Covenant	:	To commence construction within 1 year and to complete construction within 6 years.

(2) According to Planning Permit for Construction Use of Land No. (2005)0004 dated 6th January 2005, the construction site of parcels of land with site area of 1,115,476.40 sq m, is in compliance with the urban planning requirements and have been approved.

(3) According to Housing Demolition Contract (房屋拆遷合同) in April 2007, Tianjin Chenyuan Property Management Co., Ltd. (天津辰原房地產管理有限公司) was appointed to carry out the demolition and resettlement works:–

(i)	Total Demolition Floor Area	:	1,110,000 sq m (in which 810,000 sq m for residential use and 300,000 sq m for non-residential use)
(ii)	Demolition and Resettlement Fee		RMB4,391,785,512
(iii)	Handing Over Cleared Site	:	On 30th July 2007

(4) According to the information provided by Neo-China Group, the expended demolition and resettlement fee was RMB346,200,000 while the outstanding resettlement fee to be expended as at the date of valuation was RMB4,045,582,512. In the course of our valuation, we have taken into account the above demolition and resettlement fee.

(5) According to Business Licence No. 120113000031751, Tianjin City Yijiahe Real Estate Development Co., Ltd. (天津市億嘉合置業有限公司) was established as a limited liability company on 18th April 2003 with a registered capital of RMB38,000,000 for a valid operation period from 18th April 2003 to 17th April 2033.

(6) According to the PRC legal opinion:–

(i) Tianjin City Yijiahe Real Estate Development Co., Ltd. (天津市億嘉合置業有限公司), a 40% owned associate of Neo-China, has obtained valid business licence and is legally established under the PRC law; and

(ii) Tianjin City Yijiahe Real Estate Development Co., Ltd. (天津市億嘉合置業有限公司) has fully settled all the land premium of the Property and obtained Grant Contract of State-owned Land Use Rights. However, the status of the Property is under demolition stage, the total demolition and resettlement fee payable was RMB4,391,782,512, in which RMB358,200,000 has been paid. Therefore, Tianjin City Yijiahe Real Estate Development Co., Ltd. (天津市億嘉合置業天津市億嘉合置業) has not obtained the Real Estate Title Certificate. The cause of not commencing development on the Property is mainly on the government for demolition and relocation, the legal risk of recovery by the government due to idle land is relatively low.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Real Estate Title Certificate	No
Grant Contract of State-owned Land Use Rights and its Supplement Contract	Yes
Planning Permit for Construction Use of Land	Yes
Housing Demolition Contract	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
31.	Lot Nos. C1 and E4 Phase 2 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagong, Gaoxin District, Chongqing	The Property comprises two parcels of land with a total site area of approximately 25,374.50 sq m. According to the information provided by Neo-China Group, the Property will be developed into a composite residential/ commercial development with a total gross floor area of approximately 131,576.31 sq m. The land use rights of the Property have been granted for terms due to expire in August 2053 and February 2054 for residential and August 2043 and February 2044 for commercial uses.	The Property is currently vacant pending development.	RMB296,000,000 (100% interest attributable to Neo-China Group: RMB296,000,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2003)0919 and Real Estate Title Certificate No. 100-2005-639, the land use rights of the Property have been granted to Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司):–

Certificate No.	Location	Site Area *(sq m)*	Uses	Expiry Date
(2003) 0919	Yuanjiagang Sport Centre Lot No. C1	11,479.50	Composite	Commercial: August 2043 Residential: August 2053
100-2005-639	Yuanjiagang Sport Centre Lot No. E4	13,895.00	Mixed residential	Commercial: February 2044 Residential: February 2054
	Total	**25,374.50**		

(2) According to Grant Contract of Land Use Rights No. (2003)203 dated 29th August 2003 and its Supplement Contracts dated 3rd November 2004 and 24th October 2008:–

(i)	Grantee	:	Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司)
(ii)	Lot Nos.	:	Lot Nos. B1, B2, C1, E4, A9
(iii)	Site Area	:	120,014.30 sq m
(iv)	Total Land Premium	:	RMB255,604,150 for all 5 land lots
(v)	Plot Ratio	:	Lot No. C1 – Less than or equal to 8.5 for commercial and residential Lot No. E4 – Not exceeding 3 for commercial and residential

(3) According to two Planning Permits for Construction Use of Land, the construction land of the Property was in compliance with the requirement of urban planning and was permitted to be developed:–

Permit No.	**Site Area** *(sq m)*	**Issuing Date**
500138200800128	11,448.90	7th July 2008
500138200800068	13,899.00	25th March 2008
Total	**25,347.90**	

(4) According to Planning Permit for Construction Works, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed:–

Permit No.	**Planned Gross Floor Area** *(sq m)*	**Issuing Date**
(2007)0302	3,759.96*	16th January 2007
500138200900017	89,880.41	26th June 2009
500138200800035	41,695.90	7th August 2008
Total	**135,336.27**	

* As advised, temporary office with a total gross floor area of 3,759.96 sq m will demolish when the property has been completed. We have disregarded it in our valuation.

(5) According to Business Licence No. 500901000052947 1-1-1, Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) was established as a limited liability company with a registered capital of RMB200,000,000 for a valid operation period from 28th May 2003 to 28th May 2023.

(6) According to the PRC legal opinion:–

(i) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land and Real Estate Title Certificate;

(iii) The Property is pledged to a bank. The transfer or further pledging is subject to the consent from the bank;

(iv) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has obtained Planning Permit for Construction Use of Land and Planning Permit for Construction Works;

(v) Temporary office with a total gross floor area of 3,759.96 sq m will demolish when the property has been completed; and

(vi) The Property was granted together with other portion of land that has commenced development. Since portion of the whole land has commenced development, the Property is thus not considered as idle land.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Real Estate Title Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permits for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
32.	Lot Nos. A2 to A3 & A11 to A12 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian	The Property comprises four parcels of land with a total site area of approximately 1,087,836.60 sq m. According to the information provided by Neo-China Group, the Property will be developed into a composite residential/ commercial development with a planned total gross floor area of approximately 1,478,538.00 sq m. The land use rights of the Property have been granted for a term due to expire on 30th March 2076 for residential and 30th March 2056 for public facilities, green area & water facilities uses.	The Property is currently vacant pending development.	RMB1,261,000,000 (71.5% interest attributable to Neo-China Group: RMB901,615,000)

Notes:

(1) According to four Certificates for the Use of State-owned Land, the land use rights of the Property have been granted to Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司) for Lot No. A2, Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司) for Lot No. A3, Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司) for Lot No. A11 and Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) for Lot No. A12:–

Certificate No.	Lot No.	Site Area *(sq m)*	Uses	Expiry Date
(2007) 007	A2	163,106.10	Residential	30th March 2076
(2007) 016	A3	642,740.60	Residential (residential, public facilities, green area, water facilities)	Residential: 30th March 2076 Public facilities, Green area & Water facilities: 30th March 2056
(2007) 11	A11	234,132.90	Residential (residential, green area, water facilities)	Residential: 30th March 2076 Green area & Water facilities: 30th March 2056
(2007) 006	A12	47,857.00	Residential	30th March 2076
	Total	**1,087,836.60**		

(2) According to Grant Contracts of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:–

Lot No.	**A2**	**A3**
Grantee	Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司)	Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司)
Supplement Contract No.	(CB)708	(CB)709
Site Area	245 mu (234,667 sq m)	724 mu (482,667 sq m)
Land Use	Residential	Composite, residential
Plot Ratio	2.18	1.19

Lot No.	**A11**	**A12**
Grantee	Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司)	Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司)
Supplement Contract No.	(CB)0712	(CB)0713
Site Area	352 mu (234,667 sq m)	71 mu (47,334 sq m)
Land Use	Residential, composite	Residential
Plot Ratio	1.21	1.66

According to the information provided by Neo-China, the land premium of the property was approximately RMB290,900,000.

(3) According to four Planning Permits for Construction Use of Land, the construction sites of four parcels of land are in compliance with the requirements of urban planning requirement:–

Lot No.	**A2**	**A3**	**A11**	**A12**
Permit No.	(2007)10	(2007)11	(2007)14	(2007)15
Site Area	279.494 mu (186,329 sq m)	1,064.079 mu (709,386 sq m)	383.769 mu (255,846 sq m)	87.765 mu (58,510 sq m)

(4) According to Planning Permit for Construction Works No. (2009)019, the construction works of Lot No. A11 was in compliance with the requirement of urban planning and was permitted to be developed.

(5) According to Business Licence No. 610100400003751, Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司) was established as a limited liability company on 15th June 2007 with a registered capital of RMB10,000,000 for a valid operation period from 15th June 2007 to 31st December 2024.

According to Business Licence No. 610100400003794, Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司) was established as a limited liability company on 2nd July 2007 with a registered capital of RMB10,000,000 for a valid operation period from 2nd July 2007 to 1st July 2037.

According to Business Licence No. 610100400003809, Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司) was established as a limited liability company on 2nd July 2007 with a registered capital of RMB10,000,000 for a valid operation period from 2nd July 2007 to 1st July 2037.

According to Business Licence No. 610100400003760, Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) was established as a limited liability company on 8th August 2007 with a registered capital of RMB10,000,000 for a valid operation period from 8th August 2007 to 7th August 2037.

(6) According to the PRC legal opinion:–

(i) Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司), Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司), Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司) and Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) all are a 71.5% owned subsidiary of Neo-China, have obtained valid business licences; however, their establishments are defective and they do not have the appropriate qualification of real estate development, however, the legal risk of punishment is relatively low;

(ii) Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司), Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司), Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司) and Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) have fully settled the land premium and obtained Certificates for the Use of State-owned Land respectively;

(iii) Upon fulfilling the relevant stipulation in the Grant Contracts of Land Use Rights, Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司), Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司), Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司) and Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) have right to transfer, lease and pledge of the Property respectively;

(iv) The Property was granted together with other portion of land that has commenced development. Since portion of the whole land has commenced development, the Property is thus not considered as idle land.

(v) Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司), Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司), Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司) and Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) have obtained Planning Permit for Construction Use of Land. The permits have not been revoked or modified.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes (Partly)
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
33.	District F of Phase 1 and Phase 2 of Neo-China Forest Garden, No. 140 Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha, Hunan Province	The Property comprises four parcels of land with a total site area of approximately 481,355.42 sq m. As advised by Neo-China Group, the Property will be developed into a residential development with a total gross floor area of approximately 758,065.20 sq m (including basement). The land use rights of the Property have been granted for respective terms of 70 years due to expire on 21st October 2075 and 27th November 2076 for residential use.	The Property is currently vacant pending development.	RMB357,000,000 (67% interest attributable to Neo-China Group: RMB239,190,000)

Notes:

(1) According to four Certificates for the Use of State-owned Land, the land use rights of the Property comprising a total site area of 481,355.42 sq m have been vested in Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司):–

Certificate No.	Uses	Expiry Date	Site Area *(sq m)*
(2007)004	Residential	27th November 2076	88,880.90
(2007)005	Residential	27th November 2076	146,461.70
(2007)032	Residential	21st October 2075	186,544.00
(2009)487	Residential	21st October 2075	59,468.82
		Total	**481,355.42**

(2) According to four Grant Contracts of Land Use Rights, the land use rights of the Property have been granted to Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) for residential use:–

Date of Contract	Site Area *(sq m)*	Land Premium *(RMB)*	Plot Ratio
22nd October 2005	95,414.61	4,961,560	1.5
22nd October 2005	186,990.00	8,508,045	1.5
26th November 2006	88,881.33	4,586,277	1.5
27th November 2006	146,460.67	7,557,371	1.5
Total	**517,746.61**		

(3) According to Planning Permit for Construction Use of Land No. 200701004 dated 25th January 2007, the construction site of a parcel of land with a site area of 456.318 mu (304,212 sq m) is in compliance with the requirements of urban planning requirement.

According to Planning Permit for Construction Use of Land No. 200701005 dated 25th January 2007, the construction site of a parcel of land with a site area of 633.498 mu (422,332 sq m) is in compliance with the requirements of urban planning requirement.

(4) According to Business Licence No. 430122000003429, Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) was established as a limited liability company on 14th September 2005 with a registered capital of RMB30,000,000 for a valid operation period of 30 years.

(5) According to the PRC legal opinion:–

(i) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司), a 67% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has fully settled all land premium of the Property and obtained Certificates for the Use of State-owned Land;

(iii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;

(iv) Certificate for the Use of State-owned Land No. (2007) 005 and (2007) 032, with a total site area of 333,005.70 sq m are pledged to a bank. The transfer or further pledging is subject to the consent from the bank; and

(v) The related government department considers Phase 1 and Phase 2 of Neo-China Forest Garden as a whole development; Phase 1 has been completed, therefore, there is no action to the delay of commencement of Phase 2 construction.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contracts of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	No
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
34.	Phase 2 of Gongyuandadao, No. 66 Gingquan North Street, Yongquan Town, Wenjiang District, Chengdu, Sichuan Province	The Property comprises a parcel of land with a site area of approximately149,093.33 sq m. As advised by Neo-China Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 277,738 sq m (including basement). The land use rights of the Property have been granted for a term from 20th June 2006 to 17th December 2076 for residential use and from 20th June 2006 to 17th December 2046 for commercial use.	The Property is currently vacant pending development.	RMB576,000,000 (100% interest attributable to Neo-China Group: RMB576,000,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2008)25125, the land use rights of the Property, comprising a site area of 149,093.33 sq m, have been vested in Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) for a term from 20th June 2006 to 17th December 2076 for residential use and from 20th June 2006 to 17th December 2046 for commercial use.

(2) According to Grant Contract of Land Use Rights No. (2007)22 dated 16th December 2006 and the Supplements dated 2nd March 2007 and 28th July 2009:–

(i)	Grantee	:	Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司))
(ii)	Site Area	:	149,186.66 sq m
(iii)	Land Use	:	Commercial, residential
(iv)	Plot Ratio	:	Not less than 2.0
(v)	Land Premium	:	RMB521,407,400
(vi)	Land Use Term	:	40 years for commercial and 70 years for residential
(vii)	Building Covenant	:	Commence construction within 30 days of handing over the land

(3) According to Planning Permit for Construction Use of Land No. 510115200820045 dated 6th June 2008, the construction sites of land with a site area of 223.64 mu (149,093 sq m) are in compliance with urban planning requirements.

(4) According to two Planning Permits for Construction Works dated 9th June 2009, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed:–

Permit No.	Gross Floor Area (sq m)
510115200930068	213,158
510115200930069	64,580
Total	**277,738**

(5) According to Business Licence No. 5101231800997, Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) was established as a limited liability company on 30th January 2007 with a registered capital of RMB200,000,000 for a valid operation period from 30th January 2007 to 29th January 2027.

(6) According to the PRC legal opinion:–

(i) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

(iii) Chengdu Zhongxin-jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;

(iv) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) has obtained Planning Permit for Construction Use of Land and Planning Permit for Construction Works. The permits have not been revoked or modified; and

(v) The Property was granted together with other portion of land that has commenced development. Since portion of the whole land has commenced development, the Property is thus not considered as idle land.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
35.	Tai Yuan Street, west of Tianjin South Street, Heping District, Shenyang, Liaoning Province	The Property comprises three parcels of land with a total site area of approximately 22,651.30 sq m. As advised by Neo-China Group, the Property will be developed into a composite commercial development with a planned total gross floor area of approximately 180,000 sq m above ground. The land use rights of the Property have been granted for a term of 40 years due to expire on 11th January 2048 for commercial service uses.	The Property is currently vacant pending development.	RMB810,000,000 (80% interest attributable to Neo-China Group: RMB648,000,000)

Notes:

(1) According to three Certificates for the State-owned Land, the land use rights of the Property, comprising a total site area of 22,651.30 sq m, have been vested in Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) for a term of 40 years due to expire on 11th January 2048 for commercial service uses:–

Certificate No.	Lot No.	Site Area *(sq m)*
(2008)0006	012278101-1	7,708.40
(2008)0007	012278101-2	7,114.30
(2008)0085	012279302	7,828.60
	Total	**22,651.30**

(2) According to two Grant Contracts of Land Use Rights, the land use rights of the Property have been granted to Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) for a term of 40 years from 11th January 2008 to 11th January 2048 for commercial residential use:–

Contract No.	Lot No.	Site Area *(sq m)*	Land Premium *(RMB)*	Plot Ratio
(2008) 0005 dated 11/1/2008	012278101-1 & 012278101-2	14,822.70	311,291,522.70	Not more than 8
(2008) 0045 dated 29/4/2008	012279302	7,828.60	164,408,428	Not more than 8
	Total	**22,651.30**		

(3) According to Business Licence, Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) was established as a limited liability company on 9th February 2007 with a registered capital of USD63,750,000 for a valid operation period from 9th February 2007 to 8th February 2017.

(4) According to the PRC legal opinion:–

(i) Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司), a 80% owned subsidiary of Neo-China, has obtained a valid business licence and is legally established under the PRC law;

(ii) Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land with a total site area of 22,651.30 sq m;

(iii) Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;

(iv) Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) has obtained Planning Permit for Construction Use of Land;

(v) The Property is still within the 2 year to develop time limit is not delay in development; and

(vi) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
36.	A plot of land Lot No. A0203001 at east of Qiao East Line Road, Wangchiling Hills, Qiao Island, Zhuhai, Guangdong Province	The Property comprises a piece of land with a site area of 2,215,516.28 sq m. As advised by Neo-China Group, the Property will be developed into a composite residential/tourism development with a total gross floor area of approximately 770,000 sq m. The land use rights of the Property have been granted for terms due to expire on 30th November 2074 for residential use and 30th November 2044 for tourism use.	The Property is currently vacant pending development.	RMB2,250,000,000 (100% interest attributable to the Group: RMB2,250,000,000)

Notes:

(1) The Property comprises site area of 2,215,516.28 sq m; of which a site area of 2,015,131.23 sq m is registered in the Real Estate Title Certificate; whilst the remaining land 200,385.05 sq m site area which is currently occupied by army and villagers would be further registered after the related process has been completed. In the course of our valuation, we have valued on the basis that The Real Estate Title Certificate of the 200,385.05 sq m site area will be issued to Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) in due course.

(2) According to Real Estate Title Certificate No. C4701761, the land use rights of the Property, comprising a site area of 2,015,131.23 sq m (Under red-line plan, the site area is 2,215,516.28 sq m. A site area of 2,015,131.23 sq m is registered, but the remaining land 200,385.05 sq m site area which is currently occupied by army and villagers would be further registered after the related process has been completed.), have been vested in Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) for terms due to expire on 30th November 2074 for residential use and 30th November 2044 for tourism use.

(3) According to Construction Land Approval Letter No. (2006)113 dated 8th September 2006, the land nature of the construction sites of land with a site area of 2,215,516.28 sq m is granted and the land premium is RMB227,500,000.

(4) According to Planning Permit for Construction Use of Land No. (2006)086 dated 6th September 2006, the construction sites of land with a site area of 2,215,516.28 sq m are in compliance with urban planning requirements.

(5) According to Business Licence No. 440400400007208, Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) was established as a limited liability company on 13th December 1995 with a registered capital of RMB90,000,000 (with a paid-up capital of RMB90,000,000) for a valid operation period from 13th December 1995 to 6th November 2036.

(6) According to the PRC legal opinion:

(i) Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司), a 100% owned subsidiary of the Company as at 31st December 2009, has obtained valid business licence and is legally established under the PRC law;

(ii) Zhuhai City Yuzhuo Group Ltd. (珠海市淇洲島影視城有限公司) (the former shareholder of Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司)) has fully settled all land premium of the Property and obtained Grant Contract of Land Use Rights;

(iii) Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) has right to use, transfer, lease and mortgage the land use rights of the Property. Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) possesses the land Lot No. A0203001 with a site area of 2,215,516.28 sq m. and obtained the Real Estate Title Certificate with a registered site area of 2,015,131.23 sq m; the remaining land 200,385.05 sq m site area which is currently occupied by army and villagers would be further registered after the related process has been completed;

(iv) Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) has obtained Planning Permit for Construction Use of Land, but has not obtained Planning Permit for Construction Works and Permit for Commencement of Construction Works; and

(v) According to the Reply Letter of the problem of not identifiying as idle land of Neo-China Qiao Project (關於中新淇澳項目用地不認定土地閑置問題的復函) as approved by Land Resources Bureau, the Property is temporarily not identified as idle land. Supplemental Grant Contract of Land Use Rights should be further entered into to make clear the building covenant.

(7) The status of title and grant of major approvals and Licence in accordance with the information provided by Neo-China Group and the PRC legal opinion is as follows:–

Real Estate Title Certificate	Yes
Grant Contract of Land Use Rights	Yes
Construction Land Approval Letter	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	No
Permit for Commencement of Construction Works	No
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Property held by Neo-China Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
37.	Lot No. A1 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	The Property comprises a hotel and convention centre development erected upon a parcel of land with a site area of approximately 209,177.30 sq m. According to the information provided by Neo-China Group, the Property will be developed into a 5-storey plus basement hotel, six villas and a convention centre with a planned total gross floor area of approximately 84,290.82 sq m. The land use rights of the Property have been granted for a term due to expire on 30th March 2056 for composite use.	The hotel was put into operation in 2008 and the remaining portion of the Property is under construction and scheduled to be completed in the end of 2012.	RMB784,000,000 (71.5% interest attributable to Neo-China Group: RMB560,560,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2007) 010, the land use rights of the Property, comprising a site area of 209,177.30 sq m, have been granted to Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司) for a term due to expire on 30th March 2056 for composite use.

(2) According to Building Ownership Certificate No. 1175116018-1-1~1 dated 20th December 2007, the building ownership of a commercial service use building, with a total gross floor area of 68,745.82 sq m, has been vested in Xian Zhongxin Chanba Ouya Development Co., Ltd. (天津市凱津房地產開發有限公司).

(3) According to Grant Contract of Land Use Rights Nos. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:–

Lot No.	**A1**
Grantee	Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司)
Supplement Contract No.	(CB)707
Site Area	313 mu (208,667 sq m)
Land Use	Composite
Plot Ratio	0.39

According to the information provided by Neo-China, the land premium and resettlement compensation was approximately RMB63,100,000.

(4) According to Planning Permit for Construction Use of Land No. (2007)9 dated 3rd September 2007, the construction site of a parcel of land with a total site area of 323.946 mu is in compliance with the requirements of urban planning.

(5) According to two Planning Permits for Construction Works, the Property has been permitted for the construction with the development scheme as follows:

Permit No.	**Planned Gross Floor Area** *(sq m)*	**Issuing Date**
(2007)005	67,764.00	20th August 2007
(2009)007	15,545.00	28th February 2009
Total	**83,309.00**	

(6) According to two Permits for Commencement of Construction Works, the details scheme as follows:

Permit No.	**Planned Gross Floor Area** *(sq m)*	**Issuing Date**
(2007)010	67,764.00	14th September 2006
(2009)008	15,545.00	13th March 2009
Total	**83,309.00**	

(7) According to the information provided by Neo-China Group, a construction cost of approximately RMB669,400,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the above expended construction cost.

(8) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB937,000,000.

(9) According to Business Licence No. 610100100021048, Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司) was established as a limited liability company on 31st August 2007 with a registered capital of RMB50,000,000 for a valid operation period from 31st August 2007 to 28th December 2024.

(10) According to the PRC legal opinion:–

(i) Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licences; however, their establishments are defective and they do not have the appropriate qualification of real estate development, however, the legal risk of punishment is relatively low;

(ii) Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司) has right to transfer, lease and pledge of the Property;

(iii) Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. The permits have not been revoked or modified;

(iv) The hotel has been completed and under operation;

(v) The Property is subject to a guarantee of a pledge. The transfer or further pledging is subject to the consent from the pledger; and

(vi) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 83,309 sq m.

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes (Partly)
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

	HK$
Authorised:	
2,000,000,000 Shares of HK$0.1 each	200,000,000
Issued and fully paid up:	
1,079,765,000 Shares of HK$0.1 each	107,976,500

All of the Shares rank pari passu in all respects, including as to dividends, voting and capital.

The Shares in issue are listed on the Main Board of the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchanges.

3. DISCLOSURE OF INTERESTS

(a) As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the Shares and underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of Director	Capacity	Nature of interests	Number of issued Shares held	Approximate percentage of total issued share capital
Cai Yu Tian	Beneficial owner	Personal	622,000	0.06%
Lu Ming Fang	Beneficial owner	Personal	586,000	0.05%
Zhou Jie	Beneficial owner	Personal	333,000	0.03%
Qian Shi Zheng	Beneficial owner	Personal	679,000	0.06%
Zhou Jun	Beneficial owner	Personal	195,000	0.02%
Lo Ka Shui	Beneficial owner	Personal	1,127,518 *(Note 2)*	0.10%

Notes:

1. All interests stated above represented long positions.

2. 727,518 shares are physically settled options.

(b) As at the Latest Practicable Date, so far as was known to the Directors, the following Directors were also directors or employees of SIIC:

Name of Director	Position held in SIIC
Mr. Teng Yi Long	Executive Director and Chairman
Mr. Cai Yu Tian	Executive Director and President
Mr. Lu Ming Fang	Executive Director
Mr. Zhou Jie	Executive Director and Executive Vice President
Mr. Qian Shi Zheng	Vice President
Mr. Zhou Jun	Vice President

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group (excluding contracts expiring or determinable by any relevant member of the Group within one year without payment of compensation, other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2009, being the date to which the latest published audited accounts of the Group were made up.

6. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as were known to the Directors, none of the Directors and their respective associates had interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

8. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there was not any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited accounts of the Company were made up.

9. EXPERT AND CONSENT

The following are the qualifications of the experts who have given its report, opinion or advice which are contained in this circular:

Name	Qualification
Allbright	PRC legal advisers
CCIF	Certified Public Accountants
Crowe Horwath	Certified Public Accountants
Deloitte	Certified Public Accountants
DTZ	Property Valuer

As at the Latest Practicable Date, each of the experts named above:

(a) did not have any shareholding directly or indirectly in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Enlarged Group; and

(b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since 31 December 2009, being the date to which the latest published audited accounts of the Enlarged Group were made up.

Each of the experts named above has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter or reference to its letter of advice, and the references to its names included herein in the form and context in which they respectively appear. The valuation report is given as of the date of this circular for incorporation herein.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Enlarged Group within two years preceding the date of this circular and which are or may be material:

(i) the sale and purchase agreement dated 26 May 2008 entered into among S.I. Information Technology Holdings Limited as vendor and SIIC CM Development Limited as purchaser and SIIC as the purchaser's guarantor in relation to the disposal of the entire issued share capital in and shareholders' loan to Active Services Group Limited at the total consideration of HK$775,000,000;

(ii) the share transfer contract dated 17 June 2008 entered into between SI United Group Pharmaceutical Co., Ltd. as the purchaser and Jin Jiang International (Holdings) Ltd. as the vendor in relation to the disposal of 30% equity interest in SI United Changcheng Pharmaceutical Co., Ltd. at a consideration of RMB27,116,474;

(iii) the conditional sale and purchase agreement dated 21 July 2008 and the supplemental agreement dated 5 August 2008 both entered into among the Company as the purchaser, South Pacific Hotel Holdings Limited as the vendor and SIIC as the vendor's guarantor in relation to the acquisition of the entire issued share capital in and shareholders' loan to Good Cheer Enterprises Limited at an aggregate consideration of HK$1,350,000,000;

(iv) the conditional sale and purchase agreement dated 21 July 2008 and the supplemental agreement dated 5 August 2008 both entered into among SIIC CM Development Limited as the vendor, S.I. Infrastructure Holdings Limited as the purchaser and SIIC as the vendor's guarantor in relation to the acquisition of the entire issued share capital in and shareholders' loan to S.I. Hu Hang Development Limited at an aggregate consideration of HK$4,196,312,000;

(v) the facility agreement dated 15 October 2008 entered into among the Company, SIHL Finance Limited and a syndicate of banks and financial institutions for 3-year term loan facilities of up to HK$2,200 million;

(vi) the facility agreement dated 8 December 2008 entered into among the Company, SIHL Finance Limited and a syndicate of banks and financial institutions for 3-year term loan facilities of up to HK$670 million;

(vii) the equity interest transfer agreement dated 12 December 2008 entered into among Wing Fat Printing (Dongguan) Co., Ltd. as the purchaser, Tianjin Tiannan Trading Co., Ltd. and Xinnan Tianjin Paper Co., Ltd. both as the vendors in relation to the acquisition of the aggregate of 12.13% equity interest in Hebei Yongxin Paper Co., Ltd. at the total consideration of RMB26,359,370.27;

(viii) the widening construction agreement dated 16 January 2009 entered into between Shanghai Luqiao Development Co., Ltd. and Shanghai Public Road Construction Co. in relation to the appointment of Shanghai Public Road Construction Co. to implement the widening and alteration construction of the Xin-Song Section of Hu-Kun Expressway (Shanghai Section) pursuant to which the Group is responsible to contribute an aggregate amount of RMB1,200 million out of the total capital required;

(ix) the equity transfer agreement dated 21 January 2009 entered into among Shanghai Industrial Pharmaceutical Investment Co., Ltd. and Shanghai Hua Rui Investment Co. Ltd. both as the vendor and Bailian Group Co., Ltd. as the purchaser in relation to the disposal of the entire equity interest in Shanghai Industrial United (Group) Commercial Network Development Co., Ltd. at an aggregate consideration of RMB1,055,850,000;

(x) the acquisition agreement dated 11 June 2009 and the supplemental agreement dated 30 July 2009 both entered into among Bright New Investments Limited as the vendor, S.I. Properties Holdings Limited as the purchaser, Mr. Zhang Zhi Rong as the vendor's guarantor and the Company as the purchaser's guarantor in relation to the acquisition of the entire issued share capital in and shareholders' loan to Better Score Limited at a total consideration of US$ equivalent RMB2,000 million;

(xi) the share transfer agreement dated 26 June 2009 entered into between SIMST Medical Science and Technology Development Limited as the vendor and Shanghai ZJ Hi-Tech Investment Corporation as the purchaser in relation to the disposal of the entire interest in SIIC MedTech Health Products Limited at a consideration of USD66,109,500;

(xii) the share transfer agreement dated 30 June 2009 entered into between Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. as the purchaser and SIIC Investment (Shanghai) Co., Ltd. as the vendor in relation to the acquisition of 20% equity interest in Shanghai Galaxy Investments Co., Ltd. at a consideration of RMB16,000,000;

(xiii) the sale and purchase agreement dated 27 July 2009 entered into between Shanghai Industrial Financial (Holdings) Company Limited as the purchaser and the Company as the vendor in relation to the disposal of the entire issued share capital in and shareholders' loan to S. I. Technology Production Holdings Limited at an aggregate consideration of HK$1,099,961,604;

(xiv) the share transfer agreement dated 27 July 2009 entered into between Bright Food (Group) Co., Ltd. as the purchaser and S.I. Food Products Holdings Limited as the vendor in relation to the disposal of 30.176% interest in Bright Dairy & Food Co., Ltd. at a consideration of RMB1,550,013,386.34.

(xv) the sale and purchase agreement dated 12 August 2009 entered into between Glory Shine Holdings Limited as the vendor and S.I. Urban Development Holdings Limited as the purchaser in relation to the acquisition of the entire issued share capital in and shareholders' loan to S.I. Feng Mao Properties (BVI) Limited and S.I. Feng Qi Properties (BVI) Limited at an aggregate consideration of HK$445,748,963;

(xvi) the share issue and asset acquisition agreement dated 15 October 2009 entered into among Shanghai Pharmaceutical Co., Ltd., SIIC Shanghai Holdings Co., Ltd., and the Company in relation to the subscription by SIIC Shanghai Holdings Co., Ltd. for 169,028,200 A shares of Shanghai Pharmaceutical Co., Ltd. and the transfer of the total issued share capital in SIIC Medical Science and Technology (Group) Limited, a 70.41% interest in the total issued capital of Mergen Biotech Limited and a 9.28% shareholding interest in Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. by the Company to Shanghai Pharmaceutical Co., Ltd. at a consideration of RMB1,999,603,700;

(xvii) the share swap merger agreement dated 15 October 2009 among Shanghai Pharmaceutical Co., Ltd., Shanghai Industrial Pharmaceutical Investment Co., Ltd. and Shanghai Zhongxi Pharmaceutical Co., Ltd. pursuant to which Shanghai Pharmaceutical Co., Ltd. issued new A shares at RMB11.83 per share as the consideration payable to all the shareholders of Shanghai Industrial Pharmaceutical Investment Co., Ltd. and Shanghai Zhongxi Pharmaceutical Co., Ltd., to swap for all or part of their issued shares of Shanghai Industrial

Pharmaceutical Investment Co., Ltd. and Shanghai Zhongxi Pharmaceutical Co., Ltd. and an aggregate of RMB3,059,607,676.95 was received by the Group pursuant to the exercise of a cash option under the share swap;

(xviii) the second amendment agreement dated 2 December 2009 entered into between Moral Luck Group Limited and Rich Win Investments Limited as the borrowers, Group Fortune Development Limited, Neo-China as the sponsor and Oceana Assets Corp. as the lender in relation to the amendment of certain terms of the loan agreement dated 29 November 2007 between the borrowers and the lender as amended and supplemented by an amendment agreement for a loan facility in a principal amount of up to US$ equivalent RMB1,500,000,000.

(xix) the sale and purchase agreement dated 8 December 2009 entered into between Glory Shine Holdings Limited as the vendor and S.I. Urban Development Holdings Limited as the purchaser in relation to the acquisition of the entire issued share capital in and shareholders' loan to S.I. Feng Tao Properties (BVI) Limited at a consideration of RMB182,550,705;

(xx) the sale and purchase agreement dated 8 December 2009 entered into between Glory Shine Holdings Limited as the vendor and S.I. Urban Development Holdings Limited as the purchaser in relation to the acquisition of the entire issued share capital in and shareholders' loan to S.I. Feng Shun Properties (BVI) Limited at a consideration of RMB198,776,421;

(xxi) the sale and purchase agreement dated 8 December 2009 entered into between SIIC CM Development Limited as the vendor, S.I. Infrastructure Holdings Limited as the purchaser and SIIC as the purchaser's guarantor in relation to the acquisition of the entire issued share capital in and shareholders loan to S.I. Shen-Yu Development Limited at an aggregate consideration of RMB1,222,000,000;

(xxii) the equity interest transfer agreement dated 23 December 2009 entered into between Sichuan Swellfun Co., Ltd. as the vendor and The Wing Fat Printing Company, Limited as the purchaser in relation to the acquisition of 19% of the equity interest in Chengdu Wing Fat Printing Co., Ltd. at a consideration of RMB22,800,000;

(xxiii) the facility agreement dated 29 December 2009 entered into among the Company, Novel Good and a syndicate of banks and financial institutions for a 3-year-term and revolving loan facilities of up to HK$4,900 million;

(xxiv) the Sale and Purchase Agreement; and

(xxv) the Subscription Agreement.

11. LITIGATION

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

12. GENERAL

(a) The registered office of the Company is at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

(b) The share registrar and transfer office of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

(c) The company secretary of the Company is Mr. Leung Lin Cheong who is a Fellow of The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries, The Chartered Institute of Management Accountants and the Hong Kong Institute of Certified Public Accountants.

(d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's registered office in Hong Kong at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong up to and including 20 May 2010:

(a) the memorandum and articles of association of the Company;

(b) the annual report of the Company for each of the three years ended 31 December 2007, 31 December 2008 and 31 December 2009;

(c) the contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(d) written consents referred to in the paragraph headed "Expert and Consent" of this appendix;

(e) the annual reports of Neo-China for the financial year ended 30 April 2008 and the financial period ended 31 December 2009, extracts of which are set out in Appendix II to this circular;

(f) the report from Deloitte on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(g) the letter and valuation certificate prepared by DTZ, the text of which are set out in Appendix V to this circular; and

(h) all of the circulars of the Company issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules which have been issued since the date of the latest published audited accounts of the Company, being 31 December 2009.