

The cover features a vibrant green background with a complex architectural grid pattern. A large, semi-transparent circle is centered on the right side. In the lower half, a detailed architectural rendering of a modern high-rise building complex is shown, situated along a waterfront. Several small boats, including a sailboat and a kayak, are visible on the water in the foreground. Faint binary code (0s and 1s) is scattered across the upper left portion of the image.

ANNUAL REPORT 2009

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Corporate Information

DIRECTORS

Executive Directors

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Donald Fan Tung

(Chief Operating Officer)

Jimmy Lo Chun To

Lo Po Man

Kenneth Ng Kwai Kai

Kenneth Wong Po Man

Independent Non-Executive Directors

Bowen Joseph Leung Po Wing, GBS, JP

Ng Siu Chan

Abraham Shek Lai Him, SBS, JP

Wong Chi Keung

AUDIT COMMITTEE

Wong Chi Keung (Chairman)

Bowen Joseph Leung Po Wing, GBS, JP

Ng Siu Chan

Abraham Shek Lai Him, SBS, JP

REMUNERATION COMMITTEE

Lo Yuk Sui (Chairman)

Ng Siu Chan

Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

The Bank of East Asia, Limited

Standard Chartered Bank (Hong Kong) Limited

AUDITORS

Ernst & Young

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre, 11 Bermudiana Road,

Pembroke HM08, Bermuda

BRANCH REGISTRAR IN HONG KONG

Tricor Tengis Limited

26th Floor, Tesbury Centre,

28 Queen's Road East, Wanchai,

Hong Kong

REGISTERED OFFICE

Rosebank Centre, 11 Bermudiana Road,

Pembroke, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street,

Causeway Bay,

Hong Kong

Tel: 2894 7888

Fax: 2890 1697

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Directors' Profile

Mr. Lo Yuk Sui, aged 65; *Chairman and Chief Executive Officer* — Chairman and Managing Director since 1993 and designated as Chief Executive Officer in 2007. Mr. Lo has been the Managing Director and the Chairman of the predecessor listed companies of the Group since 1984 and 1986 respectively. He is also the chairman and chief executive officer of Century City International Holdings Limited (“CCIHL”), the ultimate listed holding company of the Company, Regal Hotels International Holdings Limited (“RHIHL”), the listed associate of the Company, and the non-executive chairman of Regal Portfolio Management Limited (“RPML”), the manager of Regal Real Estate Investment Trust (the listed associate of RHIHL). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

Mr. Donald Fan Tung, aged 53; *Executive Director and Chief Operating Officer* — Appointed to the Board in 1993 and designated as Chief Operating Officer in 2007. Mr. Fan has been with the Group since 1987 and is principally involved in the Group’s property development, architectural design and project management functions as well as overseeing the building construction business of the Group. Mr. Fan is a qualified architect. He is also an executive director of CCIHL and RHIHL and a non-executive director of RPML.

Mr. Bowen Joseph Leung Po Wing, *GBS, JP*, aged 60; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2008. Mr. Leung previously served the Hong Kong Government for over 32 years until his retirement as the Director of the Office of the Government of the Hong Kong Special Administrative Region in Beijing (“Beijing Office”) in November 2005. Mr. Leung joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr. Leung had served in various policy bureaux and departments. Senior positions held by Mr. Leung included: Deputy Secretary for District Administration (later retitled as Deputy Secretary for Home Affairs); Deputy Secretary for Planning, Environment and Lands; Private Secretary, Government House, Secretary for Planning, Environment and Lands and Director of the Beijing Office. Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as the Director of the Beijing Office, he had made commendable efforts in promoting Hong Kong in the Mainland, as well as fostering closer links and co-operation between Hong Kong and the Mainland. Mr. Leung is also an independent non-executive director and a member of the Audit Committee of PYI Corporation Limited and Green Global Resources Limited (to be renamed as “North Asia Resources Holdings Limited”), both of which are companies listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Mr. Jimmy Lo Chun To, aged 36; *Executive Director* — Appointed to the Board in 1999. He is also an executive director of CCIHL and RHIHL and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, U.S.A. with a degree in architecture. Apart from his involvement in the design of the Group’s property projects and the hotel projects of the RHIHL Group, he undertakes responsibilities in the business development function of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Miss Lo Po Man, aged 30; *Executive Director* — Appointed to the Board in 2007. Miss Lo graduated from Duke University, North Carolina, U.S.A. with a bachelor degree in psychology. She is also an executive director of CCIHL and RHIHL. Miss Lo joined the RHIHL Group in 2000 and has been involved in the marketing and sales functions of the RHIHL Group. Miss Lo is an executive director of the estate agency business of the RHIHL Group and has undertaken an active role in directing the marketing campaign of the Regalia Bay luxury residential development in Stanley, Hong Kong. She also undertakes responsibilities in the business development function of the RHIHL Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Kenneth Ng Kwai Kai, aged 55; *Executive Director* — Appointed to the Board in 1995. Mr. Ng has been with the Group since 1985 and is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. Mr. Ng is a Chartered Secretary. He is also an executive director and the chief operating officer of CCIHL, an executive director of RHIHL and a non-executive director of Cosmopolitan International Holdings Limited ("Cosmopolitan"), a company listed on the Stock Exchange.

Mr. Ng Siu Chan, aged 79; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 1995. Mr. Ng is also an independent non-executive director of CCIHL and RHIHL. He is a non-executive director of Transport International Holdings Limited, which is publicly listed in Hong Kong.

Hon Abraham Shek Lai Him, SBS, JP, aged 64; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2002. Mr. Shek holds a bachelor degree of Arts. He is currently a member of the Legislative Council for the Hong Kong Special Administrative Region. He is also a Member of the Council of The Hong Kong University of Science & Technology, Member of the Court of The University of Hong Kong, Director of The Hong Kong Mortgage Corporation Limited and Vice Chairman of Independent Police Complaints Council. Mr. Shek is an independent non-executive director and a member of the audit committee of Chuang's Consortium International Limited, the chairman and an independent non-executive director of Chuang's China Investments Limited, an independent non-executive director and a member of the audit committee of Country Garden Holdings Company Limited, ITC Corporation Limited, Lifestyle International Holdings Limited, Midas International Holdings Limited, NWS Holdings Limited, SJM Holdings Limited and Titan Petrochemicals Group Limited, and an independent non-executive director of Hop Hing Group Holdings Limited, Hsin Chong Construction Group Limited and MTR Corporation Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange), and RPML.

Directors' Profile (Cont'd)

Mr. Wong Chi Keung, aged 55; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. Mr. Wong is also an independent non-executive director of CCIHL and RHIHL. He holds a master's degree in business administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management, advising on securities and advising on corporate finance for Sinox Fund Management Limited under the Securities and Futures Ordinance of Hong Kong. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as "Yuexiu Property Company Limited"), a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, First Natural Foods Holdings Limited (Provisional Liquidators Appointed), FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed), Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited and TPV Technology Limited, all of which companies are listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management.

Mr. Kenneth Wong Po Man, aged 44; *Executive Director* — Appointed to the Board in 2007. Mr. Wong is a qualified architect. He graduated from the University of Hong Kong with a Bachelor of Arts Degree in Architectural Studies and a Bachelor Degree of Architecture. He also holds a Master of Science Degree in Real Estates from the University of Hong Kong. Mr. Wong has been with the Group for about 18 years. He has been involved in architectural design and project management in respect of various property development projects of the Group and its associates and is also the Technical Director of Chatwin Engineering Limited, the construction arm of the Group, registered under the Buildings Ordinance. Mr. Wong is also a non-executive director of Cosmopolitan.

Chairman's Statement



Dear shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31st December, 2009.

Chairman's Statement (Cont'd)

FINANCIAL RESULTS

For the year ended 31st December, 2009, the Group achieved a consolidated profit attributable to shareholders of HK\$429.5 million, as compared to the consolidated loss of HK\$468.8 million recorded in 2008. The profit attained for the year under review is mainly attributable to the fair value gains on certain financial assets and investment properties held by the Group and the contribution from Regal Hotels International Holdings Limited, its listed associate.

For the purpose of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on an adjusted basis to reflect more fairly the share of net assets as attributable to the interests held by Regal in Regal Real Estate Investment Trust, the listed associate of Regal, is provided in the section below headed "Management Discussion and Analysis" in this annual report.

DIVIDENDS

The Directors have resolved to recommend the payment of a final dividend of HK3.3 cents (2008 – HK2.0 cents) per ordinary share for the year ended 31st December, 2009, absorbing an amount of approximately HK\$33.6 million (2008 – HK\$20.4 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 9th June, 2010.

Together with the interim dividend of HK1.0 cent (2008 – HK1.8 cents, as adjusted for the 10-into-1 share consolidation implemented in October 2008) per ordinary share paid in October 2009, total dividends per ordinary share for the year ended 31st December, 2009 will amount to HK4.3 cents (2008 – HK3.8 cents, as adjusted).

BUSINESS OVERVIEW

PROPERTIES

The Group has a 30% joint venture interest in the luxury residential development project at Ap Lei Chau Inland Lot No.129. The project has a total gross floor area of about 913,000 square feet, comprising 9 residential towers with 715 luxury residential apartments and certain commercial areas on the ground floor, which will be complemented with club house and car parking facilities. The development has been named as "Larvotto" and the presale programme is planned to be launched shortly. Construction works for the project are expected to be completed by the end of 2010.

In October 2009, the Group completed the sale to Regal REIT of 75% equity interests in the then wholly owned subsidiaries of the Group that own major portions of the commercial building at No.211 Johnston Road in Wanchai, at a sale consideration based on an agreed property value of HK\$468 million. The Group has also granted to Regal REIT an option exercisable by Regal REIT to acquire from the Group the remaining 25% equity interests in the subject companies based on the terms as stipulated in the relevant agreements. As part of the transaction, the property has been leased to the Group for the property leasing and hotel operation business for a term to 31st December, 2010. Details of this transaction have been fully disclosed in the joint announcement and the circular of the Company published on 10th and 30th September, 2009, respectively. Part of the building has since been converted into a hotel with 50 hotel rooms, which is managed by the Regal group and operating as the "Regal iClub Hotel", and the building renamed as "Regal iClub Building". Since the commencement of business operations in December 2009, the Regal iClub Hotel has been well received. In view of the hotel's encouraging performance, an application was made for the conversion of the remaining 10 office floors into 49 additional guestrooms and suites and the requisite approval has recently been obtained. The Group will be in discussions with Regal REIT on the plans for the implementation of the new conversion programme.

The joint development project in the Central Business District of Beijing, which is owned through an associate that is in turn 50% owned by each of the Group and the Regal group, is presently encountering some complicated and complex issues. The Group's management will jointly with the Regal group use their best endeavours to deal with these difficult issues and to protect the interest of the Group's associate in the development project. Further information on this project is contained in the section headed "Management Discussion and Analysis".

CONSTRUCTION AND BUILDING RELATED BUSINESSES

To complement its property development activities, the Group operates a comprehensive range of construction and other building related businesses, encompassing development consultancy comprising architectural, engineering and interior design services, project management, building services, estate management as well as technology-based building management and security system and services. These business services are provided to affiliated as well as third party clients and have operated satisfactorily and profitably during the year under review.

OTHER INVESTMENTS

During the year, the Group participated as one of the cornerstone investors in the initial public offering of China Pacific Insurance (Group) Co., Ltd. The Group also owns within its investment portfolio substantial interests in the convertible bonds issued by certain subsidiaries of Cosmopolitan International Holdings Limited and convertible into new ordinary shares of Cosmopolitan and, in addition, approximately 16.9% of the issued ordinary shares of Cosmopolitan. For the year ended 31st December, 2009, the Group recorded significant fair value gains on its portfolio of financial assets, a large part of which was attributable to the interests held in the shares and convertible bonds of the Cosmopolitan group.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2009, Regal achieved a consolidated profit attributable to shareholders of HK\$431.1 million, as compared to the consolidated loss of HK\$808.8 million recorded in 2008.

The Group owns an effective controlling shareholding interest of approximately 48.7% in Regal.

REGAL REAL ESTATE INVESTMENT TRUST

The Regal group presently holds approximately 74.2% of the issued units of Regal REIT, which owns the five Regal Hotels as well as a 75% majority interest in Regal iClub Building in Hong Kong.

For the year ended 31st December, 2009, Regal REIT attained a consolidated profit before distributions to unitholders of HK\$626.8 million, as compared to a consolidated net loss of HK\$2,150.2 million before distributions to unitholders recorded in 2008. Total distributable income for 2009 amounted to approximately HK\$558.2 million, as compared to HK\$501.9 million in 2008. Total contribution from Regal REIT attributable to the Regal group, inclusive of the excess over the cost of acquisition by the Regal group of additional interests in Regal REIT, amounted to HK\$468.9 million for the year under review.

Regal Portfolio Management Limited, a wholly owned subsidiary of the Regal group, is acting as the REIT Manager of Regal REIT. For the management services provided, the REIT Manager received fees in an aggregate amount of HK\$70.8 million from Regal REIT for the year 2009, a majority part of which is settled by the issue of Regal REIT units.

Chairman's Statement (Cont'd)

HOTELS

2009 was on the whole a challenging year for hotel operators in Hong Kong. In the first half of the year, the travel market was adversely affected by the aftermath of the financial tsunami and the H1N1 swine flu pandemic. As the worldwide economies began to stabilise in the second half, hotel businesses in Hong Kong gradually improved. Total visitor arrivals to Hong Kong in 2009 were maintained at about the same level as that of 2008 and recorded a total count of approximately 29.6 million. Travelers from major overseas markets generally declined, particularly those from the Americas, Europe, Japan and South Korea. However, visitors from Mainland China continued to increase, rising to account for slightly over 60% of the total arrivals in 2009 and provided key supporting demand for the local hotel sector.

Based on the information published by Tourism Research of the Hong Kong Tourism Board, the average hotel room occupancy rate for all hotels in different categories in Hong Kong for the year 2009 was 78%, dropped from 85% in the previous year, with average achieved hotel room rate having also declined by 16.3%, primarily due to the reduced travelers from major overseas markets. The performance of the five Regal Hotels in Hong Kong in 2009 was likewise affected by the market downturn, with the average occupancy rate and the average achieved room rate having decreased by approximately 9.1% and 16.1%, respectively, as compared with 2008, which was generally in line with the overall market. Consequently, the results of the Regal group's hotel operation business for the year under review have been adversely impacted.

Alongside the hotel operation business, important focus has also been placed on the development of the hotel management network under the "Regal" brand, particularly in Mainland China. The Regal Jinfeng Hotel, located in Jinqiao Export Processing Zone in Pudong, was opened in October 2009 and is the third managed hotel property in Shanghai. In January 2010, the Regal group landed in Chengdu, Sichuan with the soft opening of the Regal Master Hotel, a 350-room luxurious international five-star hotel located in a prime commercial district in Chengdu city and managed by the Regal group. Another managed hotel expected to come on stream is the Regal Kangbo Hotel, a 215-room five-star hotel project under development in Dezhou, Shandong, scheduled to be opened in the third quarter this year. Recently, the Regal group has also entered into a memorandum of understanding to manage a block of service apartments under development in Waigaoqiao Free Trade Zone, Pudong, Shanghai, planned to be opened by the end of 2010 under a new Regal brand, the "Regal Residence".

Locally, the Regal group is providing management services to the 50-room Regal iClub Hotel in Wanchai, which is 75% owned by Regal REIT and 25% owned by the Group. Business at this new hotel since it commenced operation in late December 2009 has been encouraging. In the meantime, the Regal group is also actively working on extending its management services to hotel properties and projects overseas.

PROPERTIES

The Regal group sold in 2009 a total of 9 houses in Regalia Bay, Stanley for an aggregate sale consideration of HK\$754 million and certain of these sale contracts are still pending completion. The Regal group is currently retaining over 20 houses in Regalia Bay, some of which have been leased out for rental income. Due to the very limited supply, the price level of luxury residential properties on Hong Kong Island is expected to remain firm and the remaining houses will only be disposed of when the offered price is considered to be satisfactory.

The Regal group is steadily progressing with the composite development project in Chengdu, which is 50% owned by each of the Regal group and Cosmopolitan group. The first stage of the project will entail the construction on the two separate land parcels, respectively, a 300-room five-star hotel with extensive facilities and a residential development comprising 9 tower blocks with total gross floor area of about 1.5 million square feet and providing over 1,200 apartment units. Development works for the first stage have been commenced and presale of the residential development is expected to be launched before the end of this year. Stage two of the development project also comprises residential development which will have total gross floor area of about 1.9 million square feet, while stage three is planned for commercial and office accommodations with total gross floor area of about 1.5 million square feet.

As referred to above, Regal group is the joint venture partner of the Group with respect to the investment in the development project in the Central Business District of Beijing held through the 50%-owned associate.

OTHER INVESTMENTS

During the year, the Regal group also participated as one of the cornerstone investors in the initial public offering of China Pacific Insurance (Group) Co., Ltd. Moreover, the Regal group also owns within its investment portfolio substantial interests in the convertible bonds issued by Cosmopolitan group and, in addition, certain issued ordinary shares of Cosmopolitan. For the year ended 31st December, 2009, the Regal group recorded significant fair value gains on its portfolio of financial assets, including those attributable to the interests held in the shares and convertible bonds of the Cosmopolitan group.

OUTLOOK

With the sustained economic growth expected in China, the overall economy in Hong Kong should gradually continue to recover. In view of China's policies to promote Chinese citizens to travel to Hong Kong, including the relaxation of multiple entry permits for Shenzhen residents and the Individual Visit Schemes for major Mainland cities, and, more importantly, the staging of the World Expo in Shanghai later this year, the tourism market in Hong Kong should further improve. Moreover, it is also expected that the increasing number of travelers from Mainland China will not only serve to benefit the local hotel businesses with regard to occupancy level but, given their growing affluence and their willingness to spend more on hotel accommodation, should also help to enhance the average room rate. Overall, the Regal group is anticipating that the business operations at the Regal Hotels in Hong Kong in 2010 should produce more positive results than those achieved in the year under review.

The Regal group is maintaining a very solid financial position and, taking into account the cash resources, is effectively free of debt. Although the financial environment could still be volatile, general economic conditions are gradually stabilizing. The Regal group will make use of its financial strength to explore various investment opportunities with a view to expanding its investment and income base.

Based on present market projections, the Larvotto luxury residential development project will generate for the Group very substantial cash flow and profit contributions. With a view to re-expanding its property portfolio, the Group is seriously reviewing a number of property projects, most of which are located in China. The Directors anticipate that the Group will be able to regain growth momentum and to secure for its shareholders long term benefits in the coming years.

Chairman's Statement (Cont'd)

DIRECTORS AND STAFF

Finally, I would like to express my personal gratitude to all my fellow Directors for their contribution and support and all the management and staff members for their hard work and dedication.

LO YUK SUI

Chairman

Hong Kong
22nd March, 2010

Management Discussion and Analysis

BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise property development and investment, construction and building related businesses and other investments including, in particular, its interests in Regal Hotels International Holdings Limited ("RHIHL"), the listed associate of the Company. The significant investments and business interests of RHIHL comprise the hotel operation and management businesses, the investment in Regal Real Estate Investment Trust ("Regal REIT") (the listed associate of RHIHL), the asset management of Regal REIT, property development and investment, including the interest in the remaining houses in Regalia Bay in Stanley, and other investment businesses.

The performance of the Group's property, construction and building related and other investment businesses, RHIHL's hotel, property and other investment businesses as well as that of Regal REIT during the year under review, the commentary on the local hotel industry and changes in general market conditions and the potential impact on their operating performance and future prospects are contained in the preceding Chairman's Statement.

With respect to the joint development project in the Central Business District in Beijing and as previously reported in the interim report for the six months ended 30th June, 2009 of the Company, the associate which is 50% owned by each of the Group and the RHIHL group was engaged in arbitration proceedings conducted in Beijing, involving claims against the associate by the vendor for the rescission of the contracts entered into between the parties in 2005 for the purchase by the associate of an additional 36% shareholding interest in the joint venture entities that, in turn, own the development project. To the Group's surprise, the arbitral tribunal in Beijing has issued in late February 2010 an arbitral award in favour of the vendor. The associate presently holds an aggregate of 59% shareholding interest in the joint venture entities, which include the 36% additional shareholding interest acquired from the vendor in 2005, the subject matter of the arbitration proceedings. The associate has after taken legal advice lodged an application to the relevant court in Beijing to set aside the arbitral award. The Company has in this regard published an announcement on 15th March, 2010 on possible provision on the investment in this development project. Having considered the latest circumstances and taking into regard other litigations, claims and disputes affecting the development project, a provision of HK\$240.0 million has been made by the associate in respect of its investment in the project. The loss thus attributable to the Group has been reflected in the share of contributions from associates in the consolidated income statement for the year under review.

FINANCIAL REVIEW

CAPITAL AND FUNDING

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Property development projects are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date.

As the Group's banking facilities were all denominated in Hong Kong dollar currency, being the same currency in which the Group's major revenues are derived, and with interest primarily determined with reference to interbank offered rates, no hedging instruments for currency or interest rates purposes have been deployed during the year under review.

Management Discussion and Analysis (Cont'd)

Cash Flow

Net cash flows used in operating activities during the year under review amounted to HK\$42.7 million (2008 – HK\$17.1 million). Net interest receipt for the year amounted to HK\$0.1 million (2008 – HK\$1.1 million).

Borrowings

As at 31st December, 2009, the Group had cash and bank balances and deposits of HK\$305.1 million and no borrowings (2008 – cash and bank balances and deposits, net of borrowings, of HK\$63.4 million).

Details of the Group's pledge of assets and contingent liabilities are shown in notes 33 and 34, respectively, to the financial statements.

Details of the maturity profile of the Group's borrowings in the prior year are set out in note 26 to the financial statements.

Share Capital

During the year under review, a total of 53,906 new ordinary shares of the Company were allotted and issued to the holders of the 2010 Warrants of the Company ("2010 Warrants") who exercised the subscription rights in an aggregate amount of HK\$113,206.38 attaching to the 2010 Warrants at the adjusted subscription price of HK\$2.10 per ordinary share.

Up to the date of this report, a total of 0.8 million new ordinary shares of the Company have been allotted and issued upon exercise of the 2010 Warrants. As of the date of this report, the aggregate amount of the 2010 Warrants remaining outstanding is HK\$235.9 million, which entitle the holders to subscribe for 112.3 million new ordinary shares of the Company at the prevailing adjusted subscription price of HK\$2.10 per ordinary share (subject to adjustment).

ASSET VALUE

Based on the consolidated statement of financial position as at 31st December, 2009, the book net asset value of the ordinary shares of the Company was HK\$5.11 per share. Such book net asset value has been significantly affected by the elimination in the books of RHIHL of its unrealised gain on the disposal of the subsidiaries owning the hotel properties to Regal REIT in 2007 against the interest held by RHIHL in Regal REIT as well as the sharing by RHIHL of the fair value loss on the hotel properties held by Regal REIT for the year ended 31st December, 2008. The interest held by RHIHL in Regal REIT represented one of RHIHL's most significant investments but, as at 31st December, 2009, such interest was only stated at a value of HK\$140.0 million.

In order to more fairly reflect the underlying net asset value of the Group, management of the Group considers it appropriate to also present, for the purposes of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on an adjusted basis to restate the Group's interest in RHIHL based on its adjusted net assets to reflect the share of the underlying adjusted net assets of Regal REIT attributable to RHIHL. Accordingly, on the basis that RHIHL's interest in Regal REIT were to be stated based on the published unaudited adjusted net asset value per unit of Regal REIT of HK\$2.913 as at 31st December, 2009, calculated on the basis that the deferred tax liabilities provided by Regal REIT with regard to the revaluation surplus of its investment properties are added back, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$6.83 per share.

Management Discussion and Analysis (Cont'd)

	As at 31st December, 2009	
	HK\$'million	HK\$ per ordinary share
Book net assets after minority interests	5,210.7	5.11
Adjustment to restate the Group's interest in RHIHL on the basis noted above	1,751.0	
Unaudited adjusted net assets after minority interests	<u>6,961.7</u>	<u>6.83</u>

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

On 10th September, 2009, a sale and purchase agreement (the "S&P Agreement") was entered into between, among others, a wholly owned subsidiary of the Group as the Seller and DB Trustees (Hong Kong) Limited, acting in its capacity as trustee of Regal REIT and on behalf of Regal REIT, as the Purchaser relating to the disposal by the Seller to the Purchaser of 75% of (a) the Seller's shareholding interest in Twentyfold Investments Limited ("Twentyfold"), a then wholly owned subsidiary of the Seller, and (b) the adjusted shareholder's loans (the "Shareholder's Loan") owed by the Subject Group (comprising Twentyfold and its sole wholly owned subsidiary, Sonnix Limited ("Sonnix"), which directly owns certain properties at the office/commercial building located at 211 Johnston Road, Wanchai, Hong Kong (the "Property")) (the "Disposal").

The consideration for the sale of 75% of Twentyfold's shares under the Disposal was equal to 75% of the adjusted net asset value of the Subject Group (the "Adjusted NAV") as at the date of the completion of the Disposal. The Adjusted NAV was determined based on, among other factors, the net asset value of the Subject Group and the appraised value of the Property (the "Appraised Value") of HK\$479 million as of 30th June, 2009, with an agreed discount of HK\$11 million. The valuation of the Property was carried out by an independent valuer, and the Appraised Value was based on the assumption that the Asset Enhancement Programme (as referred to below) had been completed. Based on the net asset value of the Subject Group of approximately HK\$5.3 million as at 30th June, 2009 (comprising the Property with a book value of HK\$404 million and other assets and liabilities of the Subject Group) and the agreed value of HK\$468 million for the Property, 75% of the Adjusted NAV as at 30th June, 2009 amounted to approximately HK\$59.4 million. The Shareholder's Loan was to be in an amount of approximately HK\$181.0 million (being intercompany loan of HK\$390.9 million as at 30th June, 2009, less the net proceeds of HK\$209.9 million to be drawn down from the bank loan of up to a principal amount of HK\$211 million by the Subject Group and applied towards partial repayment of the intercompany loan upon completion of the Disposal) (subject to completion adjustment) on a dollar to dollar basis, 75% of which Shareholder's Loan equaled to approximately HK\$135.8 million. Pursuant to the S&P Agreement, the aggregate consideration for the Disposal would not exceed HK\$210 million.

The Disposal was subsequently completed on 20th October, 2009, and as a result, Twentyfold and Sonnix become 25% owned associates of the Group. After taking into account the completion adjustment, the aggregate consideration for the Disposal was HK\$194.7 million.

Management Discussion and Analysis (Cont'd)

Pursuant to the S&P Agreement, on completion of the Disposal:

- (1) a call option exercisable at the Purchaser's discretion during the period from 1st November, 2010 to 28th February, 2011 was granted by the Seller to the Purchaser for the sale by the Seller to the Purchaser of (a) the remaining 25% shareholding interest in Twentyfold at 25% of the Adjusted NAV (but with no discount to the Appraised Value) as at the date of completion of the transfer and (b) the then outstanding shareholder's loan owing by the Subject Group to the Seller, subject to an aggregate maximum consideration of HK\$98 million (the "Option Disposal"); and
- (2) a put right exercisable at the Purchaser's discretion was granted by the Seller to the Purchaser for the transfer to the Seller of (a) the 75% shareholding interest in Twentyfold sold to the Purchaser under the Disposal at 75% of the Adjusted NAV (with agreed discount to the Appraised Value) as at the date of completion of the transfer, and (b) any loan then due from the Subject Group to the Purchaser, subject to an aggregate maximum consideration of HK\$392 million, with a view to unwinding the transactions under the S&P Agreement, if (i) the Asset Enhancement Programme, or (ii) the amendment of the deed of mutual covenant and management agreement relating to the building at 211 Johnston Road to permit the intended use of Sonnix's properties at the building after completion of the Asset Enhancement Programme (the "DMC Amendments"), would not be completed by 31st December, 2010 (the "Unwinding").

As contemplated under the S&P Agreement, the Seller had undertaken to the Purchaser to complete at its own costs an asset enhancement programme (the "Asset Enhancement Programme") for the conversion of part of its properties at 211 Johnston Road to hotel accommodations for the establishment of a 50-room hotel named as "Regal iClub Hotel (富豪薈酒店)" and the obtaining of necessary licences for the operation of the hotel. The Asset Enhancement Programme was completed in December 2009, and the Regal iClub Hotel commenced business on 25th December, 2009. Furthermore, the DMC Amendments have also been duly executed by the requisite parties on 19th October, 2009.

Real Charm Investment Limited ("Real Charm"), also a wholly owned subsidiary of the Group, has leased from Sonnix part of its properties at 211 Johnston Road (including the Regal iClub Hotel and certain commercial/office units) for a period commencing on the day following completion of the Disposal and ending on 31st December, 2010 at the rental of HK\$2 million per calendar month (subject to adjustment) to operate and manage the Regal iClub Hotel and the leasing business of the relevant leased properties (the "Lease Transaction"). For management of the Regal iClub Hotel, Regal Hotels International Limited, a wholly owned subsidiary of RHIHL, has been appointed by Real Charm to act as the hotel manager for a period commencing on the date on which the hotel licence was issued to 31st December, 2010 (or the last day of the lease under the relevant lease agreement between Sonnix and Real Charm if so early terminated by Sonnix) at a management fee of 5% of the gross revenues of the Regal iClub Hotel, subject to a minimum amount of HK\$80,000 per month.

Further, on completion of the Disposal, the Company has provided a several guarantee in respect of a bank loan of a principal amount of up to HK\$211 million made available to Sonnix in the amount proportional to the Seller's equity interest in Sonnix (the "Bank Guarantee"). Pursuant to the shareholders' agreement in respect of the Subject Group dated 20th October, 2009 (the "Shareholders' Agreement"), the Company may provide a several guarantee proportionate to the Seller's equity interest in Sonnix after completion of the Disposal in respect of any refinancing of the bank loan with a maximum principal amount of HK\$250 million, unless otherwise agreed by the shareholders of Sonnix (the "Refinancing Guarantee", and together with the Bank Guarantee, the "Bank and Refinancing Guarantee").

Each of (a) the Disposal and the Option Disposal, which were aggregated as a single transaction, and (b) the Unwinding, which was deemed to be a separate transaction, constituted (i) a major transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and (ii) a connected transaction for the Company under Chapter 14A of the Listing Rules. The Bank and Refinancing Guarantee constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. The Lease Transaction constituted a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Relevant announcement and shareholders' or independent shareholders' approval requirements under the Listing Rules relating to all these transactions had been complied with by the Company, which formed part of the conditions precedent for completion of the Disposal.

Details of the above transactions contemplated under the S&P Agreement and the Shareholders' Agreement were disclosed in the announcement dated 10th September, 2009 and the circular dated 30th September, 2009 of the Company.

Save as disclosed herein, during the year under review, there were no other material acquisitions or disposals of subsidiaries or associates of the Company.

Save as otherwise disclosed in the Chairman's Statement, the Group has no immediate plans for material investments or capital assets.

STAFF AND REMUNERATION POLICY

The Group, together with the RHIHL group, employ approximately 2,040 staff in Hong Kong. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include a mandatory provident fund scheme as well as medical and life insurance.

With a view to providing long term incentives, the Company maintains a share option scheme named as "The Paliburg Holdings Limited Share Option Scheme", under which share options have been granted to selected eligible persons.

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiaries are property development and investment, construction and building related businesses, and other investments. Regal Hotels International Holdings Limited (“RHIHL”), the listed associate of the Company, and its subsidiaries (together, the “RHIHL Group”) are engaged in the business activities of hotel operation and management, investment in Regal Real Estate Investment Trust (“Regal REIT”) (the listed associate of RHIHL), asset management of Regal REIT, property development and investment, and other investments.

There have been no significant changes in these activities during the year.

The turnover and contribution to trading results by each principal activity are set out in note 4 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 51 to 129.

DIVIDENDS

An interim dividend of HK1.0 cent (2008 – HK1.8 cents, as adjusted for the 10-into-1 share consolidation implemented in October 2008) per ordinary share, absorbing an amount of approximately HK\$10.2 million (2008 – HK\$18.3 million), was paid to holders of ordinary shares during the year.

The Directors now recommend the payment of a final dividend of HK3.3 cents (2008 – HK2.0 cents) per ordinary share for the year ended 31st December, 2009, absorbing an amount of approximately HK\$33.6 million (2008 – HK\$20.4 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 9th June, 2010. This recommendation has been incorporated in the financial statements.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Friday, 4th June, 2010 to Wednesday, 9th June, 2010, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the proposed final dividend, all transfers of ordinary shares and/or subscriptions of the outstanding 2010 Warrants of the Company, duly accompanied by the relevant certificates together with, where appropriate, the relevant subscription moneys, must be lodged with the Company’s branch registrar in Hong Kong, Tricor Tengis Limited, no later than 4:00 p.m. on Thursday, 3rd June, 2010. The relevant dividend warrants are expected to be despatched on or about 30th June, 2010.

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Mr. Donald Fan Tung
Mr. Bowen Joseph Leung Po Wing, GBS, JP
Mr. Jimmy Lo Chun To
Miss Lo Po Man
Mr. Kenneth Ng Kwai Kai
Mr. Ng Siu Chan
Hon Abraham Shek Lai Him, SBS, JP
Mr. Wong Chi Keung
Mr. Kenneth Wong Po Man

During the year, there have been no changes in Directors of the Company.

In accordance with Bye-law 99 of the Bye-laws of the Company and for compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), Mr. Kenneth Ng Kwai Kai and Mr. Kenneth Wong Po Man, both Executive Directors, and Mr. Ng Siu Chan, an Independent Non-Executive Director, will retire from office by rotation at the 2010 Annual General Meeting.

All the above retiring Directors, being eligible, have offered themselves for re-election at the 2010 Annual General Meeting. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Listing Rules, are set out in the circular of the Company relating to, inter alia, re-election of Directors sent to shareholders together with the 2009 Annual Report.

The Company has received from each of the four incumbent Independent Non-Executive Directors an annual confirmation of independence as required under Rule 3.13 of the Listing Rules. The Company considers that all of these Independent Non-Executive Directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS

Save as otherwise disclosed, none of the Directors had any beneficial interests, whether direct or indirect, in any significant contract to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party at the end of the reporting period or at any time during the year.

None of the Directors had any service contract, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), with the Company or any of its subsidiaries during the year.

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement whose objects are to enable a Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the share option scheme of the Company named as "The Paliburg Holdings Limited Share Option Scheme" (the "Paliburg Share Option Scheme") and the share option scheme of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, named as "The Century City International Holdings Limited Share Option Scheme" (the "Century Share Option Scheme") (together, the "Schemes"), under which options have been granted to certain Directors.

During the year, no option was granted to any Directors under the Schemes, and none of the Directors exercised options to subscribe for shares under the Schemes.

Report of the Directors (Cont'd)

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2009)
			Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) issued	60,062,373	639,988,685 (Note c(i))	13,500	700,064,558
		(ii) unissued	21,951,641 (Notes c(ii) & (iii))	64,284,117 (Notes c(iv) & (v))	1,500 (Note c(vi))	86,237,258
					Total (i) & (ii):	786,301,816 (77.13%)
	Mr. Donald Fan Tung	Ordinary (i) issued	471	-	-	471
		(ii) unissued	2,232,085 (Note d)	-	-	2,232,085
					Total (i) & (ii):	2,232,556 (0.22%)

Report of the Directors (Cont'd)

	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2009)
			Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr. Jimmy Lo Chun To	Ordinary (i) issued	38,340	-	-	38,340
		(ii) unissued	2,236,260 (Note e)	-	-	2,236,260
						Total (i) & (ii):
						2,274,600 (0.22%)
	Miss Lo Po Man	Ordinary (unissued)	1,116,000 (Note f)	-	-	1,116,000 (0.11%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (i) issued	67,500	-	-	67,500
		(ii) unissued	2,183,700 (Note g)	-	-	2,183,700
						Total (i) & (ii):
						2,251,200 (0.22%)
	Mr. Ng Siu Chan	Ordinary (i) issued	-	-	72,427	72,427
(ii) unissued		-	-	8,047 (Note h)	8,047	
					Total (i) & (ii):	
					80,474 (0.008%)	
Mr. Kenneth Wong Po Man	Ordinary (i) issued	200	-	-	200	
	(ii) unissued	1,116,000 (Note f)	-	-	1,116,000	
					Total (i) & (ii):	
					1,116,200 (0.11%)	

Report of the Directors (Cont'd)

Name of associated corporation	Name of Director	Class of shares held	Personal interests	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2009)
				Corporate interests	Family/Other interests		
2. Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (i) issued	35,301,690	1,166,482,217 (Note a(i))	251,000	1,202,034,907	
		(ii) unissued	40,890,338 (Notes a(ii) & (iii))	233,296,441 (Note a(iv))	50,200 (Note a(v))	274,236,979	
					Total (i) & (ii):	1,476,271,886 (61.72%)	
	Mr. Jimmy Lo Chun To	Ordinary (i) issued	165,980	–	–	165,980	
		(ii) unissued	33,196 (Note b(i))	–	–	33,196	
					Total (i) & (ii):	199,176 (0.008%)	
	Miss Lo Po Man	Ordinary (i) issued	74,043	–	–	74,043	
		(ii) unissued	14,808 (Note b(ii))	–	–	14,808	
					Total (i) & (ii):	88,851 (0.004%)	
	Mr. Ng Siu Chan	Ordinary (i) issued	–	–	2,322,180	2,322,180	
(ii) unissued		–	–	464,436 (Note b(iii))	464,436		
				Total (i) & (ii):	2,786,616 (0.12%)		
Mr. Kenneth Wong Po Man	Ordinary (i) issued	200	–	–	200		
	(ii) unissued	40 (Note b(iv))	–	–	40		
				Total (i) & (ii):	240 (0.000%)		

Report of the Directors (Cont'd)

	Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2009)		
				Personal interests	Corporate interests	Family/Other interests			
3.	RHIHL	Mr. Lo Yuk Sui	Ordinary (i) issued	24,200	492,209,261 (Note i(i))	260,700	492,494,161		
			(ii) unissued	20,000,000 (Note i(ii))	–	–	20,000,000		
								Total (i) & (ii):	512,494,161 (50.70%)
		Mr. Donald Fan Tung	Ordinary (unissued)	2,000,000 (Note j)	–	–	2,000,000 (0.20%)		
		Mr. Jimmy Lo Chun To	Ordinary (unissued)	1,500,000 (Note k)	–	–	1,500,000 (0.15%)		
		Miss Lo Po Man	Ordinary (i) issued	300,000	–	269,169 (Note l(i))	569,169		
			(ii) unissued	3,000,000 (Note l(ii))	–	–	3,000,000		
								Total (i) & (ii):	3,569,169 (0.35%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	2,000,000 (Note j)	–	–	2,000,000 (0.20%)		
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)		
4.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note m)	–	1,000 (100%)		

Report of the Directors (Cont'd)

Notes:

- (a) (i) The interests in 91,482,217 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo") and a company, namely Master City Limited, 99.9% owned by Mr. Lo.

The interests in 1,075,000,000 issued ordinary shares of CCIHL were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	50.25
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern Investments Limited ("Grand Modern")	Century Digital Holdings Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern	Century Digital Holdings Limited	100.00

- (ii) The interests in 35,000,000 unissued ordinary shares of CCIHL were held through the interests in the options granted under the Century Share Option Scheme, entitling the holder thereof to subscribe for a total of 35,000,000 new ordinary shares of CCIHL at an adjusted exercise price of HK\$1.20 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of CCIHL under vested options</u>
12th May, 2007 to 11th May, 2011	14,000,000
12th May, 2008 to 11th May, 2011	7,000,000
12th May, 2009 to 11th May, 2011	7,000,000
12th May, 2010 to 11th May, 2011	7,000,000

- (iii) The interests in 5,890,338 unissued ordinary shares of CCIHL related to the interests in the warrants of CCIHL (the "2011 Warrants") carrying subscription rights in an aggregate amount of HK\$5,890,338.00, which are exercisable during the period from 18th April, 2006 to 11th January, 2011 to subscribe for a total of 5,890,338 new ordinary shares of CCIHL at an adjusted subscription price of HK\$1.00 per ordinary share (subject to adjustment).

Report of the Directors (Cont'd)

- (iv) The interests in 233,296,441 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$233,296,443.60, which are exercisable to subscribe for a total of 233,296,441 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.

The interests in 18,296,441 unissued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo and a company, namely Master City Limited, 99.9% owned by Mr. Lo.

The interests in 215,000,000 unissued ordinary shares of CCIHL were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	50.25
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern	Century Digital Holdings Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern	Century Digital Holdings Limited	100.00

- (v) The interests in 50,200 unissued ordinary the shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$50,200.00, which are exercisable to subscribe for a total of 50,200 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.

- (b) (i) The interests in 33,196 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$33,196.00, which are exercisable to subscribe for a total of 33,196 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (ii) The interests in 14,808 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$14,808.70, which are exercisable to subscribe for a total of 14,808 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (iii) The interests in 464,436 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$464,436.00, which are exercisable to subscribe for a total of 464,436 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (iv) The interests in 40 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$40.00, which are exercisable to subscribe for a total of 40 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.

Report of the Directors (Cont'd)

- (c) (i) The interests in 598,070,625 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 50.25% shareholding interests.

The interests in 14,592,860 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 27,325,200 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

- (ii) The interests in 20,088,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 20,088,000 new ordinary shares of the Company at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of the Company under vested options</u>
12th May, 2007 to 11th May, 2011	8,035,200
12th May, 2008 to 11th May, 2011	4,017,600
12th May, 2009 to 11th May, 2011	4,017,600
12th May, 2010 to 11th May, 2011	4,017,600

- (iii) The interests in 1,863,641 unissued ordinary shares of the Company related to the interests in the warrants of the Company (the "2010 Warrants") carrying subscription rights in an aggregate amount of HK\$3,913,646.94, which are exercisable during the period from 20th November, 2007 to 8th November, 2010 to subscribe for a total of 1,863,641 new ordinary shares of the Company at an adjusted subscription price of HK\$2.10 per ordinary share (subject to adjustment).
- (iv) The interests in 59,465,921 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$124,878,444.39, which are exercisable to subscribe for a total of 59,465,921 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above and were held through companies wholly owned by CCIHL, in which Mr. Lo held 50.25% shareholding interests.

Report of the Directors (Cont'd)

- (v) The interests in 4,818,196 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$10,118,213.28, which are exercisable to subscribe for a total of 4,818,196 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

The interests in 1,678,825 unissued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 3,139,371 unissued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

- (vi) The interests in 1,500 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$3,150.00, which are exercisable to subscribe for a total of 1,500 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

- (d) (i) The interests in 2,232,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 2,232,000 new ordinary shares of the Company at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of the Company under vested options</u>
25th July, 2007 to 24th July, 2011	892,800
25th July, 2008 to 24th July, 2011	446,400
25th July, 2009 to 24th July, 2011	446,400
25th July, 2010 to 24th July, 2011	446,400

- (ii) The interests in 85 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$179.55, which are exercisable to subscribe for a total of 85 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

Report of the Directors (Cont'd)

- (e) (i) The interests in 2,232,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 2,232,000 new ordinary shares of the Company at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of the Company under vested options</u>
25th July, 2007 to 24th July, 2011	892,800
25th July, 2008 to 24th July, 2011	446,400
25th July, 2009 to 24th July, 2011	446,400
25th July, 2010 to 24th July, 2011	446,400

- (ii) The interests in 4,260 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$8,946.00, which are exercisable to subscribe for a total of 4,260 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

- (f) The interests in 1,116,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 1,116,000 new ordinary shares of the Company at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of the Company under vested options</u>
25th July, 2007 to 24th July, 2011	446,400
25th July, 2008 to 24th July, 2011	223,200
25th July, 2009 to 24th July, 2011	223,200
25th July, 2010 to 24th July, 2011	223,200

- (g) (i) The interests in 2,176,200 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 2,176,200 new ordinary shares of the Company at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options remaining outstanding have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of the Company under vested options</u>
25th July, 2007 to 24th July, 2011	837,000
25th July, 2008 to 24th July, 2011	446,400
25th July, 2009 to 24th July, 2011	446,400
25th July, 2010 to 24th July, 2011	446,400

- (ii) The interests in 7,500 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$15,750.00, which are exercisable to subscribe for a total of 7,500 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

Report of the Directors (Cont'd)

(h) The interests in 8,047 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$16,899.75, which are exercisable to subscribe for a total of 8,047 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

(i) (i) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 50.25% shareholding interests, and the interests in the other 491,787,861 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 58.67% shareholding interests.

(ii) The interests in 20,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the share option scheme of RHIHL named as "The Regal Hotels International Holdings Limited Share Option Scheme" (the "Regal Share Option Scheme"), entitling the holder thereof to subscribe for a total of 20,000,000 new ordinary shares of RHIHL at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of RHIHL under vested options</u>
12th May, 2007 to 11th May, 2011	8,000,000
12th May, 2008 to 11th May, 2011	4,000,000
12th May, 2009 to 11th May, 2011	4,000,000
12th May, 2010 to 11th May, 2011	4,000,000

(j) The interests in 2,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 2,000,000 new ordinary shares of RHIHL at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of RHIHL under vested options</u>
25th July, 2007 to 24th July, 2011	800,000
25th July, 2008 to 24th July, 2011	400,000
25th July, 2009 to 24th July, 2011	400,000
25th July, 2010 to 24th July, 2011	400,000

(k) The interests in 1,500,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 1,500,000 new ordinary shares of RHIHL at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of RHIHL under vested options</u>
25th July, 2007 to 24th July, 2011	600,000
25th July, 2008 to 24th July, 2011	300,000
25th July, 2009 to 24th July, 2011	300,000
25th July, 2010 to 24th July, 2011	300,000

Report of the Directors (Cont'd)

- (l) (i) The interests in 269,169 issued ordinary shares of RHIHL were held by Miss Lo Po Man as the beneficiary of a trust.
- (ii) The interests in 3,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 3,000,000 new ordinary shares of RHIHL at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of RHIHL under vested options</u>
25th July, 2007 to 24th July, 2011	1,200,000
25th July, 2008 to 24th July, 2011	600,000
25th July, 2009 to 24th July, 2011	600,000
25th July, 2010 to 24th July, 2011	600,000

- (m) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 50.25% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 31st December, 2009, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

During the year, no right has been granted to, or exercised by, the following persons to subscribe for shares in or debentures of the Company under the Paliburg Share Option Scheme, and no option granted to such persons under the Paliburg Share Option Scheme has been cancelled and lapsed:

- (i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) any participant under the Paliburg Share Option Scheme with options granted in excess of the individual limit;
- (iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;
- (iv) any supplier of goods or services; and
- (v) any other participants under the Paliburg Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2009, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares (unissued) held	Total number of ordinary shares (issued and unissued) held	Approximate percentage of issued ordinary shares as at 31st December, 2009
CCIHL (Note i)	598,070,625	59,465,921	657,536,546	64.50%
Century City BVI Holdings Limited ("CCBVI") (Note ii)	598,070,625	59,465,921	657,536,546	64.50%
Almighty International Limited ("Almighty") (Note ii)	280,566,960	29,839,566	310,406,526	30.45%
Cleerview Investments Limited ("Cleerview") (Note ii)	162,118,838	18,692,632	180,811,470	17.74%

Notes:

- (i) Mr. Lo Yuk Sui directly and indirectly held 50.25% shareholding interests in CCIHL, and the interests in these ordinary shares of the Company held by CCIHL through its wholly owned subsidiaries were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) These companies are wholly owned subsidiaries of CCIHL and their interests in the ordinary shares of the Company were included in the interests held by CCIHL.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 31st December, 2009, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

Details of directorships of the Company's Directors in each of those companies which has an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

- (1) Mr. Lo Yuk Sui, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Ng Kwai Kai, Mr. Ng Siu Chan and Mr. Wong Chi Keung are directors of CCIHL.
- (2) Messrs. Lo Yuk Sui, Donald Fan Tung and Kenneth Ng Kwai Kai are directors of CCBVI, Almighty and Cleerview.

Report of the Directors (Cont'd)

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 30th June, 2009 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	Details of changes
<i>Executive Directors:</i>	
Mr. Lo Yuk Sui	<ul style="list-style-type: none">Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK\$199,500 commencing from January 2010. (Notes)
Mr. Donald Fan Tung	<ul style="list-style-type: none">Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK\$78,650 commencing from January 2010. (Notes)
Mr. Jimmy Lo Chun To	<ul style="list-style-type: none">Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK\$72,100 commencing from January 2010. (Notes)
Miss Lo Po Man	<ul style="list-style-type: none">Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK\$10,900 commencing from January 2010. (Notes)
Mr. Kenneth Ng Kwai Kai	<ul style="list-style-type: none">Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK\$37,000 commencing from January 2010. (Notes)
Mr. Kenneth Wong Po Man	<ul style="list-style-type: none">Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK\$106,000 commencing from January 2010. (Notes)Appointment as a non-executive director of Cosmopolitan International Holdings Limited, a company listed on the Stock Exchange, with effect from 1st March, 2010.

Independent Non-Executive Directors:

- | | |
|---|--|
| Mr. Bowen Joseph Leung Po Wing, GBS, JP | <ul style="list-style-type: none">• Appointment as an independent non-executive director and a member of the audit committee of Green Global Resources Limited (to be renamed as "North Asia Resources Holdings Limited"), a company listed on the Stock Exchange, with effect from 26th March, 2010. |
| Mr. Wong Chi Keung | <ul style="list-style-type: none">• Presently a responsible officer for Sinox Fund Management Limited, instead of Legend Capital Partners, Inc., under the SFO.• Appointment as an independent non-executive director and a member of the audit committee of Ngai Lik Industrial Holdings Limited, a company listed on the Stock Exchange, with effect from 19th January, 2010. |

Notes:

- (i) Each Executive Director is also entitled to performance based discretionary bonus, incentive share options and other related employee benefits and allowances for the executive role in the Group, and normal Director's fee in the amount of HK\$100,000 per annum in acting as a Director of the Company.
- (ii) Details of the remunerations of the Executive Directors for the year ended 31st December, 2009 are disclosed in note 9 to the financial statements.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors' Profile".

Report of the Directors (Cont'd)

CONNECTED TRANSACTIONS

Relevant details relating to the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee and the Lease Transaction (all as referred to in the section of "Material Acquisitions and Disposals of subsidiaries or Associates" in the preceding "Management Discussion and Analysis"), which constituted connected or continuing connected transactions to the Company under Chapter 14A of the Listing Rules, are disclosed in that section.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of purchases attributable to the Group's 5 largest suppliers and the percentage of turnover or sales attributable to the Group's 5 largest customers combined in respect of goods and services was in each case less than 30% of the total amount involved.

PROPERTY, PLANT AND EQUIPMENT

The details of movements in property, plant and equipment during the year are set out in note 15 to the financial statements.

INVESTMENT PROPERTIES

The details of movements in investment properties during the year are set out in note 16 to the financial statements.

BORROWINGS

The details of the Group's borrowings at the end of the reporting period are set out in note 26 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

The details of movements in the share capital and share options of the Company, together with reasons therefor, during the year are set out in note 28 to the financial statements.

SHARE PREMIUM ACCOUNT

The details of movements in the share premium account during the year are set out in note 28 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 30 to the financial statements.

ASSOCIATES

Particulars of the Group's interests in its associates are set out in note 17 to the financial statements.

RESERVES

The details of movements in the reserves of the Company and the Group during the year are set out in note 29(b) and the consolidated statement of changes in equity of the financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31st December, 2009, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$2,252.1 million, of which HK\$33.6 million has been proposed as final dividend for the year.

The Company's share premium may be distributed in the form of fully paid bonus shares.

INTEREST CAPITALISED

No interest expense was capitalised during the year in respect of the Group's property development projects.

AUDITORS

Ernst & Young retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LO YUK SUI

Chairman

Hong Kong
22nd March, 2010

Corporate Governance Report

The Company is committed to maintaining good corporate governance practices and procedures. Review of existing policies and practices in respect of the management and corporate matters of the Group has been conducted by the Company. Enhancement to the current standards for complying with new requirements, revision of the existing policies and practices and introduction of appropriate new measures have been implemented. Periodic review of the system and controls within the Group will be carried out by the Company to comply with the prevailing standards and requirements of good corporate governance.

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the year ended 31st December, 2009, except that:

- (1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals due to practical necessity to cater to the Group's corporate operating structure.
- (2) The Independent Non-Executive Directors of the Company were not appointed for specific terms, but arrangements have been put in place such that the Independent Non-Executive Directors would retire, and are subject to re-election, either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years.

Further details relating to the compliance of the CG Code by the Company are set out in the report below.

(I) CORPORATE GOVERNANCE PRACTICES

A report on the extent of compliance of and any deviation from the provisions of the CG Code (as summarised below) by the Company during the year ended 31st December, 2009 is as follows:

A. DIRECTORS

A.1 The Board

Code A.1.1 The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

Deviation from Code A.1.1

No Four Board Meetings have been held at regular intervals during the year ended 31st December, 2009.

Code A.1.2 Arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings.

Deviation from Code A.1.2

No Directors may include matters in the agenda for regular Board Meetings as other business of the meeting any time after receiving the notice of meeting or at the meeting after all businesses in the agenda have been transacted.

Code A.1.3 Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given.

Deviation from Code A.1.3

No At least 14 days' notice is given to the Directors for regular Board Meetings and reasonable notice is given for other ad hoc Board Meetings, in accordance with relevant provisions of the Bye-laws of the Company. Arrangements will be made for any Director who cannot present in person to participate in and discuss with the other Directors at the meeting through appropriate means of communication.

Code A.1.4 All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

Deviation from Code A.1.4

No The Executive Director who is in charge of the company secretarial function of the Group is in close liaison with the Company Secretary of the Company to ensure that board procedures, and all applicable rules and regulations, are followed. All other Directors may make enquiry to the Company Secretary any time they consider necessary or appropriate for such purposes.

Code A.1.5 Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and such minutes should be open for inspection at any reasonable time on reasonable notice by any director.

Deviation from Code A.1.5

No Minutes of Board Meetings and Meetings of Board Committees are kept by the Company Secretary of the Company and the appointed secretary of the Board Committees and such minutes are open for inspection at any reasonable time on reasonable notice by any Director.

Code A.1.6 Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered by the board and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes of board meetings should be sent to all directors for their comment and records respectively, in both cases within a reasonable time after the board meeting is held.

Deviation from Code A.1.6

No Minutes of Board Meetings and Meetings of Board Committees have recorded relevant details of the transactions or matters considered by the Directors at the meetings, rationales for making the decisions and the resolutions resolved at the meetings. Minutes of the meetings are circulated to the Directors for review and signing within a reasonable time.

Corporate Governance Report (Cont'd)

Code A.1.7 There should be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense. The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/their duties to the issuer.

Deviation from Code A.1.7

No In the event that independent professional advice is required or considered necessary for the Directors to make decisions on any transactions or matters concerning the Group, any Director may after consulting the Chairman of the Board, or the Directors may resolve at the Board Meeting held for considering the relevant transaction or matter to, seek independent professional advice at the expense of the Company.

Code A.1.8 If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a board meeting) but a board meeting should be held. Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.

Deviation from Code A.1.8

No An ad hoc full Board Meeting will be convened for considering and approving any matter which the Board has determined to be material and in which any substantial shareholder or Director of the Company has a conflict of interest. The Board Meeting will be scheduled for an appropriate time that the disinterested Independent Non-Executive Directors shall be able to attend. Any substantial shareholder or Director who has a conflict of interest and any of his/her associates will abstain from voting at the Meeting and not be counted as quorum of the Meeting in accordance with the Bye-laws of the Company.

A.2 Chairman and Chief Executive Officer

Code A.2.1 The roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Deviation from Code A.2.1

Yes Due to practical necessity on account of the Group's corporate operating structure, the roles of the Chairman and Chief Executive Officer are both performed by Mr. Lo Yuk Sui, the effective controlling shareholder of the Company, who oversees the overall policy and decision making of the Group. A Chief Operating Officer has been appointed to take up responsibility for overseeing the business operations of the Group.

Code A.2.2 The chairman should ensure that all directors are properly briefed on issues arising at board meetings.

Deviation from Code A.2.2

No The Chairman takes the role of briefing the Directors issues arising at the Board Meetings or, in appropriate circumstance, delegates this role to Executive Directors who are primarily involved in and in possession of comprehensive details about the relevant issue.

Code A.2.3 The chairman should be responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner.

Deviation from Code A.2.3

No The Chairman takes active efforts to ensure that the Executive Directors or executives who are primarily involved in the relevant transaction or matter will provide to Directors adequate information, which is complete and reliable, in a timely manner.

A.3 Board composition

Code A.3.1 The independent non-executive directors should be expressly identified as such in all corporate communications that disclose the names of directors of the issuer.

Deviation from Code A.3.1

No Identification of the Independent Non-Executive Directors has been shown on announcements and other corporate communications of the Company to its shareholders/warranholders.

A.4 Appointments, re-election and removal

Code A.4.1 Non-executive directors should be appointed for a specific term, subject to re-election.

Deviation from Code A.4.1

Yes The Independent Non-Executive Directors of the Company were not appointed for specific terms. However, arrangements have been put in place such that the Independent Non-Executive Directors would retire, and are subject to re-election, either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years.

Code A.4.2 All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Deviation from Code A.4.2

No Pursuant to relevant provisions of the Bye-laws of the Company, any Director appointed to fill a casual vacancy shall hold office until the next annual general meeting of the Company and is therefore subject to re-election by the shareholders at that annual general meeting after his/her appointment. In compliance with the requirements under this Code, all Directors would retire at annual general meetings at least once every three years either by rotation pursuant to the retirement provisions of the Bye-laws or on a voluntary basis. At the annual general meeting of the Company held on 9th June, 2009, two Directors, who had been in office for three years, retired and were re-elected at that meeting.

Corporate Governance Report (Cont'd)

A.5 Responsibilities of directors

Code A.5.1 Every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary, to ensure that he has a proper understanding of the operations and business of the issuer and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer.

Deviation from Code A.5.1

No The Chairman or an Executive Director so delegated is responsible for providing every newly appointed Director with an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the operations and business of the Group. With respect to compliance matters, the Company Secretary is responsible for providing any new Director with information and materials relating to his/her responsibilities under applicable statutory and regulatory requirements. Subsequent updating about the latest changes and development of such requirements will be sent to the Directors by the Company Secretary.

Code A.5.2 The functions of non-executive directors should include but should not be limited to the following:

- (a) participating in board meetings of the issuer to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;*
- (b) taking the lead where potential conflicts of interests arise;*
- (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and*
- (d) scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.*

Deviation from Code A.5.2

No The Independent Non-Executive Directors perform the functions as set out in this Code.

Code A.5.3 Every director should ensure that he can give sufficient time and attention to the affairs of the issuer and should not accept the appointment if he cannot do so.

Deviation from Code A.5.3

No Every Director contributes sufficient time and attention to the affairs of the Company and the Group as appropriate for the roles undertaken.

Code A.5.4 Directors must comply with their obligations under the Code of Conduct for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 of the Listing Rules and, in addition, the board should establish written guidelines on no less exacting terms than the Model Code for relevant employees (as defined in this Code) in respect of their dealings in the securities of the issuer.

Deviation from Code A.5.4

No The Directors have confirmed that they have complied with the required standard under the Model Code and the "Code for Securities Transactions by Directors of Paliburg Holdings Limited" (the "Paliburg Code") adopted by the Company, on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors during the year ended 31st December, 2009.

The Board has also adopted the "Guidelines for Securities Transactions by Relevant Employees Directors of Paliburg Holdings Limited" (the "Paliburg Guidelines"), on terms no less exacting than the required standard set out in the Model Code, in respect of their dealings in the securities of the Company.

The Paliburg Code and the Paliburg Guidelines are available on the website of the Company.

A.6 Supply of and access to information

Code A.6.1 In respect of regular board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or such other period as agreed).

Deviation from Code A.6.1

No Agenda and relevant board papers for Board Meetings and Board Committee Meetings have been timely sent to all Directors at least 3 days before the intended date of the Meetings (or such other period as agreed).

Code A.6.2 Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. The information supplied must be complete and reliable.

Deviation from Code A.6.2

No Any Director may require information in addition to those provided by management and make further enquiries where necessary. Each Director has separate and independent access to the Company's senior management.

Code A.6.3 All directors are entitled to have access to board papers and related materials. Such papers and related materials should be prepared in such form and quality as will enable the board to make an informed decision on matters placed before it. Where queries are raised by directors, steps must be taken to respond as promptly and fully as possible.

Deviation from Code A.6.3

No All relevant board papers and related materials are sent to all Directors ahead of time for the Meetings, with an aim to enabling the Board to make informed decisions on matters placed before it. In the event of queries raised by Directors, the Executive Directors and management are obligated to ensure that the requisite information or materials will be provided to the Directors soonest possible.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B.1 The level and make-up of remuneration and disclosure

Code B.1.1 Issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.

Deviation from Code B.1.1

No The Company has established a Remuneration Committee comprising Mr. Lo Yuk Sui, the Chairman and Chief Executive Officer of the Company, as Chairman of the Committee, and Mr. Ng Siu Chan and Mr. Wong Chi Keung, both Independent Non-Executive Directors, as members, with written terms of reference which deal clearly with the authority and duties of the Committee.

Code B.1.2 The remuneration committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.

Deviation from Code B.1.2

No The proposals relating to the remuneration of other Executive Directors are formulated by consultation amongst the members of the Remuneration Committee which is presided by the Chairman and Chief Executive Officer of the Company. Professional advice in such respect is sought if considered necessary.

Code B.1.3 The terms of reference of the remuneration committee should include, as a minimum, the specific duties as set out in this Code.

Deviation from Code B.1.3

No The terms of reference of the Remuneration Committee are set up with reference to the requirements under this Code.

Code B.1.4 The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

Deviation from Code B.1.4

No The terms of reference of the Remuneration Committee are available on the website of the Company.

Code B.1.5 The remuneration committee should be provided with sufficient resources to discharge its duties.

Deviation from Code B.1.5

No The Remuneration Committee has been and will be provided with sufficient resources to discharge its duties.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

Code C.1.1 Management should provide such explanation and information to the board as will enable the board to make an informed assessment of the financial and other information put before the board for approval.

Deviation from Code C.1.1

No The Executive Director and other executives of the Group who are in charge of the financial reporting function have provided detailed explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

Code C.1.2 The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts, and there should be a statement by the auditors about their reporting responsibilities in the Independent Auditors' Report on the financial statements.

Deviation from Code C.1.2

No Relevant acknowledgement by the Directors of their responsibility in preparing financial statements of the Group is stated in this Corporate Governance Report.

In the Independent Auditors' Report contained in this Annual Report, the Auditors state their reporting responsibilities on the financial statements of the Group.

Code C.1.3 The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Deviation from Code C.1.3

No The Board uses all reasonable endeavours to ensure that a balanced, clear and understandable assessment is presented in all reports, announcements or other disclosures as required to be made by the Company under the Listing Rules and other applicable statutes and regulations.

C.2 Internal controls

Code C.2.1 The directors should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries and report to shareholders that they have done so in their Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions.

Deviation from Code C.2.1

No The Directors have conducted an annual review of the effectiveness of the system of internal control of the Group covering all material controls, including financial, operational and compliance controls and risk management functions. Proposals on further enhancement of the system of internal control of the Group, if required or necessary, are being implemented from time to time.

Corporate Governance Report (Cont'd)

Code C.2.2 The board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.

Deviation from Code C.2.2

No As a manpower policy of the Group, which is subject to regular review by the Directors and senior management, adequate resources have been allocated to the accounting and financial reporting function with staff members possessing appropriate qualifications and experience engaged in the discharge of the relevant functions. The relevant staff members attend seminars and workshops organised by the professional accounting bodies on a regular basis, and a reasonable budget has been allocated for continuous professional development purposes.

C.3 Audit Committee

Code C.3.1 Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the audit committee meetings should be sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

Deviation from Code C.3.1

No Minutes of the Audit Committee Meetings of the Company are kept by the Company Secretary who is the appointed secretary of the Audit Committee, after finalisation with the members of the Audit Committee within a reasonable time after the Meetings.

Code C.3.2 A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of the issuer's audit committee for a period of 1 year commencing on the date of his ceasing:

- (a) to be a partner of the firm; or*
 - (b) to have any financial interest in the firm,*
- whichever is the later.*

Deviation from Code C.3.2

No None of the members of the Audit Committee is a former partner of the Company's existing Auditors.

Code C.3.3 The terms of reference of the audit committee should include at least the duties as specified in the CG Code.

Deviation from Code C.3.3

No The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants, with terms of reference, explaining its role and the authority delegated to it by the Board.

Code C.3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

Deviation from Code C.3.4

No The terms of reference of the Audit Committee explaining its role and the authority delegated to it by the Board are available on the website of the Company.

Code C.3.5 Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.

Deviation from Code C.3.5

No There has not been any disagreement between the Audit Committee and the Board on the selection and appointment of the external Auditors of the Company.

Code C.3.6 The audit committee should be provided with sufficient resources to discharge its duties.

Deviation from Code C.3.6

No The Company ensures that sufficient resources will be provided to the Audit Committee for discharging its duties.

D. DELEGATION BY THE BOARD

D.1 Management functions

Code D.1.1 When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the board before making decisions or entering into any commitments on behalf of the issuer.

Deviation from Code D.1.1

No All material policies and decisions remain within the authority of the Board as a whole. The Board only delegates authorities to management to an extent that would not significantly hinder or reduce the ability of the Board to discharge its proper functions as a whole.

Code D.1.2 An issuer should formalise the functions reserved to the board and those delegated to management. It should review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the issuer.

Deviation from Code D.1.2

No The functions of the Board and those delegated to management of the Company are properly distinguished and clarified. Review of the formalised arrangements will be carried out on a periodic basis to ensure that they remain appropriate to the needs of the Company.

Corporate Governance Report (Cont'd)

D.2 Board Committees

Code D.2.1 Where board committees are established to deal with matters, the board should prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly.

Deviation from Code D.2.1

No The Audit Committee and the Remuneration Committee are established with sufficiently clear terms of reference to enable such committees to discharge their functions properly.

Code D.2.2 The terms of reference of board committees should require such committees to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

Deviation from Code D.2.2

No The respective terms of reference of Audit Committee and the Remuneration Committee require such committees to report back to the Board on their decisions or recommendations.

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

Code E.1.1 In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting.

Deviation from Code E.1.1

No Separate Resolution on each substantially separate issue was proposed by the Chairman of Meeting at the Annual General Meeting of the Company held in 2009. Proposed election of Directors of the Company were put to vote by a separate Resolution for each nominated Director.

Code E.1.2 The chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

Deviation from Code E.1.2

No The Chairman of the Board and the Chairman and two Members of the Audit Committee had attended the Annual General Meeting of the Company held in 2009. Questions were raised by certain shareholders at the Meeting concerning the Group's business affairs, which were responded to by the Chairman of the Board.

At any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, the chairman of the independent board committee (if any) would be available to answer questions at that meeting.

Code E.1.3 The issuer should arrange for the notice to shareholders to be sent in the case of annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings.

Deviation from Code E.1.3

No Notice of more than 20 clear business days for convening the annual general meeting of the Company held in 2009 was sent to the shareholders of the Company. There was no special general meeting of the Company convened and held during the year of 2009.

E.2 Voting by Poll

Code E.2.1 The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.

Deviation from Code E.2.1

No The Chairman of the Annual General Meeting of the Company held in 2009 had at the commencement of the Meeting demanded that the voting on all resolutions to be put forth at the Meeting be taken by poll. The Chairman also informed the Meeting that he would answer any questions about the poll procedures when the Meeting proceeded to the poll taking process.

(II) DIRECTORS' SECURITIES TRANSACTIONS

As reported in the preceding section of this report headed "Corporate Governance Practices", the Company has adopted the Paliburg Code, on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company.

Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard under the Model Code and the Paliburg Code during the year ended 31st December, 2009.

Corporate Governance Report (Cont'd)

(III) BOARD OF DIRECTORS

The Board of Directors of the Company currently comprises the following members:

Executive Directors:

Mr. Lo Yuk Sui (*Chairman and Chief Executive Officer*)

Mr. Donald Fan Tung (*Chief Operating Officer*)

Mr. Jimmy Lo Chun To

Miss Lo Po Man

Mr. Kenneth Ng Kwai Kai

Mr. Kenneth Wong Po Man

Independent Non-Executive Directors:

Mr. Bowen Joseph Leung Po Wing, GBS, JP

Mr. Ng Siu Chan

Hon Abraham Shek Lai Him, SBS, JP

Mr. Wong Chi Keung

The personal and biographical details of the Directors, including the relationship among them, are disclosed in the preceding section headed "Directors' Profiles" contained in this Annual Report.

During the year ended 31st December, 2009, the Company has fully complied with Rules 3.10(1) and (2) of the Listing Rules regarding the number of Independent Non-Executive Directors and the requirement that at least one of these Directors must have appropriate professional qualifications.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-Executive Directors have met the independence guidelines of Rule 3.13 of the Listing Rules.

The Board conducts regular meetings to discuss and decide on major corporate, strategic, business and operational issues. Appropriate and sufficient information is provided to Board members in a timely manner in order to enable them to discharging their duties.

In the year of 2009, the attendance rates of individual Board members of the Company were as follows:

Name of Directors	Attendance
<i>Executive Directors</i>	
Mr. Lo Yuk Sui (<i>Chairman and Chief Executive Officer</i>)	5/5
Mr. Donald Fan Tung (<i>Chief Operating Officer</i>)	5/5
Mr. Jimmy Lo Chun To	4/5
Miss Lo Po Man	5/5
Mr. Kenneth Ng Kwai Kai	5/5
Mr. Kenneth Wong Po Man	5/5
<i>Independent Non-Executive Directors</i>	
Mr. Bowen Joseph Leung Po Wing, GBS, JP	5/5
Mr. Ng Siu Chan	5/5
Hon Abraham Shek Lai Him, SBS, JP	5/5
Mr. Wong Chi Keung	4/5

(IV) NOMINATION OF DIRECTORS

The Company does not have a Nomination Committee. The Board is responsible for the procedure of selecting and appointing Directors.

Those Directors appointed by the Board during the year shall hold office until the next annual general meeting and, being eligible, may offer for re-election.

(V) AUDIT COMMITTEE

The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee currently comprises the following members:

Independent Non-Executive Directors:

Mr. Wong Chi Keung (*Chairman of the Committee*)
Mr. Bowen Joseph Leung Po Wing, GBS, JP (*Member*)
Mr. Ng Siu Chan (*Member*)
Hon Abraham Shek Lai Him, SBS, JP (*Member*)

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim and final financial statements.

As both the Board and the Audit Committee recommended to re-appoint the current external Auditors, Messrs. Ernst & Young, no circumstances exist as would require an explanation from the Audit Committee as to why the Board has taken a different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the external Auditors.

In the year of 2009, the Audit Committee met twice and the meetings were attended by the external Auditors of the Company. The attendance rates of individual Audit Committee members of the Company were as follows:

Name of Audit Committee members	Attendance
Mr. Wong Chi Keung (<i>Chairman of the Committee</i>)	2/2
Mr. Bowen Joseph Leung Po Wing, GBS, JP	2/2
Mr. Ng Siu Chan	2/2
Hon Abraham Shek Lai Him, SBS, JP	2/2

Corporate Governance Report (Cont'd)

(VI) REMUNERATION COMMITTEE

The Company has formed the Remuneration Committee with specific written terms of reference that deal with its authority and duties. The terms of reference of the Remuneration Committee are available on the Company's website. The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The Remuneration Committee currently comprises the following members:

Executive Director:

Mr. LO Yuk Sui (*Chairman of the Committee*)

Independent Non-Executive Directors:

Mr. NG Siu Chan (*Member*)

Mr. WONG Chi Keung (*Member*)

Mr. Kenneth NG Kwai Kai, an Executive Director of the Company, has been appointed to act as the Secretary of the Committee.

In the year of 2009, the Remuneration Committee met once. The attendance rates of individual Remuneration Committee members of the Company were as follows:

Name of Remuneration Committee members	Attendance
Mr. Lo Yuk Sui (<i>Chairman of the Committee</i>)	1/1
Mr. Ng Siu Chan	1/1
Mr. Wong Chi Keung	1/1

(VII) DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors of the Company acknowledge their responsibility for preparing the financial statements of the Group, which give a true and fair view of the state of affairs of the Group, and ensure that appropriate accounting policies are selected and applied consistently and the financial statements are prepared in accordance with the relevant statutory requirements and applicable accounting standards. The Directors also ensure the financial statements are published in a timely manner.

The statement by the external Auditors, Messrs. Ernst & Young, about their reporting responsibilities is set out in the Independent Auditors' Report contained in this Annual Report.

The financial statements are prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, they are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(VIII) INTERNAL CONTROL

The Board has conducted a review of effectiveness of the system of internal controls of the Group during the year of 2009, including financial, operational and compliance controls and risk management functions with a view to safeguarding the shareholders' investment and the Company's assets.

Management of the Company has put into effect a set of corporate policies and procedures for the principal business operations of the Group, with an objective to achieving a sound internal control system. Separate meetings participated by Directors, Group Financial Controller and related division heads are held regularly to review the effectiveness of the internal control system, to identify any significant control failings or weaknesses, and also to review the need for any control improvements or updating to respond to changes in the business and external environment. While the regular monitoring of the internal control mechanisms is mainly conducted by delegated Directors and senior management staff members, support and advice from external consultants and professionals are sought as and when required.

The Board acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. Accordingly, while periodic committee meetings are held with the delegated Directors and senior management staff members, clear instructions have been provided to management of the Company that any material issues relating to the internal control system, particularly any incidence of significant control failings or weaknesses that has had, or might have, a material impact on the business of the Group is to be reported to the Board and the Audit Committee of the Company on a timely basis.

(IX) AUDITORS' REMUNERATION

Messrs. Ernst & Young have been re-appointed as the external auditors of the Company at the 2009 Annual General Meeting until the conclusion of the forthcoming 2010 Annual General Meeting.

The remuneration to Messrs. Ernst & Young, the auditors of the Company, in respect of the audit and non-audit services rendered for the year ended 31st December, 2009 were HK\$1.1 million (2008 – HK\$1.4 million) and HK\$0.5 million (2008 – HK\$0.3 million), respectively.

Consolidated Income Statement

For the year ended 31st December, 2009

	Notes	2009 HK\$'million	2008 HK\$'million
REVENUE	5	162.6	280.0
Cost of sales		(147.4)	(258.0)
Gross profit		15.2	22.0
Other income and gains	5	35.9	16.5
Fair value gains/(losses) on investment properties		46.1	(22.0)
Fair value gains/(losses), net, on financial assets at fair value through profit or loss		317.9	(76.9)
Administrative expenses		(35.9)	(31.8)
Other operating expenses, net	6	(49.8)	(3.5)
OPERATING PROFIT/(LOSS)		329.4	(95.7)
Finance costs	8	(1.5)	(5.0)
Share of profits and losses of associates		109.8	(371.4)
PROFIT/(LOSS) BEFORE TAX	7	437.7	(472.1)
Income tax	11	(8.2)	3.3
PROFIT/(LOSS) FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND MINORITY INTERESTS		429.5	(468.8)
Attributable to:			
Equity holders of the parent	12	429.5	(468.8)
Minority interests		–	–
		429.5	(468.8)
EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	14		
Basic and diluted		HK42.1 cents	HK(46.0) cents

Details of the dividends paid and proposed for the year are disclosed in note 13 to the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2009

	2009 HK\$'million	2008 HK\$'million
PROFIT/(LOSS) FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND MINORITY INTERESTS	429.5	(468.8)
OTHER COMPREHENSIVE INCOME/(LOSS):		
Available-for-sale investments:		
Changes in fair value	–	(0.8)
Reclassification adjustment for losses included in the consolidated income statement	0.7	7.9
	<u>0.7</u>	<u>7.1</u>
Exchange differences on translating foreign operations	–	3.6
Share of other comprehensive income/(loss) of associates	(7.2)	3.6
	<u>(6.5)</u>	<u>14.3</u>
Other comprehensive income/(loss) for the year	(6.5)	14.3
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>423.0</u>	<u>(454.5)</u>
Attributable to:		
Equity holders of the parent	423.0	(454.5)
Minority interests	–	–
	<u>423.0</u>	<u>(454.5)</u>

Consolidated Statement of Financial Position

As at 31st December, 2009

	Notes	2009 HK\$'million	2008 HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment	15	1.8	1.9
Investment properties	16	0.4	358.3
Interests in associates	17	4,376.2	4,136.8
Available-for-sale investments	18	–	3.2
Financial assets at fair value through profit or loss	19	583.9	211.3
Loans receivable	20	5.5	6.5
Total non-current assets		4,967.8	4,718.0
CURRENT ASSETS			
Financial assets at fair value through profit or loss	19	116.4	121.0
Properties held for sale		6.0	6.0
Inventories	21	7.2	10.0
Debtors, deposits and prepayments	22, 25	52.4	79.7
Time deposits		184.0	186.0
Cash and bank balances		121.1	92.0
Asset of a disposal group classified as held for sale	23	487.1 249.4	494.7 249.4
Total current assets		736.5	744.1
CURRENT LIABILITIES			
Creditors and accruals	24, 25	(174.0)	(100.9)
Tax payable		(3.6)	(3.7)
Deposits received	23	(216.9)	(221.3)
Liability directly associated with the asset of a disposal group classified as held for sale	23	(394.5) (98.9)	(325.9) (98.9)
Total current liabilities		(493.4)	(424.8)
NET CURRENT ASSETS		243.1	319.3
TOTAL ASSETS LESS CURRENT LIABILITIES		5,210.9	5,037.3

Consolidated Statement of Financial Position (Cont'd)

	Notes	2009 HK\$'million	2008 HK\$'million
TOTAL ASSETS LESS CURRENT LIABILITIES		5,210.9	5,037.3
NON-CURRENT LIABILITIES			
Interest bearing bank borrowings	26	–	(214.6)
Deferred tax liabilities	27	–	(6.9)
Total non-current liabilities		–	(221.5)
Net assets		5,210.9	4,815.8
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	28	101.9	101.9
Reserves	29(a)	5,075.2	4,693.3
Proposed final dividend	13	33.6	20.4
Minority interests		5,210.7	4,815.6
		0.2	0.2
Total equity		5,210.9	4,815.8

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2009

Attributable to equity holders of the parent													
	Issued capital	Share premium account	Share option reserve	Special reserve	Assets revaluation reserve	Available for-sale investments revaluation reserve	Hedge reserve	Exchange equalisation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
At 1st January, 2008	101.9	1,173.3	21.2	689.6	663.6	(7.9)	(7.9)	69.8	2,579.2	40.8	5,322.6	0.2	5,322.8
Issue of new shares upon exercise of warrants	-	1.3	-	-	-	-	-	-	-	-	1.3	-	1.3
Final 2007 dividend declared	-	-	-	-	-	-	-	-	-	(40.8)	(40.8)	-	(40.8)
Equity-settled share option arrangements	-	-	1.4	-	-	-	-	-	-	-	1.4	-	1.4
Share of the listed associate	-	-	3.9	-	-	-	-	-	-	-	3.9	-	3.9
Interim 2008 dividend	-	-	-	-	-	-	-	-	(18.3)	-	(18.3)	-	(18.3)
Proposed final 2008 dividend	-	-	-	-	-	-	-	-	(20.4)	20.4	-	-	-
Total comprehensive income/(loss) for the year	-	-	-	-	-	6.8	(51.2)	58.7	(468.8)	-	(454.5)	-	(454.5)
At 31st December, 2008 and at 1st January, 2009	101.9	1,173.6	26.5	689.6	663.6	(1.1)	(59.1)	128.5	2,071.7	20.4	4,815.6	0.2	4,815.8
Issue of new shares upon exercise of warrants	-	0.1	-	-	-	-	-	-	-	-	0.1	-	0.1
Final 2008 dividend declared	-	-	-	-	-	-	-	-	-	(20.4)	(20.4)	-	(20.4)
Equity-settled share option arrangements	-	-	0.8	-	-	-	-	-	-	-	0.8	-	0.8
Share of the listed associate	-	-	1.8	-	-	-	-	-	-	-	1.8	-	1.8
Interim 2009 dividend	-	-	-	-	-	-	-	-	(10.2)	-	(10.2)	-	(10.2)
Proposed final 2009 dividend	-	-	-	-	-	-	-	-	(33.6)	33.6	-	-	-
Total comprehensive income/(loss) for the year	-	-	-	-	-	1.1	(9.6)	2.0	429.5	-	423.0	-	423.0
At 31st December, 2009	101.9	1,173.7	29.1	689.6	663.6	-	(68.7)	130.5	2,457.4	33.6	5,210.7	0.2	5,210.9

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

	Notes	2009 HK\$'million	2008 HK\$'million
Net cash flows used in operating activities	31(a)	(42.7)	(17.1)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of additional interests in the listed associate		(46.6)	(4.8)
Disposal of subsidiaries	31(c)	192.6	–
Purchases of available-for-sale investments		–	(11.7)
Purchases of financial assets at fair value through profit or loss		(28.0)	(129.7)
Proceeds from disposal of available-for-sale investments		3.1	34.4
Proceeds from disposal of financial assets at fair value through profit or loss		–	31.8
Proceeds from redemption of financial assets at fair value through profit or loss		33.2	–
Decrease in loans receivable		1.7	3.3
Purchases of items of property, plant and equipment		(0.5)	(0.3)
Addition to investment properties		(10.8)	–
Advance to associates		(73.9)	(7.9)
Interest received		1.3	5.9
Dividends received from listed investments		34.4	63.7
Net cash flows from/(used in) investing activities		106.5	(15.3)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of warrants		0.1	1.3
Drawdown of new loans		209.9	23.0
Repayments of bank loans		(214.7)	(55.4)
Payment of loan costs		(0.2)	(0.3)
Interest paid		(1.2)	(4.8)
Dividend paid		(30.6)	(59.1)
Net cash flows used in financing activities		(36.7)	(95.3)
Net increase/(decrease) in cash and cash equivalents		27.1	(127.7)
Cash and cash equivalents at beginning of year		278.0	401.9
Effect of foreign exchange rate changes, net		–	3.8
Cash and cash equivalents at end of year		305.1	278.0
Analysis of balances of cash and cash equivalents			
Cash and bank balances		121.1	92.0
Non-pledged time deposits with original maturity of less than three months when acquired		184.0	186.0
		305.1	278.0

Statement of Financial Position

As at 31st December, 2009

	Notes	2009 HK\$'million	2008 HK\$'million
NON-CURRENT ASSETS			
Interests in subsidiaries	30	3,538.3	3,571.1
CURRENT ASSETS			
Deposits and prepayments		0.4	0.3
CURRENT LIABILITIES			
Creditors and accruals		(1.8)	(2.0)
NET CURRENT LIABILITIES			
		(1.4)	(1.7)
Net assets		3,536.9	3,569.4
EQUITY			
Issued capital	28	101.9	101.9
Reserves	29(b)	3,401.4	3,447.1
Proposed final dividend	13	33.6	20.4
Total equity		3,536.9	3,569.4

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

Notes to Financial Statements

31st December, 2009

1. CORPORATE INFORMATION

During the year, the Group was principally engaged in property development and investment, construction and building related businesses, and other investments.

In the opinion of the Directors, the parent and the ultimate holding company of the Group is Century City International Holdings Limited ("CCIHL"), which was incorporated in Bermuda and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, available-for-sale investments and financial assets at fair value through profit or loss, which have been measured at fair value. A disposal group classified as held for sale is stated at the lower of its carrying amount and fair value less costs to sell as further explained in note 2.4(g). These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest million except where otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

Notes to Financial Statements (Cont'd)

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 <i>Revenue – Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> (adopted from 1st July, 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*, which is effective for annual periods beginning on or after 1st July, 2009.

Other than as further explained below, the adoption of these new and revised HKFRSs has had no significant effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements. The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 38 to the financial statements while the revised liquidity risk disclosures are presented in note 39 to the financial statements.

(b) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

(c) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

Notes to Financial Statements (Cont'd)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> ¹
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i> ²
HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> ⁴
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Group Cash-settled Share-based Payment Transactions</i> ²
HKFRS 3 (Revised)	<i>Business Combinations</i> ¹
HKFRS 9	<i>Financial Instruments</i> ⁶
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ⁵
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ¹
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> ³
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> ¹
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> ⁵
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> ¹
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ⁴
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	Amendments to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i> ¹
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i> ²

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1st July, 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1st January, 2010 although there are separate transitional provisions for each standard or interpretation.

- ¹ Effective for annual periods beginning on or after 1st July, 2009
- ² Effective for annual periods beginning on or after 1st January, 2010
- ³ Effective for annual periods beginning on or after 1st February, 2010
- ⁴ Effective for annual periods beginning on or after 1st July, 2010
- ⁵ Effective for annual periods beginning on or after 1st January, 2011
- ⁶ Effective for annual periods beginning on or after 1st January, 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated statement of financial position.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31st December.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

(b) Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates, after reassessment, is recognised immediately in the consolidated income statement.

The excess for associates is included in the Group's share of the associates' profits or losses in the period in which the investments are acquired.

Notes to Financial Statements (Cont'd)

(c) Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Upon the disposal of interests in subsidiaries, any gain or loss arising thereon, including the realisation of the attributable reserves, is included in the income statement.

(d) Associates

An associate is an entity, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's interests in associates and is not individually tested for impairment.

Where the Group's equity interest in an associate is diluted by virtue of the additional issue of shares by such associate (i.e., a "deemed disposal"), any gain or loss arising from the deemed disposal, including the realisation of the attributable reserves, is dealt with in the Group's consolidated income statement.

(e) Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties, goodwill and a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(f) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

(g) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

(h) Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Interest is capitalised at the Group's weighted average interest rate on external borrowings and, where applicable, at the interest rates related to specific development project borrowings. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to Financial Statements (Cont'd)

(i) Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, time deposits, debtors, loans receivable, available-for-sale investments and financial assets at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investments revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investments revaluation reserve. Dividends earned are reported as dividend income and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets to assess whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

(j) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

(k) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Notes to Financial Statements (Cont'd)

(l) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include creditors and interest-bearing bank borrowings.

Subsequent measurement

The measurement of loans and borrowings is as follows:

After initial recognition, interest bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

(m) Fair value of financial instruments

The fair value of financial instruments that are actively traded in active markets is determined by reference to quoted market prices without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions and reference to the current market value of another instrument which is substantially the same.

(n) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

(o) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(p) Properties held for sale

Properties held for sale are classified as current assets and stated at the lower of cost and net realisable value on an individual property basis. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices.

(q) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold properties	Over the shorter of the remaining lease terms and 2.5%
Leasehold improvements	Over the remaining lease terms
Furniture, fixtures and equipment	10% to 25%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

(r) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs expected to be incurred to completion and disposal.

Notes to Financial Statements (Cont'd)

(s) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads, including any related finance charges.

Revenue from short term construction contracts is recognised upon completion of the construction work.

Revenue from long term fixed price construction contracts is recognised by reference to the work certified by architects for the relevant contract. Gross construction profit is recognised when the relevant contract has completed not less than 50% based on the percentage of completion method.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

(t) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) rental income, in the period in which the properties are let and on the straight-line basis over the lease terms;
- (ii) income on sale of completed properties and outright sale of an entire development prior to completion, on the exchange of legally binding unconditional sales contracts;
- (iii) fee income on short term construction contracts, on completion of the construction work;
- (iv) fee income on long term construction contracts, on the percentage of completion basis as further explained in note 2.4(s) above;
- (v) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;
- (vi) dividend income, when the shareholders' right to receive payment has been established;
- (vii) gain/loss from sale of listed investments at fair value through profit or loss, on the transaction dates when the relevant contract notes are exchanged; and
- (viii) consultancy and management fees, in the period in which such services are rendered.

(u) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange equalisation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(v) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to Financial Statements (Cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(w) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

(x) Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7th November, 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per ordinary share.

Staff retirement schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, part or all of which are refunded to the Group when the employee leaves employment prior to the contributions vesting with the employee partly or fully in accordance with the rules of the MPF Scheme.

Notes to Financial Statements (Cont'd)

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

(y) Related parties

A party is considered to be related to the Group if:

- (i) the party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;
- (ii) the party is an associate;
- (iii) the party is a jointly controlled entity;
- (iv) the party is a member of the key management personnel of the Group or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

(z) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(aa) Dividends

Final dividend proposed by the Directors is classified as a separate allocation of retained profits within the equity section of the statement of financial position, until it has been approved by the shareholders in a general meeting. When the dividend has been approved by the shareholders and declared, it is recognised as a liability.

Interim dividend is simultaneously proposed and declared, because the Company's memorandum of association and bye-laws grant the Directors the authority to declare interim dividend. Consequently, interim dividend is recognised immediately as a liability when it is proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(a) Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(b) Estimation uncertainty

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, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill included in interests in associates at 31st December, 2009 was HK\$289.2 million (2008 - HK\$289.2 million). More details are given in note 17 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised deferred tax assets as at 31st December, 2009 was HK\$203.6 million (2008 - HK\$203.4 million). Further details are contained in note 27 to the financial statements.

Outcome of construction contracts

The Group determines whether outcome of a construction contract can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work certified by architects and the assessment of the probability of the future economic flows to the Group. During the year, the outcome of a number of construction contracts was revised, thus leading to a gross construction profit of HK\$11.8 million (2008 - HK\$6.2 million) being recognised in the income statement.

Notes to Financial Statements (Cont'd)

Measurement of fair value of equity-settled transactions

The Company operates a share option scheme under which employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, using assumptions including expected volatility and risk-free interest rate. Such cost is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- (a) the property development and investment segment comprises the development and sale of properties, the leasing of office and commercial premises and the provision of estate agency services;
- (b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;
- (c) the hotel operation and management segment engages in hotel operations and the provision of hotel management services;
- (d) the securities investment segment engages in securities trading and investment businesses; and
- (e) the others segment mainly comprises the provision of financing services.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that certain interest income, finance costs, head office and corporate gains and expenses are excluded from such measurement.

Segment assets exclude time deposits, cash and bank balances, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest bearing bank borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31st December, 2009 and 2008:

GROUP

	Property development and investment		Construction and building related businesses		Hotel operation and management		Securities investment		Others		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Segment revenue:														
Sales to external customers	12.1	17.1	148.6	263.0	0.2	-	1.7	(0.1)	-	-	-	-	162.6	280.0
Intersegment sales	-	-	1.3	-	-	-	-	-	-	-	(1.3)	-	-	-
Total	12.1	17.1	149.9	263.0	0.2	-	1.7	(0.1)	-	-	(1.3)	-	162.6	280.0
Segment results	82.9	(9.6)	3.8	6.1	(0.1)	-	268.4	(67.6)	1.5	1.5	-	-	356.5	(69.6)
Interest income and unallocated non-operating and corporate gains													1.1	3.3
Unallocated non-operating and corporate expenses													(28.2)	(29.4)
Operating profit/(loss)													329.4	(95.7)
Finance costs													(1.5)	(5.0)
Share of profits and losses of associates	(115.0)	(11.9)	-	-	224.8	(359.5)	-	-	-	-	-	-	109.8	(371.4)
Profit/(Loss) before tax													437.7	(472.1)
Income tax													(8.2)	3.3
Profit/(Loss) for the year before allocation between equity holders of the parent and minority interests													429.5	(468.8)
Attributable to:														
Equity holders of the parent													429.5	(468.8)
Minority interests													-	-
													429.5	(468.8)

Notes to Financial Statements (Cont'd)

GROUP

	Property development and investment		Construction and building related businesses		Hotel operation and management		Securities investment		Others		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Segment assets	12.1	366.8	31.1	83.3	0.1	-	700.3	335.5	6.1	7.1	-	-	749.7	792.7
Interests in associates	651.0	643.1	-	-	3,725.2	3,493.7	-	-	-	-	-	-	4,376.2	4,136.8
Asset of a disposal group classified as held for sale	249.4	249.4	-	-	-	-	-	-	-	-	-	-	249.4	249.4
Cash and unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	329.0	283.2
Total assets													5,704.3	5,462.1
Segment liabilities	(9.8)	(7.0)	(57.1)	(91.7)	(0.1)	-	(99.3)	-	-	-	-	-	(166.3)	(98.7)
Liability directly associated with the asset of a disposal group classified as held for sale	(98.9)	(98.9)	-	-	-	-	-	-	-	-	-	-	(98.9)	(98.9)
Bank borrowings and unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	(228.2)	(448.7)
Total liabilities													(493.4)	(646.3)
Other segment information:														
Depreciation	-	-	0.5	0.5	-	-	-	-	-	-	-	-	-	-
Capital expenditure	10.8	-	0.5	0.3	-	-	-	-	-	-	-	-	-	-
Other non-cash income	-	-	-	-	-	-	-	-	(0.6)	-	-	-	-	-

Notes to Financial Statements (Cont'd)

Geographical information

(a) Revenue from external customers

	2009 HK\$'million	2008 HK\$'million
Hong Kong	162.0	279.7
Mainland China	0.6	0.3
	<u>162.6</u>	<u>280.0</u>

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2009 HK\$'million	2008 HK\$'million
Hong Kong	3,950.8	3,999.1
Mainland China	427.6	497.9
	<u>4,378.4</u>	<u>4,497.0</u>

The non-current assets information above is based on the location of assets and excludes financial instruments.

Information about major customers

Revenue of approximately HK\$80.9 million (2008 - HK\$176.4 million) and HK\$38.0 million (2008 - HK\$80.6 million) was derived from sales to two major customers respectively, primarily in the construction and building related businesses segment.

Notes to Financial Statements (Cont'd)

5. REVENUE, OTHER INCOME AND GAINS

Revenue (which is also the Group's turnover), other income and gains are analysed as follows:

	GROUP	
	2009 HK\$'million	2008 HK\$'million
<u>Revenue</u>		
Rental income:		
Investment properties	10.7	15.6
Properties held for sale	0.4	0.4
Construction and construction-related income	140.1	253.8
Estate management fees	3.1	3.4
Property development consultancy and project management fees	5.4	5.8
Gain/(Loss) from sale of listed investments at fair value through profit or loss, net	0.7	(0.1)
Dividend income from listed investments	1.0	–
Hotel operation	0.2	–
Other operations including estate agency service	1.0	1.1
	162.6	280.0
<u>Other income and gains</u>		
Interest income from:		
Bank balances	0.4	2.8
Loans receivable	1.5	1.7
Others	–	1.0
Dividend income from listed investments	–	1.8
Gain on redemption of available-for-sale investments	–	9.0
Gain on disposal of subsidiaries (note 31(c))	34.0	–
Others	–	0.2
	35.9	16.5

6. OTHER OPERATING EXPENSES, NET

Other operating expenses, net, include the following major items:

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Loss on redemption of financial assets at fair value through profit or loss	49.1	–
Loss on disposal of financial assets at fair value through profit or loss	–	2.2
	<u> </u>	<u> </u>

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Cost of inventories sold and services provided	24.5	18.8
Depreciation	0.6	1.4
Less: Depreciation capitalised in respect of construction contracts	(0.1)	(0.2)
	<u> </u>	<u> </u>
	0.5	1.2
Employee benefit expenses* (inclusive of Directors' remuneration disclosed in note 9):		
Salaries, wages and benefits	44.5	47.3
Equity-settled share option expense	0.8	1.4
Staff retirement scheme contributions	2.5	2.6
	<u> </u>	<u> </u>
	47.8	51.3
Less: Staff costs capitalised in respect of property development projects and construction contracts:		
Wages and salaries	(24.6)	(30.0)
Staff retirement scheme contributions	(1.3)	(1.5)
	<u> </u>	<u> </u>
	21.9	19.8
	<u> </u>	<u> </u>

* Inclusive of an amount of HK\$5.1 million (2008 - HK\$5.5 million) classified under cost of inventories sold and services provided.

Notes to Financial Statements (Cont'd)

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Auditors' remuneration	1.1	1.4
Loss on disposal of available-for-sale investments	0.8	–
Write-down of inventories to net realisable value [#]	2.8	–
Minimum lease payments under operating leases:		
Land and buildings	7.6	2.3
Plant and machinery	1.6	2.8
	9.2	5.1
Less: Minimum lease payments capitalised in respect of construction contracts:		
Land and buildings	(0.9)	(0.5)
Plant and machinery	(1.6)	(2.8)
	6.7	1.8
and after crediting:		
Fair value gains/(losses), net, on financial assets at fair value through profit or loss		
- held for trading	10.5	(3.5)
- designated as such upon initial recognition	307.4	(73.4)
	317.9	(76.9)
Gross rental income	11.1	16.0
Less: Outgoings	(7.6)	(3.0)
Net rental income	3.5	13.0
Reversal of impairment of loans receivable	0.6	–
	0.6	–

[#] Included under cost of inventories sold and services provided.

8. FINANCE COSTS

	GROUP	
	2009	2008
	HK\$'million	HK\$'million
Interest on bank loans		
wholly repayable within five years	1.3	4.8
Other loan costs	0.2	0.2
	<hr/>	<hr/>
Total finance costs	1.5	5.0
	<hr/> <hr/>	<hr/> <hr/>

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	GROUP	
	2009	2008
	HK\$'million	HK\$'million
Fees	1.2	1.2
Other emoluments:		
Salaries and other allowances	6.0	6.0
Performance related/discretionary bonuses	1.0	1.0
Equity-settled share option expense	0.8	1.3
Staff retirement scheme contributions	0.6	0.6
	<hr/>	<hr/>
	9.6	10.1
	<hr/> <hr/>	<hr/> <hr/>

Notes to Financial Statements (Cont'd)

(a) Independent non-executive directors

The fees paid to the independent non-executive directors during the year were as follows:

	2009 HK\$'million	2008 HK\$'million
Mr. Bowen Joseph Leung Po Wing, GBS, JP	0.15	0.13
Mr. Ng Siu Chan	0.15	0.15
Hon Abraham Shek Lai Him, SBS, JP	0.15	0.15
Mr. Wong Chi Keung	0.20	0.20
	<u>0.65</u>	<u>0.63</u>

The independent non-executive directors of the Company were entitled to a total sum of HK\$0.65 million (2008 - HK\$0.63 million) as Directors' fees, including the fees entitled by those independent non-executive directors for serving as audit committee members, for the year ended 31st December, 2009.

There were no other emoluments payable to the independent non-executive directors during the year (2008 - Nil).

(b) Executive directors

	Fees HK\$'million	Salaries and other allowances HK\$'million	Performance related/ discretionary bonuses HK\$'million	Equity- settled share option expense HK\$'million	Staff retirement scheme contributions HK\$'million	Total remuneration HK\$'million
2009						
Mr. Lo Yuk Sui	0.10	2.35	0.39	0.44	0.24	3.52
Mr. Donald Fan Tung	0.10	0.92	0.15	0.08	0.09	1.34
Mr. Jimmy Lo Chun To	0.10	0.84	0.14	0.08	0.08	1.24
Miss Lo Po Man	0.10	0.13	0.02	0.04	0.01	0.30
Mr. Kenneth Ng Kwai Kai	0.10	0.55	0.09	0.08	0.04	0.86
Mr. Kenneth Wong Po Man	0.10	1.23	0.21	0.04	0.09	1.67
	<u>0.60</u>	<u>6.02</u>	<u>1.00</u>	<u>0.76</u>	<u>0.55</u>	<u>8.93</u>
2008						
Mr. Lo Yuk Sui	0.10	2.35	0.39	0.78	0.24	3.86
Mr. Donald Fan Tung	0.10	0.92	0.17	0.13	0.09	1.41
Mr. Jimmy Lo Chun To	0.10	0.84	0.14	0.13	0.08	1.29
Miss Lo Po Man	0.10	0.13	0.02	0.07	0.01	0.33
Mr. Kenneth Ng Kwai Kai	0.10	0.56	0.09	0.13	0.04	0.92
Mr. Kenneth Wong Po Man	0.10	1.24	0.21	0.07	0.09	1.71
	<u>0.60</u>	<u>6.04</u>	<u>1.02</u>	<u>1.31</u>	<u>0.55</u>	<u>9.52</u>

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

10. SENIOR EXECUTIVES' EMOLUMENTS

The five highest-paid individuals included four (2008 - four) Directors, details of whose remuneration are disclosed in note 9 to the financial statements. The emoluments of the remaining one (2008 - one) individual, who was not a Director, are as follows:

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Salaries and other emoluments	1.0	1.0
Performance related/discretionary bonuses	0.1	0.1
Staff retirement scheme contributions	0.1	0.1
	<u>1.2</u>	<u>1.2</u>

The emoluments of the remaining one (2008 - one) individual fell within the following band:

HK\$	2009 Number of individuals	2008 Number of individuals
1,000,001 - 1,500,000	<u>1</u>	<u>1</u>

11. INCOME TAX

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Group:		
Current - Hong Kong		
Charge for the year	0.7	0.8
Deferred tax (note 27)	7.5	(4.1)
Total tax charge/(credit) for the year	<u>8.2</u>	<u>(3.3)</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2008 - 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

Taxes on the profits of subsidiaries operating overseas are calculated at the rates prevailing in the respective jurisdictions in which they operate.

Notes to Financial Statements (Cont'd)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rate is as follows:

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Profit/(Loss) before tax	437.7	(472.1)
Tax at the Hong Kong statutory tax rate of 16.5% (2008 - 16.5%)	72.2	(77.9)
Effect on opening deferred tax of decrease in tax rate	–	(0.6)
Profits and losses attributable to associates	(18.1)	61.3
Income not subject to tax	(58.3)	(4.6)
Expenses not deductible for tax	11.8	15.0
Tax losses utilised from previous periods	(2.9)	(1.3)
Tax losses not recognised during the year	3.5	4.8
Tax charge/(credit) at the Group's effective rate of 1.9% (2008 - 0.7%)	8.2	(3.3)

The share of tax charge attributable to associates amounting to HK\$7.9 million (2008 - HK\$0.3 million) is included in "Share of profits and losses of associates" in the consolidated income statement.

12. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit/(loss) attributable to equity holders of the parent for the year ended 31st December, 2009 includes a loss of HK\$2.8 million (2008 - HK\$4.0 million) which has been dealt with in the financial statements of the Company (note 29(b)).

13. DIVIDENDS

	2009 HK\$'million	2008 HK\$'million
Interim - HK1.0 cent (2008 - HK1.8 cents, as adjusted for the Share Consolidation (notes 14 and 28)) per ordinary share	10.2	18.3
Proposed final - HK3.3 cents (2008 - HK2.0 cents) per ordinary share	33.6	20.4
	<u>43.8</u>	<u>38.7</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share is based on the profit for the year attributable to equity holders of the parent of HK\$429.5 million (2008 - loss of HK\$468.8 million) and on the weighted average of 1,019.4 million (2008 - 1,019.2 million, as adjusted for the effect of the consolidation of ordinary shares of the Company on the basis that every ten then existing issued and unissued ordinary shares of HK\$0.01 each were consolidated into one ordinary share of HK\$0.10 effective from 23rd October, 2008 (the "Share Consolidation")) ordinary shares of the Company in issue during the year.

(b) Diluted earnings/(loss) per ordinary share

No adjustment has been made to the basic earnings per ordinary share amount presented for the year ended 31st December, 2009 in respect of a dilution as the exercise prices of the share options of the Company and Regal Hotels International Holdings Limited ("RHIHL"), the listed associate of the Company, and the subscription price of the warrants of the Company outstanding during the year are higher than the average market prices of the respective ordinary shares of the Company and RHIHL and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

No adjustment had been made to the basic loss per ordinary share amount presented for the year ended 31st December, 2008 in respect of a dilution as the exercise prices of the share options of the Company and RHIHL and the subscription price of the warrants of the Company outstanding during that year were higher than the average market prices of the respective ordinary shares of the Company and RHIHL and, accordingly, they had no dilutive effect on the basic loss per ordinary share. In addition, the conversion of the outstanding convertible preference shares of RHIHL was anti-dilutive for that year and was not included in the calculation of diluted loss per ordinary share.

Notes to Financial Statements (Cont'd)

15. PROPERTY, PLANT AND EQUIPMENT

	GROUP			
	Leasehold properties HK\$'million	Leasehold improvements, fixtures and equipment HK\$'million	Motor vehicles HK\$'million	Total HK\$'million
31st December, 2009				
At 31st December, 2008 and 1st January, 2009:				
Cost	1.1	10.6	1.1	12.8
Accumulated depreciation	(0.4)	(9.8)	(0.7)	(10.9)
Net carrying amount	<u>0.7</u>	<u>0.8</u>	<u>0.4</u>	<u>1.9</u>
At 1st January, 2009, net of accumulated depreciation	0.7	0.8	0.4	1.9
Additions	–	0.5	–	0.5
Disposals/Write-off	–	(0.3)	–	(0.3)
Write-back of depreciation upon disposals/write-off	–	0.3	–	0.3
Depreciation provided during the year	–	(0.4)	(0.2)	(0.6)
At 31st December, 2009, net of accumulated depreciation	<u>0.7</u>	<u>0.9</u>	<u>0.2</u>	<u>1.8</u>
At 31st December, 2009:				
Cost	1.1	10.8	1.1	13.0
Accumulated depreciation	(0.4)	(9.9)	(0.9)	(11.2)
Net carrying amount	<u>0.7</u>	<u>0.9</u>	<u>0.2</u>	<u>1.8</u>

Notes to Financial Statements (Cont'd)

	GROUP			
	Leasehold properties HK\$'million	Leasehold improvements, furniture, fixtures and equipment HK\$'million	Motor vehicles HK\$'million	Total HK\$'million
31st December, 2008				
At 1st January, 2008:				
Cost	1.1	10.3	1.4	12.8
Accumulated depreciation	(0.3)	(8.7)	(0.8)	(9.8)
Net carrying amount	<u>0.8</u>	<u>1.6</u>	<u>0.6</u>	<u>3.0</u>
At 1st January, 2008, net of accumulated depreciation	0.8	1.6	0.6	3.0
Additions	–	0.3	–	0.3
Disposals/Write-off	–	–	(0.3)	(0.3)
Write-back of depreciation upon disposals/write-off	–	–	0.3	0.3
Depreciation provided during the year	(0.1)	(1.1)	(0.2)	(1.4)
At 31st December, 2008, net of accumulated depreciation	<u>0.7</u>	<u>0.8</u>	<u>0.4</u>	<u>1.9</u>
At 31st December, 2008:				
Cost	1.1	10.6	1.1	12.8
Accumulated depreciation	(0.4)	(9.8)	(0.7)	(10.9)
Net carrying amount	<u>0.7</u>	<u>0.8</u>	<u>0.4</u>	<u>1.9</u>

The leasehold properties are held under medium term leases and are situated in Hong Kong.

Notes to Financial Statements (Cont'd)

16. INVESTMENT PROPERTIES

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Carrying amount at 1st January	358.3	380.3
Additions	10.8	–
Gain/(Loss) from fair value adjustments	46.1	(22.0)
Disposal of subsidiaries (note 31(c))	(414.8)	–
	0.4	358.3
Carrying amount at 31st December	0.4	358.3

The Group's investment properties are situated in Hong Kong and are held under the following lease terms:

	HK\$'million
Long term leases	0.3
Medium term lease	0.1
	0.4
	0.4

The Group's investment properties were revalued on 31st December, 2009 by independent professionally qualified valuers with an RICS qualification at HK\$0.4 million, on an open market, existing use basis. Certain of the investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

At 31st December, 2008, an investment property of the Group with a carrying value of HK\$358.0 million was pledged to secure banking facilities granted to the Group.

17. INTERESTS IN ASSOCIATES

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Listed and unlisted companies:		
Share of net assets	3,570.8	3,452.2
Goodwill on acquisition	289.2	289.2
	3,860.0	3,741.4
Loans to associates	156.0	156.0
Amounts due from associates	360.3	239.5
Amount due to an associate	(0.1)	(0.1)
	4,376.2	4,136.8
Share of net assets of the listed associate	3,435.8	3,204.6
Market value of an associate listed in Hong Kong	1,593.4	1,025.7

Goodwill

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Cost and carrying amount at 1st January	289.2	284.3
Acquisition of additional interests in the listed associate	–	4.9
Cost and carrying amount at 31st December	289.2	289.2

The loans to associates are unsecured, interest-free and not repayable within one year. The carrying amounts of these loans approximate to their fair values.

The amounts due from/to associates are unsecured, interest-free and have no fixed terms of repayment.

In the opinion of the Directors, the loans to and amounts due from associates are considered as quasi-equity investments in the associates.

Notes to Financial Statements (Cont'd)

Details of the Group's principal associates are as follows:

Name	Place of incorporation	Particulars of issued shares held	Percentage of equity interest attributable to the Group		Principal activities
			2009	2008	
Regal Hotels International Holdings Limited ("RHIHL") ⁽¹⁾⁽ⁱ⁾	Bermuda	Ordinary shares of HK\$0.10 each ⁽¹⁾⁽ⁱⁱ⁾	48.7	47.0	Investment holding
Hang Fok Properties Limited ("Hang Fok") ⁽²⁾	British Virgin Islands	Ordinary shares of US\$1 each	50.0	50.0	Investment holding
Cheerjoy Development Limited*	Hong Kong	Ordinary shares of HK\$1 each	30.0	30.0	Property development
Sonnix Limited ("Sonnix") ⁽³⁾	Hong Kong	Ordinary shares of HK\$1 each	25.0	100.0	Hotel and property investments

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

(1) (i) The RHIHL Group is engaged in the business activities of hotel operation and management, property development and investment and other investments. The ordinary shares of RHIHL are listed on the Stock Exchange.

(ii) Pursuant to an ordinary resolution passed by the shareholders of RHIHL at the special general meeting of RHIHL held on 22nd October, 2008, the consolidation of ordinary shares in the share capital of RHIHL (on the basis that every 10 then existing issued and unissued ordinary shares of HK\$0.01 each were consolidated into 1 ordinary share of HK\$0.10) was approved and subsequently became effective on 23rd October, 2008.

(2) The major asset of Hang Fok is its 59% equity interest in each of two sino-foreign joint ventures, namely Beijing Century City Real Estate Development Co., Ltd. and Beijing Jianye Real Estate Developing Co., Ltd. established in Beijing, the People's Republic of China (the "PRC"), which are engaged in a property development project in Beijing, PRC.

As disclosed in an announcement of the Company published on 15th March, 2010, Hang Fok was engaged in arbitration proceedings in Beijing involving claims by the vendor of the 36% equity interest (comprised within the 59% equity interest presently held) in the joint venture entities for the rescission of the relevant sale and purchase contracts entered into between the parties in 2005 and the arbitral tribunal in Beijing has issued in late February 2010 an arbitral award in favour of the vendor. Hang Fok has lodged an application to the relevant court to set aside the arbitral award. However, having considered the latest circumstances and taking into regards other litigations, claims and disputes affecting the development project, a provision of HK\$240.0 million has been made by Hang Fok in respect of its investment in the project. The loss thus attributable to the Group has been reflected in the share of profits and losses of associates in the consolidated income statement.

(3) Sonnix, previously a wholly owned subsidiary of the Company, holds an investment property in Hong Kong. Following the disposal of 75% equity interest in its immediate holding company to Regal REIT during the year, Sonnix has become an associate of the Company thereafter.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length. All associates were indirectly held by the Company.

Notes to Financial Statements (Cont'd)

The summarised financial information of the Group's associates, which has been extracted from their audited consolidated financial statements and/or management accounts, is as follows:

	2009 HK\$'million	2008 HK\$'million
Assets	12,951.8	11,551.4
Liabilities	8,004.5	6,740.4
Revenue	1,395.6	1,511.8
Profit/(Loss)	258.4	(832.6)

18. AVAILABLE-FOR-SALE INVESTMENTS

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Unlisted investments, at fair value	–	3.2

In the prior year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK\$0.8 million.

The fair values of the unlisted investments were based on the net asset value of the investments calculated by reference to the last traded prices of the underlying securities. The Directors believed that the estimated fair values resulting from the valuation techniques, which were recorded in the consolidated statement of financial position, and the related changes in fair values, which were recorded in the consolidated statement of comprehensive income, were reasonable, and that they were the most appropriate values at the end the reporting period.

Notes to Financial Statements (Cont'd)

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Non-current assets:		
Listed equity investments in Hong Kong, at market value	209.0	75.6
Unlisted debt investments, at fair value	374.9	135.7
	583.9	211.3
Current assets:		
Listed equity investments in Hong Kong, at market value	116.4	1.5
Unlisted debt investment, at fair value	–	119.5
	116.4	121.0

The listed equity investments included under non-current assets and the unlisted debt investments at 31st December, 2008 and 2009 were designated upon initial recognition as financial assets at fair value through profit or loss as they are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the investments are provided on that basis to the Group's key management personnel.

The listed equity investments included under current assets at 31st December, 2008 and 2009 were classified as held for trading.

The unlisted debt investment included under current assets in the prior year represented the investment in convertible bonds issued by a subsidiary of Cosmopolitan International Holdings Limited ("Cosmopolitan"), a listed company in Hong Kong, in a principal amount of HK\$45.0 million. The convertible bonds, in an original principal amount of HK\$56.0 million, were due 2009 and convertible into 800.0 million new ordinary shares of Cosmopolitan at an initial conversion price of HK\$0.07 per share (the "2009 CB"). In conjunction with the issue of the 2009 CB, the Group granted to the Cosmopolitan group certain placement rights, exercisable by the Cosmopolitan group within twelve months from the date of issue (the "Lock-up Period"), to procure potential investors to purchase part or all of the 2009 CB held by the Group. During the Lock-up Period, the expiry date of which had subsequently been extended to 12th February, 2009, the Group could not exercise the conversion rights, and save for the placement rights mentioned above, sell or transfer the 2009 CB to any third parties. In case where the Group disposed of the 2009 CB pursuant to such placement rights or chooses to retain the 2009 CB after an offer has been so procured, the Group would account to Cosmopolitan 70% of the profit arising from the placement of the 2009 CB.

In August 2008, the Group completed an agreement with Cosmopolitan group for the disposal by the Group of part of the 2009 CB in a principal amount of HK\$11.0 million, to a third party investor procured by Cosmopolitan group at a consideration of approximately HK\$78.6 million, equivalent to an effective disposal price of HK\$0.50 per Cosmopolitan share. Under that agreement, the Group also sought release from Cosmopolitan group of the placement rights over part of the remaining 2009 CB in a principal amount of HK\$7.0 million at a consideration of approximately HK\$29.7 million, at the same effective price of HK\$0.50 per Cosmopolitan share.

During the year, the Group converted part of its holding of the 2009 CB in a principal amount of HK\$14.0 million into 200.0 million new ordinary shares of Cosmopolitan and its remaining holding of the 2009 CB in a principal amount of HK\$31.0 million were redeemed by Cosmopolitan group in cash at an aggregate redemption amount of approximately HK\$33.2 million upon their maturity in March 2009.

The unlisted debt investment included under non-current assets in the prior year represented the investment in convertible bonds issued by Cosmopolitan group in a principal amount of HK\$100.0 million, which are due 2013 and were convertible into 166.7 million new shares of Cosmopolitan at an initial conversion price of HK\$0.6 per share (the "2013 CB"). The Group was also granted an option to subscribe for further 2013 CB in an additional principal amount of up to HK\$100.0 million. The optional 2013 CB, if fully subscribed for and issued, would be convertible into 166.7 million new shares of Cosmopolitan at an initial conversion price of HK\$0.6 per share. The conversion price of 2013 CB was adjusted to HK\$0.3 per share upon the issuance of the 2011 CB (as described below) by Cosmopolitan group on 25th February, 2009. At 31st December, 2009, the 2013 CB (including the issued 2013 CB and, if fully subscribed for and issued, the optional 2013 CB) in an aggregate principal amount of HK\$200.0 million are convertible into a total of 666.7 million new shares of Cosmopolitan at the adjusted conversion price of HK\$0.3 per share.

The unlisted debt investments included under non-current assets as at 31st December, 2009 represented the investments in the 2013 CB and the new convertible bonds issued by Cosmopolitan group during the year in a principal amount of HK\$28.0 million, which are due 2011 and convertible into 93.3 million new shares of Cosmopolitan at an initial conversion price of HK\$0.3 per share (the "2011 CB").

At 31st December, 2009, the Group also held approximately 16.86% interest in the share capital of Cosmopolitan, which was included in listed equity investments under non-current assets. On the basis that all outstanding convertible bonds were converted, and all optional bonds were subscribed and converted, by the Group and other bond holders, the interest held by the Group in the enlarged share capital of Cosmopolitan would be increased to 25.9%. The results of Cosmopolitan group have not been equity accounted for by the Group as the Directors consider that despite the Group's investments in the shares of Cosmopolitan, the 2011 CB and the 2013 CB, the Group is not in a position to exercise significant influence over the financial and operating policies of Cosmopolitan.

The fair values of the unlisted debt investments have been estimated by an independent professional valuer using valuation techniques based on quoted market price of the underlying listed security.

20. LOANS RECEIVABLE

The balance represents long term mortgage loans granted by the Group to purchasers in connection with the sale of its properties. The loans are secured by second mortgages over the properties sold and are repayable by instalments in 15 to 20 years. The long term mortgage loans bear interest at Hong Kong prime rate to Hong Kong prime rate plus 2% per annum. The carrying amounts of these loans receivable approximate to their fair values.

Notes to Financial Statements (Cont'd)

21. INVENTORIES

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Work in progress	6.2	8.8
Finished goods	1.0	1.2
	<u>7.2</u>	<u>10.0</u>

22. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK\$7.4 million (2008 - HK\$46.1 million) representing the trade debtors of the Group.

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Trade debtors	<u>7.4</u>	<u>46.1</u>

Credit terms

Trade debtors generally have credit terms of 30 to 90 days. The Group seeks to maintain strict control over its outstanding debts and overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's exposures spread over a number of counter-parties and customers, the Group has no significant concentration of credit risk.

The aged analysis of such debtors as at the end of the reporting period, based on the invoice date, is as follows:

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Within 3 months	7.0	45.5
Between 4 to 6 months	0.2	0.6
Between 7 to 12 months	0.2	-
	<u>7.4</u>	<u>46.1</u>

Notes to Financial Statements (Cont'd)

The movements in provision for impairment of trade debtors was as follows:

	GROUP	
	2009 HK\$'million	2008 HK\$'million
At 1st January	–	0.2
Amounts written off as uncollectible	–	(0.2)
At 31st December	<u>–</u>	<u>–</u>

An aged analysis of the trade debtors that are not considered to be impaired is as follows:

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Less than 3 months past due	7.0	45.5
4 to 6 months past due	0.2	0.6
7 to 12 months past due	0.2	–
	<u>7.4</u>	<u>46.1</u>

Trade debtors that were past due but not impaired relate to a number of diversified customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment 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. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the balances are amounts due from the Group's associates, a jointly controlled entity of the listed associate and related companies of HK\$4.1 million (2008 - HK\$9.8 million), HK\$0.3 million (2008 - HK\$0.7 million) and HK\$2.6 million (2008 - HK\$2.6 million), respectively, which are unsecured, non-interest bearing and repayable either on similar credit terms to those offered to the major customers of the Group or on demand.

Notes to Financial Statements (Cont'd)

23. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In prior years, the Group's interest in Talent Faith Investments Ltd. ("Talent Faith") was classified under interests in associates despite the increase in its equity interest therein from 50% to 100% in 2003, since the Group had entered into an agreement (the "SP Agreement") in that year to dispose of its entire equity interest in Talent Faith and accordingly the control over Talent Faith was considered temporary pending the outcome of the SP Agreement.

As at 31st December, 2005, the SP Agreement had not yet been completed and upon the adoption of HKAS 27 and HKFRS 5 in 2005, the result of Talent Faith was consolidated in the Group's consolidated financial statements and the asset and liability of Talent Faith and its subsidiaries (the "Talent Faith Group") were presented as asset and liability of a disposal group classified as held for sale under current assets and current liabilities, respectively. The consideration of the disposal was settled at 31st December, 2006. However, the SP Agreement was yet to be completed due to a delay caused by events beyond the Group's control. Since the Group remains committed to its plan to dispose of Talent Faith, no reclassification has been made therefor. The consideration received in the amount of HK\$216.7 million was included in "Deposits received" at 31st December, 2008 and 2009.

The major class of the asset and liability of the Talent Faith Group classified as held for sale as at 31st December are as follows:

	2009 HK\$'million	2008 HK\$'million
Asset		
Loan receivable	249.4	249.4
Liability		
Loan from minority shareholders	(98.9)	(98.9)

24. CREDITORS AND ACCRUALS

Included in the balance is an amount of HK\$3.4 million (2008 - HK\$25.6 million) representing the trade creditors of the Group. The aged analysis of such creditors as at the end of the reporting period, based on the invoice date, is as follows:

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Outstanding balances with ages:		
Within 3 months	<u>3.4</u>	<u>25.6</u>

The trade creditors are non-interest bearing and are normally settled within 90 days.

Included in the balances are amounts due to the Group's listed associate and a fellow subsidiary of HK\$3.1 million (2008 - HK\$2.3 million) and HK\$1.7 million (2008 - HK\$1.3 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment.

25. CONSTRUCTION CONTRACTS

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Gross amount due from contract customers included in debtors, deposits and prepayments	5.4	9.2
Gross amount due to contract customers included in creditors and accruals	<u>(33.2)</u>	<u>(37.7)</u>
	<u>(27.8)</u>	<u>(28.5)</u>
Contract costs incurred plus recognised profits less recognised losses to date	2,103.2	1,969.7
Less: Progress billings	<u>(2,131.0)</u>	<u>(1,998.2)</u>
	<u>(27.8)</u>	<u>(28.5)</u>

At 31st December, 2009, retentions held by customers for contract works, as included in debtors, deposits and prepayments under current assets, amounted to approximately HK\$8.7 million (2008 - HK\$15.7 million).

Notes to Financial Statements (Cont'd)

26. INTEREST BEARING BANK BORROWINGS

	GROUP					
	2009			2008		
	Effective interest rate (%) p.a.	Maturity	HK\$'million	Effective interest rate (%) p.a.	Maturity	HK\$'million
Non-current						
Bank loans - secured	-	-	-	1.0 - 5.2	2011	214.6
			<u> </u>			<u> </u>
				GROUP		
				2009	2008	
Analysed into:				HK\$'million	HK\$'million	
Bank loans repayable in the third to fifth years, inclusive				-	214.6	
				<u> </u>	<u> </u>	

All interest bearing bank borrowings in the prior year were in Hong Kong dollars.

The Group's bank borrowings were secured by the pledge of certain of the Group's assets as further detailed in note 33 to the financial statements.

The carrying amounts of the Group's bank borrowings approximated to their fair values.

27. DEFERRED TAX

The movements in deferred tax liabilities of the Group for the years ended 31st December, 2009 and 2008 are as follows:

	GROUP			
	Revaluation of investment properties HK\$'million	Accelerated tax depreciation HK\$'million	Tax losses HK\$'million	Total HK\$'million
At 1st January, 2008	19.2	1.4	(9.6)	11.0
Deferred tax charged/(credited) to the income statement during the year (note 11)	(4.7)	0.5	0.1	(4.1)
At 31st December, 2008 and 1st January, 2009	14.5	1.9	(9.5)	6.9
Deferred tax charged/(credited) to the income statement during the year (note 11)	7.6	0.5	(0.6)	7.5
Disposal of subsidiaries (note 31(c))	(22.1)	(2.4)	10.1	(14.4)
At 31st December, 2009	–	–	–	–

In addition, the Group also has tax losses arising in Hong Kong and the United States of America amounting to HK\$783.1 million (2008 - HK\$781.5 million) and HK\$212.6 million (2008 - HK\$212.8 million), respectively, as at 31st December, 2009. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, whilst those arising in the United States of America are available for a maximum period of twenty years. Deferred tax assets amounting to HK\$203.6 million (2008 - HK\$203.4 million) have not been recognised in respect of these tax losses on account of the unpredictability of future profit streams.

At 31st December, 2009, there was no significant unrecognised deferred tax liability (2008 - Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries or associates as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Notes to Financial Statements (Cont'd)

28. SHARE CAPITAL AND SHARE PREMIUM

	COMPANY	
	2009 HK\$'million	2008 HK\$'million
Shares		
Authorised:		
2,000.0 million (2008 - 2,000.0 million) ordinary shares of HK\$0.10 each	200.0	200.0
4,750.0 million (2008 - 4,750.0 million) convertible preference shares of HK\$0.10 each	475.0	475.0
	675.0	675.0
Issued and fully paid:		
1,019.4 million (2008 - 1,019.3 million) ordinary shares of HK\$0.10 each	101.9	101.9
Share premium		
Ordinary shares	1,173.7	1,173.6

Notes to Financial Statements (Cont'd)

A summary of the movements of the Company's share capital and share premium during the years ended 31st December, 2009 and 2008 is as follows:

	Notes	Authorised		Issued and fully paid		Share premium account
		Number of shares 'million	Amount HK\$'million	Number of shares 'million	Amount HK\$'million	HK\$'million
Ordinary shares						
At 1st January, 2008		20,000.0	200.0	10,187.1	101.9	1,172.3
Issue of new shares upon exercise of warrants	(i)	–	–	6.3	–	1.3
		20,000.0	200.0	10,193.4	101.9	1,173.6
Balance at 23rd October, 2008 after the Share Consolidation	(ii)	2,000.0	200.0	1,019.3	101.9	1,173.6
At 31st December, 2008 and 1st January, 2009		2,000.0	200.0	1,019.3	101.9	1,173.6
Issue of new shares upon exercise of warrants	(iii)	–	–	0.1	–	0.1
At 31st December, 2009		2,000.0	200.0	1,019.4	101.9	1,173.7
Convertible preference shares of HK\$0.10 each						
At 1st January, 2008, 31st December, 2008 and 2009		4,750.0	475.0	–	–	–
Total share capital						
At 31st December, 2009			675.0		101.9	1,173.7
At 31st December, 2008			675.0		101.9	1,173.6

Notes:

- (i) During the year ended 31st December 2008, an aggregate of 6.3 million new ordinary shares of HK\$0.01 each were issued for cash upon the exercise of the subscription rights by the holders of the Company's warrants at the then prevailing subscription price of HK\$0.21 per share for a total cash consideration of HK\$1.3 million, before expenses.
- (ii) Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting of the Company held on 22nd October, 2008, the consolidation of ordinary shares in the share capital of the Company (on the basis that every 10 then existing issued and unissued ordinary shares of HK\$0.01 each were consolidated into one ordinary share of HK\$0.10) was approved and subsequently became effective on 23rd October, 2008.
- (iii) During the year, an aggregate of 0.1 million new ordinary shares of HK\$0.10 each were issued for cash upon the exercise of the subscription rights by the holders of the Company's warrants at the adjusted prevailing subscription price of HK\$2.10 per share for a total cash consideration of HK\$0.1 million, before expenses.

Notes to Financial Statements (Cont'd)

Share options

The Company operates a share option scheme named as "The Paliburg Holdings Limited Share Option Scheme" (the "Share Option Scheme"). The Share Option Scheme was adopted by the Company's shareholders on 16th June, 2005 and became effective on 21st July, 2005. Share options granted under the Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the year, movements in share options granted by the Company pursuant to the Share Option Scheme are as follows:

Offer date**	Name or category of participant	Number of ordinary shares under share options*			Vesting/Exercise periods of share options	Adjusted exercise price of share options* HK\$
		At 1st January, 2009	Vested during the year	At 31st December, 2009		
Directors						
12th May, 2005	Mr. Lo Yuk Sui					
	Vested:	12,052,800	4,017,600	16,070,400	Note	1.97
	Unvested:	8,035,200***	(4,017,600)	4,017,600		
25th July, 2005	Mr. Donald Fan Tung					
	Vested:	1,339,200	446,400	1,785,600	Note	1.97
	Unvested:	892,800	(446,400)	446,400		
25th July, 2005	Mr. Jimmy Lo Chun To					
	Vested:	1,339,200	446,400	1,785,600	Note	1.97
	Unvested:	892,800	(446,400)	446,400		
25th July, 2005	Miss Lo Po Man					
	Vested:	669,600	223,200	892,800	Note	1.97
	Unvested:	446,400	(223,200)	223,200		
25th July, 2005	Mr. Kenneth Ng Kwai Kai					
	Vested:	1,283,400	446,400	1,729,800	Note	1.97
	Unvested:	892,800	(446,400)	446,400		
25th July, 2005	Mr. Kenneth Wong Po Man					
	Vested:	669,600	223,200	892,800	Note	1.97
	Unvested:	446,400	(223,200)	223,200		
Other Employees						
25th July, 2005	Employees, in aggregate					
	Vested:	1,138,320	379,440	1,517,760	Note	1.97
	Unvested:	758,880	(379,440)	379,440		
Total						
	Vested:	18,492,120	6,182,640	24,674,760		
	Unvested:	12,365,280	(6,182,640)	6,182,640		

* Subject to adjustment in the case of rights or bonus issues, or other relevant changes in the Company's share capital.

** Offer date is the date on which the grant of share options is offered by the Company, and it is deemed the date of grant of the share options unless the grant of the share options is declined or lapsed.

*** In excess of the individual maximum limit of 1% of the ordinary shares in issue as of the offer date.

Note:

Vesting/Exercise periods of share options:

On completion of continuous service of	Percentage vesting	Cumulative percentage exercisable
2 years after offer date	40% of options granted	40% (exercisable until 6 years after offer date)
3 years after offer date	A further 20% of options granted	60% (exercisable until 6 years after offer date)
4 years after offer date	A further 20% of options granted	80% (exercisable until 6 years after offer date)
5 years after offer date	The final 20% of options granted	100% (exercisable until 6 years after offer date)

The summarised information on the Share Option Scheme is set out as follows:

- | | |
|--|---|
| (i) Purpose: | To provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible persons |
| (ii) Participants: | Eligible person means any person who is either (i) an eligible employee; (ii) a Non-Executive Director (including any Independent Non-Executive Directors); (iii) a direct or indirect shareholder of any member of the Group; (iv) a person or entity that provides advisory, consultancy, professional or other services to any member of the Group; (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (vi) any company wholly owned by one or more persons belonging to any of the above classes of participants; or (vii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any of the above classes of participants, as notified by the Board that he is an eligible person |
| (iii) Total number of ordinary shares subject to outstanding options under the Share Option Scheme and as a percentage of the issued share capital as at 31st December, 2009 and at the date of this report: | 30,857,400 ordinary shares (approximately 3.03%) |
| (iv) Maximum entitlement of each participant under the Share Option Scheme: | Not exceeding 1% of the offer ordinary shares of the Company in issue as of the offer date in any 12 month period |
| (v) The period within which the shares must be taken up under an option: | From the time when the options become vested to no later than ten years after the offer date |

Notes to Financial Statements (Cont'd)

- | | |
|--|--|
| (vi) Minimum period for which an option must be held before it can be exercised: | No minimum period unless otherwise determined by the Board at the time of the approval of the grant |
| (vii) Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid: | N/A |
| (viii) The basis of determining the exercise price: | Determined by the Board (subject to any necessary consent or approval being obtained) and shall not be less than the higher of (i) the closing price of the ordinary shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the ordinary shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the ordinary shares of the Company |
| (ix) The life of the Share Option Scheme: | The life of the Share Option Scheme commenced from 16th June, 2005, date of adoption, and ending on 15th June, 2015. |

Warrants

At the special general meeting of the Company held on 7th November, 2007, an ordinary resolution was duly passed by the shareholders of the Company with respect to a bonus issue of warrants ("Warrants") of the Company on the basis of three units of Warrants each carrying a subscription right of HK\$0.21 for every seven ordinary shares of HK\$0.01 each of the Company taken up by the Qualifying Shareholders under the Open Offer.

On 13th November, 2007, Warrants carrying aggregate subscription rights of approximately HK\$237.7 million were issued to the shareholders of the Company. On issue, the Warrants confer rights on their holders to subscribe for up to approximately 1,131.7 million new ordinary shares of HK\$0.01 each of the Company at the initial subscription price of HK\$0.21 per ordinary share of HK\$0.01 each (subject to adjustment), at any time from the date falling 7 days after the date of issue (i.e., 13th November, 2007) to the date falling 7 days prior to the third anniversary of date of issue (i.e., 8th November, 2010). With effect from 23rd October, 2008, the subscription price of the Warrants was adjusted to HK\$2.10 per ordinary share of HK\$0.10 as a result of the Share Consolidation.

During the prior year, Warrants carrying aggregate subscription rights of approximately HK\$1.3 million and HK\$3,229.38 were exercised to subscribe for 6.3 million new ordinary shares of HK\$0.01 each of the Company at the then prevailing subscription price of HK\$0.21 per share and 1,537 new ordinary shares of HK\$0.10 each of the Company at the adjusted subscription price of HK\$2.10 per share, respectively.

During the year ended 31st December, 2009, Warrants carrying aggregate subscription rights of HK\$113,206.38 were exercised to subscribe for 53,906 new ordinary shares of HK\$0.10 each of the Company at the adjusted subscription price of HK\$2.10 per share. At the end of the reporting period, the Company had Warrants carrying aggregate subscription rights of approximately HK\$235.9 million remaining outstanding. The exercise in full of such Warrants would, under the present capital structure of the Company, result in the issue of 112.3 million additional ordinary shares of HK\$0.10 each and share premium of HK\$224.7 million (before issue expenses).

29. RESERVES**(a) Group**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements on page 55.

Special reserve

The Group's special reserve represents reserve arising from the Company's capital reorganisation in 2002.

(b) Company

	Notes	Share premium account HK\$'million	Contributed surplus HK\$'million	Share option reserve HK\$'million	Retained profits HK\$'million	Total HK\$'million
At 1st January, 2008		1,172.3	1,742.7	7.0	565.1	3,487.1
Issue of new shares upon exercise of warrants	28(i)	1.3	-	-	-	1.3
Equity-settled share option arrangements	28	-	-	1.4	-	1.4
Loss for the year	12	-	-	-	(4.0)	(4.0)
Interim 2008 dividend	13	-	-	-	(18.3)	(18.3)
Proposed final 2008 dividend	13	-	-	-	(20.4)	(20.4)
At 31st December, 2008 and 1st January, 2009		1,173.6	1,742.7	8.4	522.4	3,447.1
Issue of new shares upon exercise of warrants	28(iii)	0.1	-	-	-	0.1
Equity-settled share option arrangements	28	-	-	0.8	-	0.8
Loss for the year	12	-	-	-	(2.8)	(2.8)
Interim 2009 dividend	13	-	-	-	(10.2)	(10.2)
Proposed final 2009 dividend	13	-	-	-	(33.6)	(33.6)
At 31st December, 2009		1,173.7	1,742.7	9.2	475.8	3,401.4

Notes to Financial Statements (Cont'd)

The contributed surplus represents reserves arising from (i) a group reorganisation in 1993 in preparation for a separate listing of the Company's shares, originally representing the difference between the nominal value of the Company's shares issued under the reorganisation scheme and the then consolidated net assets value of the subsidiaries at the date of acquisition; and (ii) the Company's capital reorganisation in 2002.

Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders under certain circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4(x) to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited after vesting.

30. INTERESTS IN SUBSIDIARIES

	COMPANY	
	2009 HK\$'million	2008 HK\$'million
Unlisted shares, at cost	209.0	209.0
Amount due from a subsidiary	3,329.3	3,362.1
	<u>3,538.3</u>	<u>3,571.1</u>

The amount due from a subsidiary is unsecured, interest-free and not repayable within one year. In the opinion of the Directors, this amount is considered as quasi-equity investment in the subsidiary. The carrying amount of the amount due from a subsidiary approximates to its fair value.

Notes to Financial Statements (Cont'd)

Details of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			2009	2008	
303 Technology Limited	Hong Kong	HK\$2	100	100	Security systems and software development and distribution
Bajan Company Limited	Hong Kong	HK\$2	100	100	Securities investment
Cathay City Property Management, Inc.	U.S.A.	US\$10,000	100	100	Financing
Chatwin Engineering Limited	Hong Kong	HK\$16,800,000	100	100	Building construction
Cosmos Best Development Limited	Hong Kong	HK\$2	100	100	Management services
Cosmos Gain Investment Limited	Hong Kong	HK\$2	100	100	Property development and investment
Everlane Investment Limited	Hong Kong	HK\$2	100	100	Property development and investment
Farich Investment Limited	Hong Kong	HK\$2	100	100	Investment holding
Finso Limited	Hong Kong	HK\$2	100	100	Investment holding
Gain World Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding
Glaser Holdings Limited	British Virgin Islands	US\$1	100	100	Investment holding

Notes to Financial Statements (Cont'd)

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			2009	2008	
Grand Equity Limited	British Virgin Islands	US\$1	100	100	Investment holding
Great Select Holdings Limited	British Virgin Islands	US\$1	100	–	Securities investment
Guo Yui Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding
H.P. Nominees Limited	Hong Kong	HK\$2	100	100	Investment holding and nominee services
Hilmark Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding
Jumbo Pearl Investments Limited	British Virgin Islands	US\$1	100	100	Securities investment
Leading Technology Holdings Limited	British Virgin Islands	US\$100	100	100	Investment holding
Lendas Investments Limited	British Virgin Islands	US\$1	100	100	Securities investment
Linkprofit Limited	Hong Kong	HK\$1,000	100	100	Investment holding
Paliburg BVI Holdings Limited	British Virgin Islands	HK\$10	100	100	Investment holding
Paliburg Building Services Limited	Hong Kong	HK\$2	100	100	Mechanical and electrical engineering services
Paliburg Development BVI Holdings Limited	British Virgin Islands	US\$1	100	100	Investment holding
Paliburg Development Consultants Limited	Hong Kong	HK\$100,000	100	100	Development consultants

Notes to Financial Statements (Cont'd)

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			2009	2008	
Paliburg Development Finance Limited	Hong Kong	HK\$2	100	100	Financing
Paliburg Estate Agents Limited	Hong Kong	HK\$20	100	100	Estate agent
Paliburg Estate Management Limited	Hong Kong	HK\$20	100	100	Estate management
Paliburg Finance Limited	Hong Kong	HK\$2	100	100	Financing
Paliburg International Holdings Limited	Bermuda	HK\$100,000	100	100	Investment holding
Paliburg Investments Limited	Hong Kong	HK\$526,506,860	100	100	Investment holding
Paliburg Property Development (Shanghai) Co., Ltd.	The People's Republic of China	US\$10,000,000	100	100	Property development and investment
Real Charm Investment Limited	Hong Kong	HK\$2	100	100	Hotel operation, and sub-leasing
Rich Pearl Limited	Hong Kong	HK\$10,000	100	100	Financing
Sanefix Development Limited	Hong Kong	HK\$2	100	100	Property investment
Shenzhen Leading Technology Co., Ltd. ⁽ⁱ⁾	The People's Republic of China	RMB20,000,000	100	100	Security systems and software development and distribution
Sonnix Limited ⁽ⁱⁱ⁾	Hong Kong	HK\$2	–	100	Property investment
Sun Joyous Investments Limited	British Virgin Islands	US\$1	100	100	Securities investment

Notes to Financial Statements (Cont'd)

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			2009	2008	
Taylor Investments Ltd.	British Virgin Islands	US\$1	100	100	Investment holding
Transcar Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding
Winart Investments Limited	British Virgin Islands	US\$1	100	100	Securities investment
Winrise Investment Limited	Hong Kong	HK\$2	100	100	Securities investment
Yield Star Limited	British Virgin Islands	US\$1	100	100	Investment holding

(i) This subsidiary is registered as a wholly-foreign-owned enterprise under the PRC law.

(ii) 75% equity interest in this subsidiary was disposed of during the year and the remaining 25% equity interest has been accounted for as an associate.

Except for Paliburg Development BVI Holdings Limited and Paliburg Property Development (Shanghai) Co., Ltd., all of the above subsidiaries are indirectly held by the Company.

All of the above subsidiaries operate in the place of their incorporation/registration.

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

31. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit/(loss) before tax to net cash flows used in operating activities

	2009 HK\$'million	2008 HK\$'million
Profit/(Loss) before tax	437.7	(472.1)
Adjustments for:		
Finance costs	1.5	5.0
Share of profits and losses of associates	(109.8)	371.4
Interest income	(1.9)	(5.5)
Dividend income	(1.0)	(1.8)
Gain on disposal of subsidiaries	(34.0)	–
Gain on redemption of available-for-sale investments	–	(9.0)
Loss on disposal of available-for-sale investments	0.8	–
Loss on disposal of financial assets at fair value through profit or loss	–	2.2
Loss on redemption of financial assets at fair value through profit or loss	49.1	–
Depreciation	0.5	1.2
Reversal of impairment of loans receivable	(0.6)	–
Write-down of inventories to net realisable value	2.8	–
Fair value losses/(gains) on investment properties	(46.1)	22.0
Fair value losses/(gains), net, on financial assets at fair value through profit or loss	(317.9)	76.9
Equity-settled share option expenses	0.8	1.4
	(18.1)	(8.3)
Increase in financial assets at fair value through profit or loss	(104.4)	(4.7)
Increase in inventories	–	(6.3)
Decrease/(Increase) in debtors, deposits and prepayments	26.8	(4.2)
Increase in creditors and accruals	56.4	7.5
Decrease in deposits received	(2.6)	–
Cash used in operations	(41.9)	(16.0)
Hong Kong profits tax paid	(0.8)	(1.1)
Net cash flows used in operating activities	(42.7)	(17.1)

Notes to Financial Statements (Cont'd)

(b) Restricted cash and cash equivalent balances

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$14.9 million (2008 - HK\$62.2 million). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(c) Disposal of subsidiaries

	2009 HK\$'million	2008 HK\$'million
Net assets disposed of:		
Investment property (note 16)	414.8	-
Debtors, deposits and prepayments	1.2	-
Bank balances	2.1	-
Creditors and accruals	(0.1)	-
Deposits received	(1.8)	-
Interest bearing bank borrowings	(209.9)	-
Deferred tax liabilities (note 27)	(14.4)	-
	<hr/>	<hr/>
	191.9	-
Gain on disposal of subsidiaries (note 5)	34.0	-
Costs relating to the disposal	16.8	-
	<hr/>	<hr/>
	242.7	-
Satisfied by:		
Cash	194.7	-
Interests in associates	48.0	-
	<hr/>	<hr/>
	242.7	-
	<hr/> <hr/>	<hr/> <hr/>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2009 HK\$'million	2008 HK\$'million
Cash and bank balances disposed of	(2.1)	-
Cash consideration	194.7	-
	<hr/>	<hr/>
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	192.6	-
	<hr/> <hr/>	<hr/> <hr/>

32. CONNECTED AND RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Group had the following material connected and related party transactions during the year:

	Notes	2009 HK\$'million	2008 HK\$'million
The listed ultimate holding company:			
Management fees	(i)	8.2	7.4
Associates:			
Gross construction fee income	(ii)	31.4	68.8
Gross development consultancy fee income	(iii)	3.8	5.3
Gross income in respect of security systems and products and other software	(iv)	1.9	5.4
Lease rental	(v)	4.7	–
A jointly controlled entity of an associate*:			
Gross construction fee income	(ii)	0.6	0.1

* Certain directors of these related companies are also the Directors of the Company.

Notes:

- (i) The management costs included rentals and other overheads allocated from CCIHL either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of CCIHL, RHIHL and the Company based on the distribution of job responsibilities and the estimated time to be spent by the relevant staff in serving each of the three groups.
- (ii) The construction fee income was received from the RHIHL Group for providing repairs and maintenance and construction works for the hotel properties. The fees were negotiated based on cost plus a margin and/or awarded through competitive tendering process.
- (iii) The gross development consultancy fee income was charged to the RHIHL Group for advisory, supervisory, architectural and design services provided in connection with the room extension and other renovation projects of the hotel properties operated by the RHIHL Group. The fees were charged at agreed rates of the estimated cost of individual projects.
- (iv) The fees were received from the RHIHL Group for the purchases and maintenance services of the security systems and products and other software installed in the hotels operated by the RHIHL Group. The fees were charged based on cost plus a margin depending on the nature and location of the work provided.
- (v) The lease rental was paid to Regal REIT at HK\$2.0 million per month in connection with the leasing of an investment property from Regal REIT for hotel operation and sub-leasing businesses. The investment property was sold to Regal REIT during the year as detailed in note 32(b) below.

The Directors of the Company are of the opinion that the above transactions were entered into in the normal and usual course of business.

Notes to Financial Statements (Cont'd)

(b) Other transaction with related party:

During the year, the Group entered into a sale and purchase agreement (the "S&P Agreement") for the sale to Regal REIT of 75% equity interest in a then wholly owned subsidiary which owns an investment property through its sole wholly owned subsidiary, Sonnix, at a sale consideration based on an agreed discounted property value of HK\$468.0 million (the "Disposal"). Upon completion of the Disposal in October 2009, Sonnix ceased to be a wholly owned subsidiary of the Group and became an associate thereafter. The Group has also, inter alia, granted to Regal REIT an option exercisable by Regal REIT during the period from 1st November, 2010 to 28th February, 2011 to acquire from the Group the remaining 25% equity interest in the subject group.

In addition, the Group had granted to Regal REIT a put right exercisable at Regal REIT's discretion to transfer back to the Group of the 75% equity interest in the subject group, with a view to unwinding the transactions under the S&P Agreement, if (i) the Asset Enhancement Programme (as referred to below), or (ii) the amendment of the deed of mutual covenant and management agreement relating to the building at which the investment property is located to permit the intended use of the investment property after completion of the Asset Enhancement Programme, would not be completed by 31st December, 2010.

Further, the Company has provided a several guarantee in respect of a bank loan of a principal amount of up to HK\$211.0 million made available to Sonnix in the amount proportional to the Group's equity interest in Sonnix. Pursuant to the shareholders' agreement in respect of the subject group, the Company may also provide a several guarantee proportionate to the Group's equity interest in Sonnix in respect of any refinancing of the bank loan with a maximum amount of HK\$250.0 million.

As contemplated under the S&P Agreement, the Group had undertaken to complete at its own costs an asset enhancement programme (the "Asset Enhancement Programme") for the conversion of part of the investment property owned by Sonnix to a 50-room hotel. The Asset Enhancement Programme was subsequently completed in December 2009 at a cost of approximately HK\$30.0 million.

(c) Outstanding balances with related parties:

	Notes	2009 HK\$'million	2008 HK\$'million
Due from associates	(i)	364.4	249.3
Due from a jointly controlled entity of the listed associate	(ii)	0.3	0.7
Due from related companies	(ii)	2.6	2.6
Due to a fellow subsidiary	(iii)	(1.7)	(1.3)
Due to the listed associate	(iv)	(3.2)	(2.4)
Loans to associates	(v)	156.0	156.0

Notes to Financial Statements (Cont'd)

Notes:

- (i) Except for an amount of HK\$360.3 million (2008 - HK\$239.5 million) included in interests in associates in note 17 to the financial statements, the remaining balance is included in debtors, deposits and prepayments in note 22 to the financial statements.
 - (ii) The amounts are included in debtors, deposits and prepayments in note 22 to the financial statements.
 - (iii) The amounts are included in creditors and accruals in note 24 to the financial statements.
 - (iv) Except for an amount of HK\$0.1 million (2008 - HK\$0.1 million) included in interests in associates in note 17 to the financial statements, the remaining balance is included in creditors and accruals in note 24 to the financial statements.
 - (v) Details of loans to associates are included in note 17 to the financial statements.
- (d) Compensation of key management personnel of the Group:

	2009 HK\$'million	2008 HK\$'million
Short term employee benefits	8.2	8.2
Equity-settled share option expense	0.8	1.3
	<hr/>	<hr/>
Total compensation paid to key management personnel	9.0	9.5
	<hr/> <hr/>	<hr/> <hr/>

Further details of Directors' emoluments are included in note 9 to the financial statements.

The related party transactions set out in notes 32(a)(i) and (v) above also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules to the Company. The transactions set out in note 32(a)(i) are exempted from relevant disclosures and other requirements, including, inter alia, independent shareholders' approval pursuant to, where applicable, rules 14A.31(8) and 14A.33(2) of the Listing Rules. Relevant announcement and other requirements, including, inter alia, shareholders' or independent shareholders' approval in accordance with the Listing Rules with respect to the related party transactions set out in notes 32(a)(v) and 32(b) have been complied with by the Company. Related details of such transactions are disclosed in the section headed "Management Discussion and Analysis" preceding these financial statements.

The related party transactions set out in notes 32(a)(ii) to (iv) above did not constitute connected transactions as defined in the Listing Rules to the Company.

Notes to Financial Statements (Cont'd)

33. PLEDGE OF ASSETS

At the end of the reporting period, certain ordinary shares in the listed associate with a market value of HK\$309.2 million were pledged to secure general banking facilities granted to the Group. In the prior year, an investment property of the Group with a carrying value of HK\$358.0 million and certain ordinary shares in the listed associate with a market value of HK\$115.7 million were pledged to secure general banking facilities granted to the Group.

34. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2009 HK\$'million	2008 HK\$'million	2009 HK\$'million	2008 HK\$'million
Corporate guarantees provided in respect of attributable share of banking facilities granted to:				
Subsidiaries	–	–	50.0	264.7
An associate	52.8	–	52.8	–
	<u>52.8</u>	<u>–</u>	<u>102.8</u>	<u>264.7</u>

As at 31st December, 2009, the banking facilities granted to the subsidiaries subject to guarantees given by the Company were not utilised (2008 - HK\$214.7 million) and the banking facility granted to an associate subject to guarantee given by the Company was utilised to the extent of approximately HK\$35.2 million.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leased certain of its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from 3 months to 3 years. The terms of the leases generally also required the tenants to pay security deposits and, in certain cases, provided for periodic rent adjustments according to the terms under the leases.

At 31st December, 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Within one year	–	9.2
In the second to fifth years, inclusive	–	2.0
	<u>–</u>	<u>11.2</u>

Notes to Financial Statements (Cont'd)

(b) As lessee

The Group leases certain office properties and area under operating lease arrangements. Leases for the office properties and area are negotiated for terms ranging from 1 to 3 years.

At 31st December, 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Within one year	24.7	0.2
In the second to fifth years, inclusive	0.8	–
	<u>25.5</u>	<u>0.2</u>

At the end of the reporting period, the Company had no outstanding operating lease commitment.

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35(b) above, the Group had the following outstanding commitments at 31st December, 2009:

	2009 HK\$'million	2008 HK\$'million
Capital commitments in respect of the renovation of and improvements to a property held by an associate:		
Authorised, but not contracted for	1.7	–
Contracted, but not provided for	2.4	–
	<u>4.1</u>	<u>–</u>

Notes to Financial Statements (Cont'd)

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2009

GROUP

Financial assets

	Financial assets at fair value through profit or loss			Total HK\$'million
	- designated as such upon initial recognition HK\$'million	- held for trading HK\$'million	Loans and receivables HK\$'million	
Financial assets at fair value through profit or loss	583.9	116.4	–	700.3
Loans receivable	–	–	5.5	5.5
Trade debtors (note 22)	–	–	7.4	7.4
Other financial assets included in debtors, deposits and prepayments	–	–	38.9	38.9
Time deposits	–	–	184.0	184.0
Cash and bank balances	–	–	121.1	121.1
	<u>583.9</u>	<u>116.4</u>	<u>356.9</u>	<u>1,057.2</u>

Financial liabilities

	Financial liabilities at amortised cost HK\$'million
Interests in associates (note 17)	0.1
Trade creditors (note 24)	3.4
Other financial liabilities included in creditors and accruals	122.0
Deposits received	0.2
	<u>125.7</u>

Notes to Financial Statements (Cont'd)

2008

GROUP

Financial assets

	Financial assets at fair value through profit or loss			Available-for-sale financial assets HK\$'million	Total HK\$'million
	- designated as such upon initial recognition HK\$'million	- held for trading HK\$'million	Loans and receivables HK\$'million		
Available-for-sale investments	-	-	-	3.2	3.2
Financial assets at fair value through profit or loss	330.8	1.5	-	-	332.3
Loans receivable	-	-	6.5	-	6.5
Trade debtors (note 22)	-	-	46.1	-	46.1
Other financial assets included in debtors, deposits and prepayments	-	-	24.0	-	24.0
Time deposits	-	-	186.0	-	186.0
Cash and bank balances	-	-	92.0	-	92.0
	<u>330.8</u>	<u>1.5</u>	<u>354.6</u>	<u>3.2</u>	<u>690.1</u>

Financial liabilities

	Financial liabilities at amortised cost HK\$'million
Interests in associates (note 17)	0.1
Trade creditors (note 24)	25.6
Other financial liabilities included in creditors and accruals	24.4
Deposits received	4.6
Interest bearing bank borrowings (note 26)	214.6
	<u>269.3</u>

Notes to Financial Statements (Cont'd)

	COMPANY	
	2009 Financial liabilities at amortised cost HK\$'million	2008 Financial liabilities at amortised cost HK\$'million
Financial liabilities		
Financial liabilities included in creditors and accruals	<u>1.4</u>	<u>1.5</u>

38. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31st December, 2009, the Group held the following financial instruments measured at fair value:

Assets measured at fair value as at 31st December, 2009:

	Level 1 HK\$'million	Level 2 HK\$'million	Level 3 HK\$'million	Total HK\$'million
Investments at fair value through profit or loss:				
Equity investments	325.4	–	–	325.4
Debt investments	–	374.9	–	374.9
	<u>325.4</u>	<u>374.9</u>	<u>–</u>	<u>700.3</u>

During the year ended 31st December, 2009, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as available-for-sale investments, financial assets at fair value through profit or loss, trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The Directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group adopts prudent strategies on its risk management. As the Group's exposure to these risks is endeavoured to be kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with a floating interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 26 to the financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(loss) before tax (through the impact on floating rate borrowings) and the Group's equity.

	GROUP		
	Change in basis points	Change in profit/(loss) before tax HK\$'million	Change in equity* HK\$'million
2009			
Hong Kong dollar	–	–	–
2008			
Hong Kong dollar	100	2.1	–

* Excluding retained profits

Notes to Financial Statements (Cont'd)

Credit risk

The Group's major exposure to the credit risk arises from the default of the trade debtors, with a maximum exposure equal to their carrying amounts in the consolidated statement of financial position. The Group only grants credits after due credit risk assessments. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial assets at fair value through profit or loss and available-for-sale investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade debtors are disclosed in note 22 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The Group will raise funds from either the financial market or realisation of its assets if required.

Notes to Financial Statements (Cont'd)

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

GROUP

2009

	Within 1 year or on demand HK\$'million	1 to 2 years HK\$'million	3 to 5 years HK\$'million	Total HK\$'million
Trade creditors	3.4	–	–	3.4
Other payables	122.0	–	–	122.0
Deposits received	0.2	–	–	0.2
Due to an associate	0.1	–	–	0.1
Corporate guarantee provided in respect of attributable share of outstanding banking facilities granted to an associate	35.2	–	–	35.2
	<u>160.9</u>	<u>–</u>	<u>–</u>	<u>160.9</u>

2008

	Within 1 year or on demand HK\$'million	1 to 2 years HK\$'million	3 to 5 years HK\$'million	Total HK\$'million
Interest bearing bank borrowings	–	–	214.7	214.7
Trade creditors	25.6	–	–	25.6
Other payables	24.4	–	–	24.4
Deposits received	4.6	–	–	4.6
Due to an associate	0.1	–	–	0.1
	<u>54.7</u>	<u>–</u>	<u>214.7</u>	<u>269.4</u>

Notes to Financial Statements (Cont'd)

	COMPANY	
	2009 Within 1 year or on demand HK\$'million	2008 Within 1 year or on demand HK\$'million
Creditors and accruals	1.4	1.5
Corporate guarantees provided in respect of attributable share of outstanding banking facilities granted to		
- a subsidiary	-	214.7
- an associate	35.2	-
	36.6	216.2

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual investments classified as financial assets at fair value through profit or loss (note 19) and available-for-sale investments (note 18) as at 31st December, 2009. The Group's listed investments are valued at quoted market prices and the unlisted investments are either valued by an independent professional valuer using valuation techniques based on quoted market price of the underlying listed security or carried at the net asset value calculated by reference to the last traded prices of the underlying securities at the end of the reporting period.

The following table demonstrates the sensitivity to a 5% change in the fair values of the equity investments and the underlying listed securities of the unlisted investments that are carried at fair value, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale investments the impact is deemed to be on the available-for-sale investments revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

Notes to Financial Statements (Cont'd)

	Carrying amount of investments HK\$'million	Change in profit/(loss) before tax HK\$'million	Change in equity* HK\$'million
2009			
Listed investments:			
– At fair value through profit or loss	325.4	16.3	–
Unlisted investments:			
– At fair value through profit or loss	374.9	17.6	–
2008			
Listed investments:			
– At fair value through profit or loss	77.1	3.9	–
Unlisted investments:			
– Available-for-sale	3.2	–	0.2
– At fair value through profit or loss	255.2	12.1	–

* Excluding retained profits

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December, 2009 and 31st December, 2008.

Notes to Financial Statements (Cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by the total assets. Net debt includes interest bearing bank borrowings less cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	GROUP	
	2009 HK\$'million	2008 HK\$'million
Interest bearing bank borrowings	–	214.6
Less: Cash and cash equivalents	(305.1)	(278.0)
Net cash	(305.1)	(63.4)
Total assets	5,704.3	5,462.1
Gearing ratio	N/A	N/A

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22nd March, 2010.

Independent Auditors' Report



To the shareholders of Paliburg Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Paliburg Holdings Limited set out on pages 51 to 129, which comprise the consolidated and company statements of financial position as at 31st December, 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our 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 financial statements are free from material misstatement.

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

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

Independent Auditors' Report (Cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young **Certified Public Accountants**

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
22nd March, 2010

Schedule of Principal Properties

As at 31st December, 2009

PROPERTIES FOR DEVELOPMENT AND/OR SALE

Description	Use	Approx. Area	Stage of completion (estimated completion date)	Percentage interest attributable to the Company
(1) Larvotto Ap Lei Chau Inland Lot No. 129, Ap Lei Chau East, Hong Kong	Primarily residential	Site area - 180,511 sq. ft. Gross floor area - 913,000 sq. ft.	Presale programme to be launched shortly (Construction works to be completed by the end of 2010)	30
(2) Certain carparking spaces at Villa Art Deco, 9 Town Park Road South, Yuen Long, Hong Kong	Carparking spaces	–	–	100
(3) Certain carparking spaces at Park Royale, Yuen Long Town Lot No. 450, 38 Town Park Road North, Yuen Long, Hong Kong	Carparking spaces	–	–	100
(4) Development site at Chao Yang Men Wai Da Jie, Chao Yang District, Beijing, PRC	Commercial/office/hotel complex	Construction site area for the whole development - 610,240 sq. ft.	<ul style="list-style-type: none"> • Development works temporarily suspended • Land Use Right Certificates for the Phase I land site obtained 	43.9
(5) Certain luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Residential	Site area for the whole development - 571,848 sq. ft. Gross floor area of 13 allocated houses held - approx. 64,810 sq. ft.	Completed in March 2004	48.7

Schedule of Principal Properties (Cont'd)

As at 31st December, 2009

Description	Use	Approx. Area	Stage of completion (estimated completion date)	Percentage interest attributable to the Company
(6) Development site at south of Xindu Main Road and both sides of Xingle Road, Banqiao Village, Xindu County, Xindu District, Chengdu, Sichuan Province, PRC	Hotel and commercial complex/residential	<p>Site area for the whole development- 1,204,148 sq. ft.</p> <p>First stage</p> <ul style="list-style-type: none"> • a 300-room hotel • residential development with total gross floor area of approx. 1,500,000 sq. ft. <p>Stage two</p> <ul style="list-style-type: none"> • residential development with total gross floor area of approx. 1,900,000 sq. ft. <p>Stage three</p> <ul style="list-style-type: none"> • commercial and office accommodations with total gross floor area of approx. 1,500,000 sq. ft. 	Development works for first stage commenced	24.4

Schedule of Principal Properties (Cont'd)

As at 31st December, 2009

PROPERTIES FOR INVESTMENT

Description	Use	Lease	Percentage interest attributable to the Company
(1) Major portions of Regal iClub Building, comprising the Regal iClub Hotel and 10 office/commercial floors, at 211 Johnston Road, Wanchai, Hong Kong	Hotel/office/commercial	Long term	25
(2) 12 luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Residential	Medium term	48.7

Published Five Year Financial Summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below.

RESULTS

	Year ended 31st December,				
	2009	2008	2007	2006	2005
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Revenue	162.6	280.0	334.5	159.6	77.4
Operating profit/(loss)	329.4	(95.7)	157.6	163.6	154.0
Finance costs	(1.5)	(5.0)	(20.4)	(10.3)	(11.3)
Share of profits and losses of associates	109.8	(371.4)	1,280.0	155.4	376.8
Profit/(Loss) before tax	437.7	(472.1)	1,417.2	308.7	519.5
Income tax	(8.2)	3.3	(3.4)	(8.6)	(2.1)
Profit/(Loss) for the year before allocation between equity holders of the parent and minority interests	429.5	(468.8)	1,413.8	300.1	517.4
Attributable to:					
Equity holders of the parent	429.5	(468.8)	1,413.8	300.1	517.4
Minority interests	-	-	-	-	-
	429.5	(468.8)	1,413.8	300.1	517.4

Published Five Year Financial Summary (Cont'd)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	31st December,				
	2009 HK\$'million	2008 HK\$'million	2007 HK\$'million	2006 HK\$'million	2005 HK\$'million
Property, plant and equipment	1.8	1.9	3.0	4.0	4.4
Investment properties	0.4	358.3	380.3	350.3	0.3
Property held for future development	–	–	–	26.7	26.7
Interests in associates	4,376.2	4,136.8	4,550.0	2,980.6	2,697.4
Available-for-sale investments	–	3.2	10.0	34.7	130.8
Financial assets at fair value through profit or loss	583.9	211.3	308.5	–	–
Loans receivable	5.5	6.5	9.7	14.3	22.0
Current assets	<u>736.5</u>	<u>744.1</u>	<u>737.0</u>	<u>547.4</u>	<u>641.8</u>
Total assets	<u><u>5,704.3</u></u>	<u><u>5,462.1</u></u>	<u><u>5,998.5</u></u>	<u><u>3,958.0</u></u>	<u><u>3,523.4</u></u>
Current liabilities	(493.4)	(424.8)	(614.7)	(430.3)	(304.2)
Interest bearing bank and other borrowings	–	(214.6)	(50.0)	(248.1)	(148.2)
Deferred tax liabilities	–	(6.9)	(11.0)	(8.7)	–
Total liabilities	<u>(493.4)</u>	<u>(646.3)</u>	<u>(675.7)</u>	<u>(687.1)</u>	<u>(452.4)</u>
Minority interests	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>

The background of the top half of the page is a vibrant green with a dynamic, abstract pattern. It features bright, diagonal light rays that create a sense of movement and energy. Overlaid on these rays are several semi-transparent, glowing circles of varying sizes, which resemble lens flares or bubbles. The overall effect is modern and visually striking.

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