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2010 ANNUAL REPORT



 世紀城市國際控股有限公司
Century City
International Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 355)

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Corporate Information

DIRECTORS

Executive Directors

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Kenneth Ng Kwai Kai

(Chief Operating Officer)

Donald Fan Tung

Kelvin Leung So Po

Jimmy Lo Chun To

Lo Po Man

Independent Non-Executive Directors

Anthony Chuang

Ng Siu Chan

Wong Chi Keung

AUDIT COMMITTEE

Ng Siu Chan (Chairman)

Anthony Chuang

Wong Chi Keung

REMUNERATION COMMITTEE

Lo Yuk Sui (Chairman)

Anthony Chuang

Ng Siu Chan

Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

AUDITORS

Ernst & Young

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

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

Website: www.centurycity.com.hk

Directors' Profile

Mr. Lo Yuk Sui, aged 66; *Chairman and Chief Executive Officer* — Chairman and Managing Director since 1989 when the Company was established in Bermuda as the ultimate holding company of the Group and designated as Chief Executive Officer in 2007. Mr. Lo has been the Chairman and the Managing Director of the predecessor listed company of the Group since 1985 and 1986 respectively. He is also the chairman and chief executive officer of Paliburg Holdings Limited (“PHL”), the listed subsidiary 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 subsidiary 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. Kenneth Ng Kwai Kai, aged 56; *Executive Director and Chief Operating Officer* — Appointed to the Board in 1989 and designated as Chief Operating Officer in 2007. Mr. Ng joined the Group in 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 of PHL and RHIHL and a non-executive director of Cosmopolitan International Holdings Limited (“Cosmopolitan”), a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Mr. Anthony Chuang, aged 66; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 1993. Mr. Chuang graduated from University of Notre Dame, South Bend, Indiana, U.S.A. and has extensive experience in the commercial field.

Mr. Donald Fan Tung, aged 54; *Executive Director* — Appointed to the Board in 2007. Mr. Fan is a qualified architect and has been with the Group since 1987. He is also an executive director and the chief operating officer of PHL, an executive director of RHIHL and a non-executive director of RPML. Mr. Fan is in charge of the property development, architectural design and project management functions as well as overseeing the building construction business of the Group.

Mr. Kelvin Leung So Po, aged 38; *Executive Director* — Appointed to the Board in 2010. Mr. Leung has been with the Group since 1997. He has been involved in the corporate finance function of the Century City Group. Mr. Leung holds a bachelor degree in business administration from The Chinese University of Hong Kong. He is a member of the Illinois CPA Society and the American Institute of Certified Public Accountants. Mr. Leung has over 15 years of experience in accounting and corporate finance field. He is also a non-executive director of Cosmopolitan.

Mr. Jimmy Lo Chun To, aged 37; *Executive Director* — Appointed to the Board in 1999. He is also an executive director of PHL 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.

Directors' Profile (Cont'd)

Miss Lo Po Man, aged 31; *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 PHL 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. Ng Siu Chan, aged 80; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 1994. Mr. Ng is also an independent non-executive director of PHL and RHIHL. He is a non-executive director of Transport International Holdings Limited, which is publicly listed in Hong Kong.

Mr. Wong Chi Keung, aged 56; *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 PHL 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 Greater China Capital Limited (formerly known as "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, ENM 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 are companies listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management.

Chairman's Statement



Dear shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31st December, 2010.

FINANCIAL RESULTS

For the year ended 31st December, 2010, the Group achieved a consolidated profit attributable to shareholders of HK\$1,287.1 million, as compared to the comparative profit of HK\$316.0 million (as restated) attained in 2009. The significant improvement in the profit achieved was mainly attributable to the increased share of profit from Regal Hotels International Holdings Limited, the listed associate of the Group, principally derived from the accounting profit recognised by Regal on the consolidation of Regal Real Estate Investment Trust as its subsidiary.

Chairman's Statement (Cont'd)

The background to the recognition by Regal of this accounting profit and its impact on the Group's results have been disclosed in the earlier joint announcement by the Company dated 2nd December, 2010. Nevertheless, before accounting for the net contribution from Regal and other associates and the finance costs, the operating profit achieved by the Group for 2010 amounted to HK\$459.7 million, including fair value gains on the changes in the fair values of the financial assets, as compared with the corresponding amount of HK\$378.0 million (as restated) attained last year.

DIVIDENDS

The Directors have resolved to recommend the payment of a final dividend of HK1.6 cents per ordinary share for the year ended 31st December, 2010, representing an increase of 100% over the final dividend of HK0.8 cent per ordinary share paid for the last financial year. This proposed final dividend will absorb an amount of approximately HK\$52.0 million (2009 – HK\$19.1 million) and will be payable to the holders of ordinary shares on the Register of Ordinary Shareholders on 31st May, 2011.

Together with the interim dividend of HK0.4 cent (2009 – HK0.3 cent) per ordinary share paid in October 2010, total dividends per ordinary share for the year ended 31st December, 2010 will amount to HK2.0 cents, representing an increase of 81.8% over the total dividends of HK1.1 cents paid for the last financial year.

BUSINESS OVERVIEW

On 7th October, 2010, the Company announced a rights issue on the basis of one rights share for every ten shares at a subscription price of HK\$0.48 per share. The rights issue was proposed to raise funds for the Group to subscribe for shares of Paliburg Holdings Limited, the listed subsidiary of the Company, by exercising warrants issued by Paliburg and held by the Group, which were due for subscription in November 2010.

The rights issue was well received and 7.1 times oversubscribed by the shareholders of the Company. The rights issue was implemented in early November 2010 and raised net proceeds of approximately HK\$112.1 million, which were applied by the Group for the exercise of the Paliburg warrants.

As a result of the rights issue, the exercise price of the then outstanding warrants of the Company due on 11th January, 2011 was adjusted from HK\$1.00 to HK\$0.48 per share. Prior to the expiry date, substantially all of the 2011 warrants of the Company had been exercised by the holders, resulting in the issue of a total of 641.7 million shares of the Company, of which 2011 warrants with relevant subscription proceeds in the sum of approximately HK\$215.8 million were exercised after the 2010 year end.

As explained in the 2010 Interim Report, despite hard efforts by management to expand and diversify the Group's business portfolio, no substantial progress has yet been achieved, as although a number of investment proposals have been reviewed, the Group has adhered to a prudent assessment approach and has hence not committed to any particular investment proposal to date. Nevertheless, management is presently exploring a number of investment opportunities including certain proposals on finance related businesses and is hopeful that progress could be achieved.

As at the year end date, the Company beneficially held approximately 59.5% of the issued shares of Paliburg which held approximately 49.3% of Regal. Regal, in turn, owned approximately 74.4% of the issued units of Regal REIT, which is now treated as a subsidiary of Regal.

The financial results and operating performance of Paliburg, Regal and Regal REIT during the year under review are set out below.

PALIBURG HOLDINGS LIMITED

For the year ended 31st December, 2010, Paliburg achieved a consolidated profit attributable to shareholders of HK\$2,150.5 million, as compared to the comparative profit of HK\$430.6 million (as restated) attained in 2009. The significant improvement in the profit achieved was likewise mainly attributable to the increased share of profit from Regal, the listed associate of the Paliburg group, principally derived from the accounting profit recognised by Regal on the consolidation of Regal REIT as its subsidiary.

During the year, substantially all of the 2010 Warrants of Paliburg have been exercised prior to their expiry date in November. Aggregate subscription proceeds of approximately HK\$226.1 million have been received and a total of approximately 107.7 million new shares of Paliburg have thus been issued.

PROPERTIES

The Paliburg group has a 30% interest in Larvotto, the luxury residential development project at Ap Lei Chau Inland Lot No.129. The development has a total gross floor area of approximately 913,000 square feet, comprising 9 residential towers with 715 residential apartments and certain commercial areas on the ground floor, complemented with club house and car parking facilities. Up to date, over 95% of the residential apartment units and about 65% of the carparks have been presold for aggregate sale consideration exceeding HK\$15 billion. The Paliburg group's interest in Larvotto is still being carried at a very low investment amount. The occupation permit for the Larvotto development was issued late last year and according to the accounting policies adopted by the Paliburg group, the profit from the sale of the units in Larvotto will be recognised by the Paliburg group when the certificate of compliance for the development is issued, which is anticipated by the end of March or in early April 2011.

When the Paliburg group sold the 75% beneficial interests in the properties at the commercial building at No.211 Johnston Road to Regal REIT in October 2009, which properties are now being operated as the Regal iClub Hotel, the Paliburg group granted an option to Regal REIT to acquire the remaining 25% interests from the Paliburg group on predetermined terms. Regal REIT has exercised the option in December 2010 to acquire from the Paliburg group the remaining 25% interests based on the pre-agreed undiscounted valuation for the properties of HK\$479.0 million and the transaction has been duly completed on 31st December, 2010.

The joint development project in the Central Business District in Beijing is held through an associate that is 50% owned by each of the Paliburg group and the Regal group. As reported before, the overall situation pertaining to this project remains very complicated. Despite strenuous efforts by management to overcome the adverse legal proceedings and to resolve the disputes with the other relevant parties in the Sino-foreign joint venture, progress in those regards was lacking and the project was virtually at standstill. While management will persist in striving to tackle the overall difficult situation and to protect the two groups' interests in the project, it was considered appropriate that further provision be made on the investment in this project, having regard to the adverse circumstances affecting the project. The provision made has been reflected in the results of the year under review. Further information on this project is contained in the section headed "Management Discussion and Analysis" below.

Chairman's Statement (Cont'd)

With a view to replenishing the Paliburg group's land bank, the Paliburg group has recently acquired two development sites in Hong Kong. After reviewing alternative development proposals and having regard to the prosperous outlook of the lodging business in Hong Kong, it is presently intended that both sites are to be developed as hotels.

The first development site is located at Nos.132-140 Bonham Strand in Sheung Wan on Hong Kong Island. It has a site area of approximately 5,070 square feet and plans have been approved for the construction of a hotel with 199 guestrooms and suites. The Paliburg group has submitted to the Building Authority for approval revised general building plans for the development of a hotel with 240 guestrooms and suites with gross floor area of approximately 77,450 square feet. The foundation works have recently commenced and the overall construction works are scheduled to be completed in the third quarter of 2013.

The other development site is constituted by two adjoining properties located at Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, also in Sheung Wan district, with an aggregate site area of approximately 3,720 square feet. The agreements for the sale and purchase of this development property have been signed and scheduled to be completed in April and May this year, respectively. The general building plans for the proposed development of a hotel with 140 guestrooms and suites with total gross floor area of approximately 56,590 square feet will be submitted to the Building Authority for approval shortly. The overall development is expected to be completed in the second quarter of 2014.

CONSTRUCTION AND BUILDING RELATED BUSINESSES

The Paliburg group operates a comprehensive range of construction and other building related business, 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 units have on the whole maintained steady performance and generated satisfactory results during the year.

OTHER INVESTMENTS

As part of its principal businesses activities, the Paliburg group maintains a significant investment portfolio comprising primarily of listed investments, including the substantial investments in the shares and bonds of the Cosmopolitan group which are held for long term strategic purposes. As the market price of the Cosmopolitan shares as at 31st December, 2010 has increased above the price prevailing as at the half year end date, the gains thus arising from the changes in the fair values of such Cosmopolitan shares and bonds have been reflected in the consolidated financial statements of the Paliburg group presented for the year under review.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2010, Regal achieved a consolidated profit attributable to shareholders of HK\$6,928.8 million, which is significantly above the comparative amount of HK\$448.0 million (as restated) attained for the preceding financial year. The profit achieved by Regal for the year included an accounting profit of HK\$6,637.4 million derived from the consolidation of Regal REIT as its subsidiary with effect from 23rd July, 2010.

HOTELS

HONG KONG HOTEL MARKET

2010 was on the whole a favourable year for the tourism and hotel industries in Hong Kong, with particularly strong performance in the fourth quarter. Visitors from all overseas markets generally recorded healthy growth, while the increase in the visitors from Mainland China has been most notable. Total visitor arrivals to Hong Kong during the year hit a new record high of over 36 million, with visitors from Mainland China increased to account for about 63% of the total count.

Visitors from Mainland China are on the whole growing in affluence. Based on the information published by Hong Kong Tourism Board, for the six months from January to June 2010, visitors from Mainland China had the highest Per Capita Overnight Visitor Spending among major market areas, exceeding those from the Americas and Europe. With the further relaxation of the restrictions on overseas travel for the Mainland residents, the visitors from Mainland China are expected to grow in number and will continue to provide substantial support to the tourism and hotel industries in Hong Kong.

According to the Hotel Survey published by Hong Kong Tourism Board, the average hotel room occupancy rate for all hotels in different categories in Hong Kong for the year 2010 was 87%, as compared to 78% in the preceding year, while the average achieved room rate has improved by 13.9%.

HOTEL OWNERSHIP

The Regal group's hotel ownership business is undertaken through Regal REIT, in which the Regal group is holding approximately 74.4% of its issued units.

For the year ended 31st December, 2010, Regal REIT achieved a consolidated net profit before distribution to unitholders of HK\$997.1 million, which was an increase of 46.1% over the comparative amount of HK\$682.3 million (as restated) recorded for the year 2009. Total distributable income for the year amounted to approximately HK\$682.9 million, as compared to HK\$558.2 million for the preceding year.

The second stage conversion project at the Regal iClub Building in Wanchai has been completed in December 2010 and added another 49 fully furnished hotel guestrooms and suites. All the 99 guestrooms and suites in the Regal iClub Hotel are now in full operation. The business model of the Regal iClub Hotel has proven to be successful and generated very satisfactory operating results.

All the six Regal Hotels in Hong Kong, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel, Regal Riverside Hotel and the latest Regal iClub Hotel, are now wholly owned by Regal REIT. This hotel portfolio commands an aggregate of 3,929 quality guestrooms and suites and accounts for over 11% of the total High Tariff A and High Tariff B hotel room inventory in Hong Kong. The total valuation of this portfolio amounted to HK\$14,880.0 million as at 31st December, 2010, representing an increase of about 4.1% as compared with that of the preceding year end.

Regal Portfolio Management Limited, a wholly owned subsidiary of Regal, acts as the REIT Manager of Regal REIT.

HOTEL OPERATIONS

Benefiting from a relatively favourable operating environment and the extensive upgrading works invested over the recent years on enhancing the quality and standards of the hotel properties, the average occupancy rate for the five Regal Hotels in Hong Kong (apart from the Regal iClub Hotel which only came into full operation in December 2010) for the year was 85.8%, representing a year-on-year increase of 15.5%.

Faced with added competition in the airport area, the Regal Airport Hotel has adjusted its marketing strategy to take on some additional tour group businesses, with a view to regaining market share. For the year under review, the average occupancy rate for this hotel has rebounded by 36.2% which, although had some diluting effect on the average room rate, has served to increase the Revenue per Available Room (RevPAR) by 12.9% as compared with the previous year. The other four Regal Hotels have performed well and achieved a year-on-year increase of 19.6% in average RevPAR.

The five Regal Hotels in Hong Kong (other than the Regal iClub Hotel which is owned and operated by Regal REIT) are under lease by Regal REIT to a wholly owned subsidiary of the Regal group. For the years 2011 to 2015, the rental package for the five hotels is subject to annual review and is to be determined by an independent professional property valuer to be jointly appointed by the lessors and the lessee under the lease arrangement. The rental review process to determine the rental package for 2011 has been completed and the aggregate base rent has been determined to be HK\$560 million, with variable rent basing on a sharing of 50% of the excess of the aggregate net property income of the five hotels over the aggregate base rent. Based on present forecasts and barring any unforeseen circumstances, the net property income of these five Regal Hotels in 2011 should well exceed the base rent level.

HOTEL MANAGEMENT

All the six Regal Hotels in Hong Kong are managed by Regal Hotels International Limited, a wholly owned subsidiary of the Regal group.

In China, the Regal Kangbo Hotel in Dezhou, Shandong was soft opened for business in September 2010. This 215-room deluxe hotel is the first five-star international hotel in Dezhou and is also the fifth hotel managed under the Regal name and operating in China. Earlier in the year, the Regal group entered into two management contracts for the provision of hotel management services to a four-star business hotel in Suzhou, Jiangsu, to be named as the Regal Fanhua Center Hotel, and a five-star hotel in Zhengzhou, Henan, to be named as the Regal Yuhong Hotel, respectively. The Regal Yuhong Hotel in Zhengzhou is scheduled to be opened for business in 2012 and the Regal Fanhua Center Hotel in Suzhou in 2013.

Recently, the Regal group concluded a management contract for a hotel project being constructed on top of a metro station in Foshan, Guangdong, located on the Guangzhou-Foshan railway network. The hotel will be a four-star business hotel with 230 well-appointed guestrooms and is scheduled to be opened in 2013. The Regal Plaza Hotel & Residence located in Waigaoqiao Free Trade Zone in Pudong, Shanghai, which is a hotel with service apartments offering a total of 282 units, is targeted to be soft opened in the second quarter of this year. This will be the fourth Regal hotel to come on stream in Shanghai and the sixth overall in China.

Backed by its strong operating base in Hong Kong, the Regal group will continue to expand its hotel network as planned.

PROPERTIES

Due to the scarcity of supply of luxury residential properties and the soaring land prices, the Regal group has been cautious in the sale of the remaining houses held in Regalia Bay, Stanley, Hong Kong. Towards the end of the year, the Regal group entered into an agreement with the other shareholder in the jointly controlled entity that developed the Regalia Bay project, pursuant to which the Regal group agreed to acquire from that other shareholder its interests in the two remaining allocated houses held through the jointly controlled entity. The relevant transaction under the agreement was completed in January this year. Presently, the Regal group still owns 21 houses in Regalia Bay, in addition to the two connected houses which have been contracted to be sold and pending completion.

The Regal group owns a 50% interest in a composite development project in Chengdu, Sichuan. The project has an overall total gross floor area of approximately 5,360,000 square feet and will be developed in stages. The first stage now primarily comprises a five-star hotel and three residential towers, to be constructed on two separate land parcels. The hotel will have 306 hotel rooms and extensive facilities, with total gross floor area above ground of approximately 420,000 square feet. Foundation and basement works for the hotel development have commenced and the first phase of hotel is presently scheduled to be soft opened in the fourth quarter of 2012. The three residential towers included in the first stage will have about 340 apartment units with car parks and some ancillary commercial accommodation, commanding total saleable area of approximately 489,000 square feet. Site preparation and formation works for this part of the development have been completed and the basement works will commence shortly, with overall construction works scheduled to be completed in the fourth quarter of 2012. Presale of the residential units is anticipated to be launched in the first quarter of 2012. Development works for the other stages are planned to be carried out progressively.

As referred to above, Regal group is the joint venture partner of the Paliburg 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

The Regal group holds an investment portfolio consisting primarily of listed investments. The Regal group also holds within the portfolio a substantial holding of convertible bonds issued by Cosmopolitan group, apart from certain minor holding of issued shares of Cosmopolitan. The fair value gains arising from the securities held in the Cosmopolitan group, which were intended to be held for long term strategic purpose, have been reflected in the consolidated financial statements of Regal for the year under review.

OUTLOOK

The continuing integration of Hong Kong with China's economy, which will be heightened through the construction of large scale infrastructure projects and transport networks connecting with the Pearl River Delta region, will increase Hong Kong's competitive edge as an international gateway city. China's 12th Five-year Plan has further endorsed and strengthened the positioning of Hong Kong as an international financial center, an international asset management center and a Renminbi offshore center. In the meantime, Hong Kong is embarking on a number of new tourism projects, such as the Ocean Park redevelopment and the Hong Kong Disneyland expansion, which will all help to maintain Hong Kong as a favourite tourist destination. All these positive factors will boost tourist and business travels to Hong Kong, which will in turn benefit the growth in the future capital value and earnings of the Regal group's hotel properties.

The property market in Hong Kong continued on the rise during the first few months of this year. Considering the scarcity of supply and the mounting demand for high end luxury properties, the management of Regal believes that the value of the houses in Regalia Bay will further appreciate.

The Regal group is in a very solid financial position with strong funding resources and is presently considering a number of investment proposals with a view to expanding its asset and income base, which will create long term benefits for its shareholders.

Having regard to the prosperous outlook of the real estate market in Hong Kong and in Mainland China and in preparation for suitable acquisition opportunities that may become available, as announced on 17th March, 2011, the Paliburg group and the Regal group have entered into a conditional agreement to establish a joint venture for the development of real estate projects for sale and/or leasing. As many new development projects will be of varying scales and may involve different property types, it was considered to be of mutual benefit to both groups that they join force to form a sizeable joint venture company with greater financial capability and to tap and capitalise on the different experience and expertise of the two groups. The joint venture company will provide the Paliburg group and the Regal group with the required flexibility to swiftly respond to available opportunities, should the two groups consider it to be in their mutual interests that such opportunities should be undertaken through the joint venture.

The joint venture will be owned by the Paliburg group and the Regal group on a 50:50 basis and the maximum total capital commitment to the joint venture will be HK\$3,800 million, to be contributed by the Paliburg group and the Regal group in a maximum capital commitment of HK\$1,900 million each and on pro-rata basis in accordance with their respective shareholdings in the joint venture. The formation of the joint venture will be conditional upon, among others, the approval by the independent shareholders of Regal. It is the intention of the two groups that, upon the due establishment of the joint venture, the joint venture may acquire from the Paliburg group certain development projects in Hong Kong as its starting projects.

The Paliburg group is expecting to receive very significant proceeds from the Larvotto development in this current financial year, which will substantially strengthen the Paliburg group's financial position and cash resources. The Paliburg group is planning to further expand its property portfolio, which may be taken on either by the Paliburg group on its own or, as deemed appropriate, to be undertaken through the proposed joint venture.

The directors of Paliburg are optimistic that the rolling out of the business expansion plans will help to sustain its continuing growth in the future years, thereby bringing to its shareholders increasing returns.

With the solid foundation built over the years, the Century City Group is in command of substantial funding resources to enable it to implement various business expansion and diversification plans. The Group has a strong business network and, with its extensive experience, is well-positioned to capture and capitalise on investment opportunities that will potentially become available from time to time, despite that they will continue to be pursued cautiously.

Overall, the Directors remain optimistic of the future prospects of the Group.

DIRECTORS AND STAFF

Lastly, I would like to take this opportunity to extend my gratitude to all my fellow Directors and all the management and staff members for their continuing support and contribution.

LO YUK SUI

Chairman

Hong Kong
24th March, 2011

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 Hotels Limited ("RHIHL"), the listed associate of the Company, which are held through Paliburg Holdings Limited ("PHL"), the listed subsidiary of the Company. The operating results of PHL during the year and its business prospects are contained in the preceding Chairman's Statement.

The significant investments and business interests of RHIHL comprise the hotel operation and management businesses, hotel ownership through its investment in Regal Real Estate Investment Trust ("Regal REIT") (which, previously the listed associate of RHIHL, became the listed subsidiary of RHIHL with effect from 23rd July, 2010), the asset management of Regal REIT, property development and investment, including the interest in the retained houses in Regalia Bay in Stanley, and other investment businesses. The performance of 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 also contained in the Chairman's Statement.

With respect to the joint development project in the Central Business District in Beijing, PRC and as previously reported, an associate that is 50% owned by each of the Group (holding through the PHL group) and the RHIHL group, which holds 59% shareholding interest in the Sino-foreign joint venture entities (which, in turn, own the development project), 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 36% shareholding interest in the joint venture entities. Although the relevant court rejected the petitions made by the associate for the setting aside of the unfavourable arbitral awards, the associate is still resorting to other available legal means to safeguard the aforesaid 36% shareholding interest and to pursue its legal rights against the vendor. On the other hand, the joint venture entities are encountering various difficult issues including shareholders' disputes, lawsuits raised by the Chinese joint venture partner and a third party, and outstanding issues relating to the land development rights of the project. The associate and the joint venture entities are still in discussions with the Chinese joint venture partner and the relevant government authorities in an attempt to resolve the abovementioned issues. While the Group's managements will persist in striving to tackle the overall difficult situation and to protect the Group's interests in the project, due to the lack of progress in resolving various issues for a prolonged period and having taken into account the complications in the overall situation, the Group's management considers it appropriate to make a further provision at the associate's level in respect of its investment in the project in the amount of HK\$801.0 million and 50% of which is directly attributable to the Group.

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.

Cash Flow

Net cash flows used in operating activities during the year under review amounted to HK\$143.5 million (2009 – HK\$4.9 million). Net interest receipt for the year amounted to HK\$4.1 million (2009 – HK\$0.7 million).

Borrowings

As at 31st December, 2010, the Group had cash and bank balances of HK\$567.2 million and no borrowings (2009 – HK\$366.3 million and no borrowings).

Details of the Group's pledge of assets and contingent liabilities are shown in notes 34 and 35, respectively, to the financial statements.

Share Capital

Ordinary Shares

During the year under review, the Company carried out the rights issue of its new ordinary shares of HK\$0.10 each to the qualifying shareholders of the Company on the basis of one new ordinary share ("Rights Share") for every ten ordinary shares held on 18th October, 2010, the Record Date (the "Rights Issue"). The proposed Rights Issue involved the issue of not less than 239,180,415 Rights Shares but not more than 272,995,813 Rights Shares at the subscription price of HK\$0.48 per Rights Share, subject to any issue of new ordinary shares by the Company on or before the Record Date upon any exercise of the outstanding 2011 Warrants of the Company ("2011 Warrants") and the outstanding share options ("Share Options") granted under the share option scheme of the Company named as "The Century City International Holdings Limited Share Option Scheme" (the "Century Share Option Scheme"). On completion of the Rights Issue on 8th November, 2010, a total of 239,180,432 new ordinary shares were allotted and issued by the Company to the qualifying shareholders who had successfully taken up Rights Shares under the Rights Issue. The net proceeds of approximately HK\$112.1 million raised from the Rights Issue were, as disclosed in the prospectus issued for the Rights Issue, applied by the Group in the exercise of the subscription rights attached to the 2010 Warrants of PHL held by the Group.

When the Rights Issue became unconditional at 4:00 p.m. on 5th November, 2010, the subscription price of the 2011 Warrants was adjusted from HK\$1.00 per ordinary share to HK\$0.48 per ordinary share and consequently, every 4.8 units of 2011 Warrants (with subscription rights of HK\$0.10 each) would confer rights on the holder(s) thereof to subscribe for one new ordinary share.

Following completion of the Rights Issue on 8th November, 2010, the exercise price of the Share Options was adjusted from HK\$1.20 per ordinary share to HK\$1.172 per ordinary share, and the number of ordinary shares to be allotted and issued upon exercise of all the Share Options was adjusted from 35,000,000 to 35,840,000 with effect from 8th November, 2010.

Details of the Rights Issue were disclosed in the announcements dated 7th and 13th October, 2010, the prospectus dated 19th October, 2010 and the subsequent announcements dated 5th and 8th November, 2010 of the Company.

Management Discussion and Analysis (Cont'd)

2011 Warrants

Details of the outstanding 2011 Warrants exercised to subscribe for new ordinary shares during the year are as follows:

	Amount of subscription rights attached to 2011 Warrants HK\$	No. of ordinary shares issued
Balance at beginning of year	303,196,049.90	–
Exercise of 2011 Warrants:		
- during the period from 1st January, 2010 up to before 4:00 p.m. on 5th November, 2010 at the then prevailing adjusted subscription price of <u>HK\$1.00</u> per ordinary share	(42,482.10)	42,480
- during the period from at or after 4:00 p.m. on 5th November, 2010 to the end of the year at the then prevailing adjusted subscription price of <u>HK\$0.48</u> per ordinary share	<u>(80,150,866.18)</u>	<u>166,980,953</u>
Balance at end of year	<u><u>223,002,701.62</u></u>	<u><u>167,023,433</u></u>

Subsequent to the year end date, the 2011 Warrants carrying aggregate subscription rights of HK\$215,788,436.58 were exercised to subscribe for a total of 449,559,232 new ordinary shares at the then prevailing adjusted subscription price of HK\$0.48 per ordinary share. The outstanding 2011 Warrants carrying aggregate subscription rights of HK\$7,214,265.04 which were not exercised by 4:00 p.m. on 11th January, 2011, the expiry date of the subscription rights, lapsed. The listing of the 2011 Warrants was withdrawn with effect from the close of trading hours of The Stock Exchange of Hong Kong Limited on 11th January, 2011.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

As previously reported, on 10th September, 2009, a sale and purchase agreement (the "S&P Agreement") was entered into between, among others, a wholly owned subsidiary of PHL 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 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 Disposal was completed on 20th October, 2009, and as a result, Twentyfold and Sonnix became 25% owned associates of PHL.

As provided in the S&P Agreement, the Seller completed at its own cost the asset enhancement programme (the "Asset Enhancement Programme") to convert part of the Property into a 50-room hotel, which subsequently commenced operation in December 2009 under the name of "Regal iClub Hotel (富豪薈酒店)". A second stage conversion programme for the Property providing additional 49 hotel rooms and suites was completed in December 2010.

Pursuant to the S&P Agreement, a call option (the "Call Option") exercisable at the Purchaser's discretion during the period from 1st November, 2010 to 28th February, 2011 (both dates inclusive) was granted by the Seller to the Purchaser for the sale by the Seller to the Purchaser of (a) the remaining 25% equity interest in Twentyfold 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"). The consideration payable by the Purchaser under the Call Option would be determined based on the net asset value of the Subject Group as at the date of completion of the Option Disposal with the Property stated at the Appraised Value, being the value of the Property as of 30th June, 2009 (on the basis that the Asset Enhancement Programme had been completed) of HK\$479 million as valued by an independent valuer engaged by the Purchaser, but with no discount.

On 10th December, 2010, the Purchaser, acting on behalf of and at the direction of Regal REIT, served a notice to the Seller exercising the Call Option for the Option Disposal. The Option Disposal was subsequently completed on 31st December, 2010, and PHL ceased to hold any interests in the Subject Group. After taking into account the completion adjustment, the aggregate consideration for the Option Disposal was finally determined as HK\$90.5 million.

Management Discussion and Analysis (Cont'd)

Following the completion of the exercise of the Call Option, the following agreements in relation to the Property expired on 31st December, 2010 and were accordingly terminated:

- (1) the lease agreement dated 20th October, 2009 entered into between Real Charm Investment Limited ("Real Charm"), a wholly owned subsidiary of PHL, and Sonnix in relation to the leasing of the Property by Real Charm from Sonnix for the period commencing from 21st October, 2009 to 31st December, 2010 at a rental of HK\$2 million per calendar month (subject to adjustment) to operate the Regal iClub Hotel and the leasing business of the relevant leased properties (the "Lease Agreement"); and
- (2) the hotel management agreement dated 7th December, 2009 entered into between Real Charm and Regal Hotels International Limited ("RHI"), a wholly owned subsidiary of RHIHL, in relation to the appointment of RHI to act as the hotel manager for the Regal iClub Hotel for the period commencing from 24th December, 2009, the date on which the hotel licence was issued, to 31st December, 2010 (or the last day of the lease under the Lease Agreement between Sonnix and Real Charm if so early terminated by Sonnix) at a management fee of 5% of the gross revenues generated by the Regal iClub Hotel, subject to a minimum amount of HK\$80,000 per month.

Further, following completion of the Option Disposal, the bank loan of a principal amount of up to HK\$211 million made available to Sonnix, which was secured by, among others, a several guarantee provided by PHL in the amount proportional to the Seller's equity interest in Sonnix after the Disposal, was re-financed by a new bank loan secured by a guarantee solely from Regal REIT.

Details of the exercise of the Call Option and related matters were disclosed in the joint announcement of the Company dated 10th December, 2010.

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 2,130 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 benefit 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 and PHL maintain the Century Share Option Scheme and the share option scheme named as "The Paliburg Holdings Limited Share Option Scheme", respectively, 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, 2010.

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, the investment in Regal Hotels International Holdings Limited (“RHIHL”), the listed associate of the Company, and other investments. RHIHL and its subsidiaries (together, the “RHIHL Group”) are engaged in the business activities of hotel operation and management, hotel ownership through its investment in Regal Real Estate Investment Trust (“Regal REIT”) (which, previously the listed associate of RHIHL, became the listed subsidiary of RHIHL with effect from 23rd July, 2010), asset management of Regal REIT, property development and investment, and other investments.

There have been no significant changes in the above activities of the Group 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, 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 58 to 142.

DIVIDENDS

An interim dividend of HK0.4 cent (2009 – HK0.3 cent) per ordinary share, absorbing an amount of approximately HK\$9.6 million (2009 – HK\$6.9 million), was paid to holders of ordinary shares during the year.

The Directors now recommend the payment of a final dividend of HK1.6 cents (2009 – HK0.8 cent) per ordinary share for the year ended 31st December, 2010, absorbing an amount of approximately HK\$52.0 million (2009 – HK\$19.1 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 31st May, 2011. This recommendation has been incorporated in the financial statements.

ANNUAL GENERAL MEETING

The 2011 Annual General Meeting of the Company will be convened to be held on Tuesday, 31st May, 2011. Relevant notice of the Meeting will be contained in the circular of the Company relating to the re-election of Directors and the general mandates to issue and repurchase ordinary shares (the “Circular”) to be sent to the shareholders, together with the 2010 Annual Report.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Friday, 27th May, 2011 to Tuesday, 31st May, 2011, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the proposed final dividend and be entitled to attend and vote at the 2011 Annual General Meeting, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company’s branch registrar in Hong Kong, Tricor Tengis Limited, not later than 4:30 p.m. on Thursday, 26th May, 2011. The relevant dividend warrants are expected to be despatched on or about 17th June, 2011.

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Mr. Kenneth Ng Kwai Kai
Mr. Anthony Chuang
Mr. Donald Fan Tung
Mr. Kelvin Leung So Po
Mr. Jimmy Lo Chun To
Miss Lo Po Man
Mr. Ng Siu Chan
Mr. Wong Chi Keung

During the year, Mr. Kelvin Leung So Po was appointed as an Executive Director with effect from 1st March, 2010.

In accordance with Bye-law 109(A) of the Bye-laws of the Company, Mr. Lo Yuk Sui, the Chairman and Chief Executive Officer, Mr. Kenneth Ng Kwai Kai, an Executive Director and the Chief Operating Officer, and Mr. Wong Chi Keung, an Independent Non-Executive Director, will retire from office by rotation at the 2011 Annual General Meeting.

All the above retiring Directors, being eligible, have offered themselves for re-election at the 2011 Annual General Meeting. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), will be set out in the Circular.

The Company has received from each of the three 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 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 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 Century City International Holdings Limited Share Option Scheme" (the "Century Share Option Scheme") and the share option scheme of Paliburg Holdings Limited ("PHL"), the listed subsidiary of the Company, named as "The Paliburg Holdings Limited Share Option Scheme" (the "Paliburg 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.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2010, 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:

The Company/ 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, 2010)
			Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) issued	51,331,859	1,408,130,436 (Note a(i))	276,100	1,459,738,395
		(ii) unissued	48,111,537 (Notes a(ii) & (iii))	361,034,255 (Note a(iv))	104,583 (Note a(v))	409,250,375
				Total (i) & (ii):	1,868,988,770 (66.80%)	
	Mr. Kelvin Leung So Po	Ordinary (i) issued	3,917	–	–	3,917
		(ii) unissued	83 (Note b(i))	–	–	83
			Total (i) & (ii):	4,000 (0.000%)		
Mr. Jimmy Lo Chun To	Ordinary (i) issued	182,578	–	–	182,578	
	(ii) unissued	69,158 (Note b(ii))	–	–	69,158	
			Total (i) & (ii):	251,736 (0.009%)		
Miss Lo Po Man	Ordinary (i) issued	81,447	–	–	81,447	
	(ii) unissued	30,851 (Note b(iii))	–	–	30,851	
			Total (i) & (ii):	112,298 (0.004%)		
Mr. Ng Siu Chan	Ordinary (i) issued	–	–	2,554,398	2,554,398	
	(ii) unissued	–	–	967,575 (Note b(iv))	967,575	
			Total (i) & (ii):	3,521,973 (0.13%)		

Report of the Directors (Cont'd)

The Company/ 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, 2010)
				Corporate interests	Family/Other interests		
2. PHL	Mr. Lo Yuk Sui	Ordinary (i) issued	61,926,014	715,560,803 (Note c(i))	15,000	777,501,817	
		(ii) unissued	20,088,000 (Note c(ii))	-	-	20,088,000	
					Total (i) & (ii):	797,589,817 (70.95%)	
	Mr. Kenneth Ng Kwai Kai	Ordinary (i) issued	75,000	-	-	75,000	
		(ii) unissued	2,176,200 (Note d)	-	-	2,176,200	
					Total (i) & (ii):	2,251,200 (0.20%)	
	Mr. Donald Fan Tung	Ordinary (i) issued	556	-	-	556	
		(ii) unissued	2,232,000 (Note e)	-	-	2,232,000	
					Total (i) & (ii):	2,232,556 (0.20%)	
	Mr. Kelvin Leung So Po	Ordinary (i) issued	585	-	-	585	
		(ii) unissued	669,600 (Note f)	-	-	669,600	
					Total (i) & (ii):	670,185 (0.06%)	
	Mr. Jimmy Lo Chun To	Ordinary (i) issued	42,600	-	-	42,600	
		(ii) unissued	2,232,000 (Note e)	-	-	2,232,000	
				Total (i) & (ii):	2,274,600 (0.20%)		
Miss Lo Po Man	Ordinary (unissued)	1,116,000 (Note g)	-	-	1,116,000 (0.10%)		
Mr. Ng Siu Chan	Ordinary (issued)	-	-	80,474	80,474 (0.007%)		

Report of the Directors (Cont'd)

The Company/ 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, 2010)
			Personal interests	Corporate interests	Family/Other interests	
3. RHIHL	Mr. Lo Yuk Sui	Ordinary (i) issued	24,200	494,835,261 (Note h(i))	260,700	495,120,161
		(ii) unissued	20,000,000 (Note h(ii))	–	–	20,000,000
					Total (i) & (ii):	515,120,161 (51.34%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	2,000,000 (Note i)	–	–	2,000,000 (0.20%)
	Mr. Donald Fan Tung	Ordinary (unissued)	2,000,000 (Note i)	–	–	2,000,000 (0.20%)
	Mr. Kelvin Leung So Po	Ordinary (i) issued	200	–	–	200
		(ii) unissued	800,000 (Note j)	–	–	800,000
					Total (i) & (ii):	800,200 (0.08%)
	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 (0.36%)	
4. 8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note m)	–	1,000 (100%)
5. 8D Matrix Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	2,000,000 (Note n)	–	2,000,000 (100%)

Report of the Directors (Cont'd)

The Company/ 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, 2010)
				Corporate interests	Family/Other interests		
6. 8D International Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	500,000 (Note o)	–	500,000 (100%)	
7. 8D International (China) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1 (Note p)	–	1 (100%)	
8. Century Digital Communications (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1 (Note q)	–	1 (100%)	
9. Century Digital Communications Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	2 (Note r)	–	2 (100%)	
10. Century Digital Enterprise Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	100 (Note s)	–	100 (100%)	
11. Century Digital Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	3 (Note t)	–	3 (100%)	
12. Century Digital Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	49,968 (Note u)	–	49,968 (99.94%)	
13. China Noble Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1 (Note v)	–	1 (100%)	
14. Full Range Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	10,000 (Note w)	–	10,000 (100%)	
15. Giant Forward Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1 (Note x)	–	1 (100%)	
16. Grand Modern Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	330 (Note y)	–	330 (100%)	
17. Important Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	10,000 (Note z)	–	10,000 (100%)	
18. Net Age Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	97 (Note aa)	–	97 (100%)	

Report of the Directors (Cont'd)

The Company/ 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, 2010)
				Corporate interests	Family/Other interests		
19. Net Community Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	3 (Note ab)	–	3 (100%)	
20. Pilot Pro Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1 (Note ac)	–	1 (100%)	
21. Speedway Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	50,000 (Note ad)	–	50,000 (100%)	
22. Task Master Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1 (Note ae)	–	1 (100%)	
23. Top Technologies Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	10,000 (Note af)	–	10,000 (100%)	
24. Treasure Collection International Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	2 (Note ag)	–	2 (100%)	

Notes:

(a) (i) The interests in 1,408,130,436 issued ordinary shares of the Company 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.

(ii) The interests in 35,840,000 unissued ordinary shares of the Company 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 35,840,000 new ordinary shares of the Company at an adjusted exercise price of HK\$1.172 per ordinary share (subject to adjustment). The options have 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 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	14,336,000
12th May, 2008 to 11th May, 2011	7,168,000
12th May, 2009 to 11th May, 2011	7,168,000
12th May, 2010 to 11th May, 2011	7,168,000

(iii) The interests in 12,271,537 unissued ordinary shares of the Company related to the interests in the warrants of the Company (the "2011 Warrants") carrying subscription rights in an aggregate amount of HK\$5,890,338.00. Arrangements were made for the exercise of such 2011 Warrants to subscribe for a total of 12,271,537 new ordinary shares of the Company at an adjusted subscription price of HK\$0.48 per ordinary share on 22nd December, 2010. Relevant new ordinary shares were subsequently allotted and issued in January 2011.

Report of the Directors (Cont'd)

- (iv) The interests in 361,034,255 unissued ordinary shares of the Company 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 26,750,483 unissued ordinary shares of the Company related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$12,840,231.84. Arrangements were made for the exercise of such 2011 Warrants to subscribe for a total of 26,750,483 new ordinary shares of the Company at an adjusted subscription price of HK\$0.48 per ordinary share on 22nd December, 2010. Relevant new ordinary shares were subsequently allotted and issued in January 2011.

The interests in 334,283,772 unissued ordinary shares of the Company related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$160,456,211.76, which were exercisable during the period from 18th April, 2006 to 11th January, 2011 to subscribe for a total of 334,283,772 new ordinary shares of the Company at an adjusted subscription price of HK\$0.48 per ordinary share (subject to adjustment).

- (v) The interests in 104,583 unissued ordinary shares of the Company related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$50,200.00. Arrangements were made for the exercise of such 2011 Warrants to subscribe for a total of 104,583 new ordinary shares of the Company at an adjusted subscription price of HK\$0.48 per ordinary share on 22nd December, 2010. Relevant new ordinary shares were subsequently allotted and issued in January 2011.
- (b) (i) The interests in 83 unissued ordinary shares of the Company related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$40.00, which were exercisable to subscribe for a total of 83 new ordinary shares of the Company upon the terms as set out in note (a)(iv) above.
- (ii) The interests in 69,158 unissued ordinary shares of the Company related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$33,196.00, which were exercisable to subscribe for a total of 69,158 new ordinary shares of the Company upon the terms as set out in note (a)(iv) above.
- (iii) The interests in 30,851 unissued ordinary shares of the Company related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$14,808.70, which were exercisable to subscribe for a total of 30,851 new ordinary shares of the Company upon the terms as set out in note (a)(iv) above.
- (iv) The interests in 967,575 unissued ordinary shares of the Company related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$464,436.00, which were exercisable to subscribe for a total of 967,575 new ordinary shares of the Company upon the terms as set out in note (a)(iv) above.
- (c) (i) The interests in 668,824,547 issued ordinary shares of PHL were held through companies wholly owned by the Company, in which Mr. Lo held 52.16% shareholding interests.

The interests in 16,271,685 issued ordinary shares of PHL 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 30,464,571 issued ordinary shares of PHL 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 PHL 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 PHL at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options have 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 exercisable as follows:

Exercise period	Number of ordinary shares of PHL under vested options
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

- (d) The interests in 2,176,200 unissued ordinary shares of PHL 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 PHL at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options remaining outstanding have 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 exercisable as follows:

Exercise period	Number of ordinary shares of PHL under vested options
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

- (e) The interests in 2,232,000 unissued ordinary shares of PHL 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 PHL at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options have 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 exercisable as follows:

Exercise period	Number of ordinary shares of PHL under vested options
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

- (f) The interests in 669,600 unissued ordinary shares of PHL 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 669,600 new ordinary shares of PHL at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options have 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 exercisable as follows:

Exercise period	Number of ordinary shares of PHL under vested options
25th July, 2007 to 24th July, 2011	267,840
25th July, 2008 to 24th July, 2011	133,920
25th July, 2009 to 24th July, 2011	133,920
25th July, 2010 to 24th July, 2011	133,920

Report of the Directors (Cont'd)

- (g) The interests in 1,116,000 unissued ordinary shares of PHL 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 PHL at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options have 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 exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of PHL 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

- (h) (i) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which Mr. Lo held 52.16% shareholding interests, and the interests in the other 494,413,861 issued ordinary shares of RHIHL were held through companies wholly owned by PHL, in which the Company held 59.49% 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 exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options have 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 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

- (i) 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 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 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

- (j) The interests in 800,000 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 800,000 new ordinary shares of RHIHL at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options have 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 exercisable as follows:

Exercise period	Number of ordinary shares of RHIHL under vested options
25th July, 2007 to 24th July, 2011	320,000
25th July, 2008 to 24th July, 2011	160,000
25th July, 2009 to 24th July, 2011	160,000
25th July, 2010 to 24th July, 2011	160,000

- (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 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 exercisable as follows:

Exercise period	Number of ordinary shares of RHIHL under vested options
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

- (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 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 exercisable as follows:

Exercise period	Number of ordinary shares of RHIHL under vested options
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 the Company, in which Mr. Lo held 52.16% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.
- (n) 800,000 shares were held through companies controlled by the Company, in which Mr. Lo held 52.16% shareholding interests, and 1,200,000 shares were held through companies controlled by Mr. Lo (including 8D International (BVI) Limited).

Report of the Directors (Cont'd)

(o) The interests in these shares of 8D International Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	52.16
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
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Century City BVI Holdings Limited	40.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00

(p) The interest in the share of 8D International (China) Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	52.16
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
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Century City BVI Holdings Limited	40.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00

Report of the Directors (Cont'd)

(q) The interest in the share of Century Digital Communications (BVI) Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	52.16
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
Important Holdings Limited	Task Master Technology Limited	33.33

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

(r) The interests in these shares of Century Digital Communications Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	52.16
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
Important Holdings Limited	Task Master Technology Limited	33.33
Century Digital Communications (BVI) Limited	Important Holdings Limited	100.00

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

Report of the Directors (Cont'd)

- (s) The interests in these shares of Century Digital Enterprise Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	52.16
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
Important Holdings Limited	Task Master Technology Limited	33.33
Century Digital Investments Limited	Important Holdings Limited	99.93

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
Century Digital Investments Limited	Important Holdings Limited	99.93

- (t) The interests in these shares of Century Digital Holdings Limited were held through corporations wholly-owned by Mr. Lo.

- (u) The interests in these shares of Century Digital Investments Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	52.16
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
Important Holdings Limited	Task Master Technology Limited	33.33

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

(v) The interest in the share of China Noble Investments Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	52.16
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
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Important Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00
Pilot Pro Holdings Limited	8D Matrix Limited	100.00
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00
Pilot Pro Holdings Limited	8D Matrix Limited	100.00

(w) The interests in these shares of Full Range Technology Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	52.16
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
Important Holdings Limited	Task Master Technology Limited	33.33
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

Report of the Directors (Cont'd)

- (x) The interest in the share of Giant Forward Holdings Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	52.16
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
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Important Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00

- (y) The interests in these shares of Grand Modern Investments Limited were held through corporations wholly owned by Mr. Lo.

- (z) The interests in these shares of Important Holdings Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	52.16
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

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	100.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Secure Way Technology Limited	Mr. Lo	100.00

Report of the Directors (Cont'd)

(aa) The interests in these shares of Net Age Technology Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	52.16
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
Important Holdings Limited	Task Master Technology Limited	33.33
Century Digital Investments Limited	Important Holdings Limited	99.93

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
Century Digital Investments Limited	Important Holdings Limited	99.93

(ab) The interests in these shares of Net Community Limited were held through a corporation wholly owned by Mr. Lo.

(ac) The interest in the share of Pilot Pro Holdings Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	52.16
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
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Important Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00

Report of the Directors (Cont'd)

(ad) The interests in these shares of Speedway Technology Limited were held through a corporations wholly owned by Mr. Lo.

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	52.16
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
Important Holdings Limited	Task Master Technology Limited	33.33
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

(ae) The interest in the share of Task Master Technology Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	52.16
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00

(af) The interests in these shares of Top Technologies Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	52.16
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
Important Holdings Limited	Task Master Technology Limited	33.33
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

(ag) The interests in these shares of Treasure Collection International Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	52.16
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
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Important Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00
Giant Forward Holdings Limited	8D Matrix Limited	100.00
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00
Giant Forward Holdings Limited	8D Matrix Limited	100.00

Save as disclosed herein, as at 31st December, 2010, 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 Century Share Option Scheme, and no option granted to such persons under the Century 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 Century 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 Century Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2010, 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, 2010
Secure Way Technology Limited ("Secure Way") (Notes i and ii)	1,307,500,000	322,916,666	1,630,416,666	58.27%
Net Community Limited ("Net Community") (Notes i, ii and iii)	1,307,500,000	322,916,666	1,630,416,666	58.27%
Century Digital Holdings Limited ("Century Digital") (Notes i, ii and iv)	1,307,500,000	322,916,666	1,630,416,666	58.27%
Grand Modern Investments Limited ("Grand Modern") (Notes i, ii and v)	1,307,500,000	322,916,666	1,630,416,666	58.27%

Notes:

- (i) These companies are wholly owned by Mr. Lo Yuk Sui ("Mr. Lo") and their interests in ordinary shares are included in the corporate interests of Mr. Lo in the Company as disclosed in the section headed "Directors' Interests in Share Capital" above.
- (ii) The interests in these ordinary shares are directly held by Grand Modern.
- (iii) Net Community is wholly owned by Secure Way.
- (iv) Century Digital is wholly owned by Net Community.
- (v) Grand Modern is wholly owned by Century Digital.

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, 2010, 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 is a director of Secure Way.
- (2) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To and Miss Lo Po Man are directors of Net Community, Century Digital and Grand Modern.

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, 2010 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	• Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK\$292,500 commencing from January 2011. (Notes)
Mr. Kenneth Ng Kwai Kai	• Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK\$53,550 commencing from January 2011. (Notes)
Mr. Donald Fan Tung	• Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK\$88,800 commencing from January 2011. (Notes)
Mr. Kelvin Leung So Po	• Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK\$31,850 commencing from January 2011. (Notes)
Mr. Jimmy Lo Chun To	• Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK\$81,000 commencing from January 2011. (Notes)
Miss Lo Po Man	• Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK\$16,800 commencing from January 2011. (Notes)
<i>Independent Non-Executive Director:</i>	
Mr. Wong Chi Keung	• Appointment as a member of the audit committee of ENM Holdings Limited, a company listed on the Stock Exchange, with effect from 10th December, 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, 2010 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".

MOVEMENTS IN SHARE OPTIONS GRANTED BY AND WARRANTS OF PALIBURG HOLDINGS LIMITED

Share Options

During the year, details of movements in share options granted by PHL pursuant to the Paliburg Share Option Scheme are set out in note 29 to the financial statements.

2010 Warrants

Movements in outstanding 2010 warrants issued by PHL ("2010 Warrants") to subscribe for ordinary shares of HK\$0.10 each of PHL during the year are detailed below:

	HK\$
Balance at beginning of year	235,937,241.54
Exercise of 2010 Warrants during the period from 1st January, 2010 up to 4:00 p.m. on 8th November, 2010, date of expiry of the subscription rights	(224,342,373.78)
Repurchase of 2010 Warrants during the year	(4,441,500.00)
2010 Warrants remaining outstanding after 4:00 p.m. on 8th November, 2010 lapsed	(7,153,367.76)
Balance at end of year	Nil
Adjusted subscription price per ordinary share (subject to adjustment) (HK\$)	2.10

The listing of the 2010 Warrants was withdrawn with effect from the close of trading hours of the Stock Exchange on 8th November, 2010.

Details of movements in 2010 Warrants are also set out in note 29 to the financial statements.

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 combined in respect of goods and services was less than 30% of the total amount involved.

During the year, 33.34% of the Group's total revenue was attributable to the largest customer of the Group in respect of goods and services, which was an independent third party, and 60.38% of the Group's total revenue was attributable to the 5 largest customers of the Group combined in respect of goods and services. Amongst the 5 largest customers, one of them was the listed associate of the Group and two others were respectively a 50% owned associate and a 25% owned associate of the PHL group.

Further relevant information about major customers is set out in note 4 to the financial statements.

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.

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 29 to the financial statements.

SHARE PREMIUM ACCOUNT

The details of movements in the share premium account during the year are set out in note 29 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 31 to the financial statements.

ASSOCIATES

Particulars of the Group's investments in associates are set out in note 18 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 30(b) to the financial statements and in the consolidated statement of changes in equity of the financial statements, respectively.

Report of the Directors (Cont'd)

DISTRIBUTABLE RESERVES

As at 31st December, 2010, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$1,514.3 million, of which HK\$52.0 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 expenses 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
24th March, 2011

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, 2010, 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 had been put in place such that the Independent Non-Executive Directors would retire, 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, and were eligible for re-election. Further, following the relevant amendments to the Bye-laws on 9th June, 2010, all Directors (including the Independent Non-Executive Directors) of the Company would be subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

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, 2010 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, 2010.

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.

Corporate Governance Report (Cont'd)

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.

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 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 on 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/warrantholders.

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 had been put in place such that the Independent Non-Executive Directors would retire, 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, and were eligible for re-election, during the period before the amendments to the relevant provisions of the Bye-laws were approved at the 2010 Annual General Meeting of the Company held on 9th June, 2010. Since then, all Directors (including the Independent Non-Executive Directors) of the Company would be subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

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 during the period before the amendments to the relevant provisions of the Bye-laws approved at the 2010 Annual General Meeting. Since then, all Directors (including the Independent Non-Executive Directors) of the Company would be subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election. At the 2010 Annual General Meeting, an Executive Director, who was appointed in March 2010, and two other Directors, who had been in office for three years, retired and were re-elected at that meeting.

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 Century City International Holdings Limited" (the "Century 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, 2010.

The Board has also adopted the "Guidelines for Securities Transactions by Relevant Employees Directors of Century City International Holdings Limited" (the "Century 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 Century Code and the Century 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. Anthony Chuang, Mr. Ng Siu Chan and Mr. Wong Chi Keung, all 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.

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 in accordance with the requirements under the CG Code, 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.

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 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 2010. 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 two Members of the Audit Committee had attended the Annual General Meeting of the Company held in 2010. 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 2010 was sent to the shareholders of the Company. There was no special general meeting of the Company convened and held during the year of 2010.

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 2010 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 Century 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 Century Code during the year ended 31st December, 2010.

(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. Kenneth Ng Kwai Kai (*Chief Operating Officer*)

Mr. Donald Fan Tung

Mr. Kelvin Leung So Po

Mr. Jimmy Lo Chun To

Miss Lo Po Man

Independent Non-Executive Directors:

Mr. Anthony Chuang

Mr. Ng Siu Chan

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, 2010, 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 2010, 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>)	8/8
Mr. Kenneth Ng Kwai Kai (<i>Chief Operating Officer</i>)	8/8
Mr. Donald Fan Tung	8/8
Mr. Kelvin Leung So Po (<i>appointed on 1st March, 2010</i>)	8/8
Mr. Jimmy Lo Chun To	8/8
Miss Lo Po Man	8/8
<i>Independent Non-Executive Directors</i>	
Mr. Anthony Chuang	7/8
Mr. Ng Siu Chan	8/8
Mr. Wong Chi Keung	7/8

(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. Ng Siu Chan (*Chairman of the Committee*)
 Mr. Anthony Chuang (*Member*)
 Mr. Wong Chi Keung (*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 2010, 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. Ng Siu Chan (<i>Chairman of the Committee</i>)	2/2
Mr. Anthony Chuang	2/2
Mr. Wong Chi Keung	2/2

(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. Anthony Chuang (*Member*)

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 2010, the Remuneration Committee met once and has reviewed the Company's policy and structure for the remuneration of Directors and senior management. 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. Anthony Chuang	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 2010, 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 2010 Annual General Meeting until the conclusion of the forthcoming 2011 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, 2010 were HK\$1.6 million (2009 – HK\$1.6 million) and HK\$0.4 million (2009 – HK\$0.8 million), respectively.

Consolidated Income Statement

For the year ended 31st December, 2010

	Notes	2010 HK\$'million	2009 HK\$'million (Restated)
REVENUE	5	131.1	188.5
Cost of sales		(116.0)	(147.4)
Gross profit		15.1	41.1
Other income and gains	5	6.8	53.1
Fair value gains on investment properties		0.1	46.1
Fair value gains net, on financial assets at fair value through profit or loss		474.6	336.0
Administrative expenses		(41.6)	(47.2)
Other operating income/(expenses), net	6	4.7	(51.1)
OPERATING PROFIT		459.7	378.0
Finance costs	8	(0.1)	(1.6)
Share of profits and losses of associates		1,711.9	119.9
PROFIT BEFORE TAX	7	2,171.5	496.3
Income tax	11	(0.6)	(0.6)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		2,170.9	495.7
Attributable to:			
Equity holders of the parent	12	1,287.1	316.0
Non-controlling interests		883.8	179.7
		2,170.9	495.7
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	14		
Basic		HK51.69 cents	HK13.32 cents
Diluted		HK48.91 cents	HK12.88 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, 2010

	2010 HK\$'million	2009 HK\$'million (Restated)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	2,170.9	495.7
OTHER COMPREHENSIVE INCOME/(LOSS)		
Available-for-sale investments:		
Changes in fair value	0.8	6.9
Reclassification adjustment for losses included in the consolidated income statement	–	1.4
	0.8	8.3
Exchange differences on translating foreign operations	2.4	–
Share of other comprehensive income/(loss) of associates	128.1	(7.2)
Other comprehensive income for the year	131.3	1.1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>2,302.2</u>	<u>496.8</u>
Attributable to:		
Equity holders of the parent	1,364.0	319.8
Non-controlling interests	938.2	177.0
	<u>2,302.2</u>	<u>496.8</u>

Consolidated Statement of Financial Position

As at 31st December, 2010

	Notes	31st December, 2010 HK\$'million	31st December, 2009 HK\$'million (Restated)	1st January, 2009 HK\$'million (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	15	4.2	2.7	3.3
Investment properties	16	0.5	0.4	358.3
Goodwill	17	202.0	202.0	202.0
Investments in associates	18	6,075.0	4,390.2	4,135.2
Available-for-sale investments	19	6.2	7.5	14.0
Financial assets at fair value through profit or loss	20	957.1	583.9	211.3
Loans receivable	21	3.2	5.5	6.5
Deferred tax assets	28	–	–	7.6
Deposits for purchase of properties		42.6	–	–
Other assets	22	0.2	0.2	0.2
Total non-current assets		7,291.0	5,192.4	4,938.4
CURRENT ASSETS				
Financial assets at fair value through profit or loss	20	272.2	198.8	192.9
Properties held for sale		6.0	6.0	6.0
Inventories	23	4.1	7.2	10.0
Debtors, deposits and prepayments	24, 27	88.5	54.2	93.5
Time deposits		238.7	238.6	206.8
Cash and bank balances		328.5	127.7	110.5
		938.0	632.5	619.7
Asset of a disposal group classified as held for sale	25	249.4	249.4	249.4
Total current assets		1,187.4	881.9	869.1
CURRENT LIABILITIES				
Creditors and accruals	26, 27	(72.9)	(183.3)	(105.9)
Tax payable		(3.6)	(3.6)	(3.7)
Deposits received	25	(217.0)	(216.9)	(221.3)
		(293.5)	(403.8)	(330.9)
Liability directly associated with the asset of a disposal group classified as held for sale	25	(98.9)	(98.9)	(98.9)
Total current liabilities		(392.4)	(502.7)	(429.8)
NET CURRENT ASSETS		795.0	379.2	439.3
TOTAL ASSETS LESS CURRENT LIABILITIES		8,086.0	5,571.6	5,377.7

Consolidated Statement of Financial Position (Cont'd)

	Notes	31st December, 2010 HK\$'million	31st December, 2009 HK\$'million (Restated)	1st January, 2009 HK\$'million (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,086.0	5,571.6	5,377.7
NON-CURRENT LIABILITY				
Interest bearing bank borrowing		–	–	(214.6)
Net assets		8,086.0	5,571.6	5,163.1
EQUITY				
Equity attributable to equity holders of the parent				
Issued capital	29	279.7	239.1	312.2
Reserves	30(a)	4,641.6	3,153.8	2,784.8
Proposed final dividend	13	52.0	19.1	11.6
		4,973.3	3,412.0	3,108.6
Non-controlling interests		3,112.7	2,159.6	2,054.5
Total equity		8,086.0	5,571.6	5,163.1

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2010

		Attributable to equity holders of the parent											Total equity HK\$'m				
		Issued capital HK\$'m	Share premium account HK\$'m	Share option reserve HK\$'m	Assets revaluation reserve HK\$'m	Available-for-sale investments revaluation reserve HK\$'m	Hedge equalisation reserve HK\$'m	Exchange equalisation reserve HK\$'m	Retained profits HK\$'m	Proposed final dividend HK\$'m	Total HK\$'m	Non-controlling interests HK\$'m					
At 1st January, 2009																	
	As previously reported	312.2	1,183.1	20.3	220.4	(12.4)	67.3	1,331.0	11.6	3,101.2	2,049.0	5,150.2					
	Prior year adjustment	-	-	-	-	-	(32.3)	7.4	-	7.4	5.5	12.9					
	As restated	312.2	1,183.1	20.3	220.4	(12.4)	67.3	1,338.4	11.6	3,108.6	2,054.5	5,163.1					
	Profit for the year	-	-	-	-	-	-	316.0	-	316.0	179.7	495.7					
	Other comprehensive income for the year:																
	Changes in fair value of available-for-sale investments																
	Reclassification adjustment for losses included in the consolidated income statement																
	Share of other comprehensive income/(loss) of associates																
	Total comprehensive income/(loss) for the year																
	Issue of new shares upon conversion of convertible preference shares	8.1	73.1	-	-	-	-	-	-	-	-	-	81.2	-	-	81.2	
	Conversion of convertible preference shares	(81.2)	-	-	-	-	-	-	-	-	-	-	(81.2)	-	-	(81.2)	
	Acquisition of additional interests in the listed subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(60.2)	-	(60.2)	
	Contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	
	Final 2008 dividend declared	-	-	-	-	-	-	-	(11.6)	(11.6)	(8.6)	(20.2)					
	Equity-settled share option arrangements	-	-	1.1	-	-	-	-	-	-	1.1	0.3	1.4				
	Share of the listed associate	-	-	1.0	-	-	-	-	-	-	1.0	0.8	1.8				
	Interim 2009 dividend	-	-	-	-	-	-	(6.9)	-	(6.9)	(4.3)	(11.2)					
	Proposed final 2009 dividend	-	-	-	-	-	-	(19.1)	19.1	-	-	-					
	At 31st December, 2009	239.1	1,256.2	22.4	220.4	(4.1)	68.4	1,628.4	19.1	3,412.0	2,159.6	5,571.6					

Consolidated Statement of Changes in Equity (Cont'd)

Attributable to equity holders of the parent

Notes	Issued capital HK\$'m	Share premium account HK\$'m	Share option reserve HK\$'m	Capital reserve* HK\$'m	Assets revaluation reserve HK\$'m	Available-for-sale			Retained profits HK\$'m	Proposed final dividend HK\$'m	Total HK\$'m	Non-controlling interests HK\$'m	Total equity HK\$'m
						Investment revaluation reserve HK\$'m	Hedge equalisation reserve HK\$'m	Exchange reserve HK\$'m					
At 1st January, 2010													
As previously reported	239.1	1,256.2	22.4	-	220.4	(4.1)	(37.9)	68.4	1,620.2	19.1	3,403.8	2,153.8	5,557.6
Prior year adjustment	-	-	-	-	-	-	-	-	8.2	-	8.2	5.8	14.0
As restated	239.1	1,256.2	22.4	-	220.4	(4.1)	(37.9)	68.4	1,628.4	19.1	3,412.0	2,159.6	5,571.6
Profit for the year	-	-	-	-	-	-	-	-	1,287.1	-	1,287.1	883.8	2,170.9
Other comprehensive income for the year:													
Changes in fair value of available-for-sale investments	-	-	-	-	-	0.8	-	-	-	-	0.8	-	0.8
Exchange difference on translating foreign operations	-	-	-	-	-	-	-	1.4	-	-	1.4	1.0	2.4
Share of other comprehensive income of associates	-	-	-	-	-	-	47.8	26.9	-	-	74.7	53.4	128.1
Total comprehensive income for the year	-	-	-	-	-	0.8	47.8	28.3	1,287.1	-	1,364.0	938.2	2,302.2
Issue of new shares under the Rights Issue	23.9	90.9	-	-	-	-	-	-	-	-	114.8	-	114.8
Issue of new shares upon exercise of warrants	16.7	63.5	-	-	-	-	-	-	-	-	80.2	-	80.2
Share issue expenses	-	(2.7)	-	-	-	-	-	-	-	-	(2.7)	-	(2.7)
Acquisition of additional interests in the listed subsidiary	-	-	-	28.8	-	-	-	-	-	-	28.8	(59.9)	(31.1)
Repurchase and cancellation of ordinary shares by the listed subsidiary	-	-	-	-	-	-	-	-	-	-	-	(6.0)	(6.0)
Repurchase and cancellation of warrants by the listed subsidiary	-	-	-	-	-	-	-	-	-	-	-	(1.8)	(1.8)
Contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	-	99.5	99.5
Final 2009 dividend declared	-	-	-	-	-	-	-	-	(19.1)	(19.1)	(19.1)	(13.8)	(32.9)
Equity-settled share option arrangements	-	-	0.3	-	-	-	-	-	-	-	0.3	0.2	0.5
Share of the listed associate	-	-	0.4	4.2	-	-	-	-	-	-	4.6	3.1	7.7
Interim 2010 dividend	-	-	-	-	-	-	-	-	(9.6)	-	(9.6)	(6.4)	(16.0)
Proposed final 2010 dividend	-	-	-	-	-	-	-	-	(52.0)	52.0	-	-	-
At 31st December, 2010	279.7	1,407.9	23.1	33.0	220.4	(3.3)	9.9	96.7	2,853.9	52.0	4,973.3	3,112.7	8,086.0

* Following the adoption of HKAS 27 (Revised) *Consolidated and Separate Financial Statements*, changes in the parent's ownership interest in a subsidiary that does not result in a loss of control over that subsidiary are accounted for as equity transactions. As a result, the differences between the consideration paid or received and the changes in non-controlling shareholders' interest in that subsidiary are recognised directly in capital reserve and attributed to the owners of the parent. The amount arising from the acquisition of additional interests in the listed subsidiary of HK\$28.8 million and the share of the listed associate's amount of HK\$4.2 million would have been included in "Other income and gains" and "Share of profits and losses of associates", respectively, in the consolidated income statement prior to the adoption of HKAS 27 (Revised).

Consolidated Statement of Cash Flows

For the year ended 31st December, 2010

	Notes	2010 HK\$'million	2009 HK\$'million
Net cash flows used in operating activities	32(a)	(143.5)	(4.9)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of additional interests in the listed subsidiary		(31.1)	(26.6)
Acquisition of additional interests in the listed associate		(7.8)	(46.6)
Disposal of subsidiaries	32(c)	–	192.6
Disposal of an associate		90.1	–
Purchases of financial assets at fair value through profit or loss		–	(28.0)
Proceeds from disposal of available-for-sale investments		–	6.2
Proceeds from redemption of financial assets at fair value through profit or loss		–	33.2
Recovery of a loan receivable		9.6	–
Decrease in loans receivable		4.7	1.7
Deposits paid		(42.6)	–
Purchases of items of property, plant and equipment		(3.0)	(0.6)
Addition to investment properties		–	(10.8)
Repayment from/(Advance to) associates		31.5	(73.9)
Interest received		4.1	1.9
Dividends received from listed investments		51.7	42.4
Net cash flows from investing activities		107.2	91.5
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		114.8	–
Proceeds from exercise of warrants		80.2	–
Share issue expenses		(2.7)	–
Net proceeds from issue of shares by the listed subsidiary		99.5	0.1
Repurchase and cancellation of shares by the listed subsidiary		(6.0)	–
Repurchase and cancellation of warrants by the listed subsidiary		(1.8)	–
Drawdown of new loans		–	209.9
Repayments of bank loans		–	(214.7)
Payment of loan costs		(0.1)	(0.3)
Interest paid		–	(1.2)
Dividends paid		(48.9)	(31.4)
Net cash flows from/(used in) financing activities		235.0	(37.6)

Consolidated Statement of Cash Flows (Cont'd)

	2010	2009
	HK\$'million	HK\$'million
Net increase in cash and cash equivalents	198.7	49.0
Cash and cash equivalents at beginning of year	366.3	317.3
Effect of foreign exchange rate changes, net	2.2	–
Cash and cash equivalents at end of year	567.2	366.3
Analysis of balances of cash and cash equivalents		
Cash and bank balances	328.5	127.7
Non-pledged time deposits with original maturity of less than three months when acquired	238.7	238.6
	567.2	366.3

Statement of Financial Position

As at 31st December, 2010

	Notes	2010 HK\$'million	2009 HK\$'million
NON-CURRENT ASSETS			
Investments in subsidiaries	31	3,210.7	3,049.9
CURRENT ASSETS			
Deposits and prepayments		0.5	0.5
CURRENT LIABILITIES			
Creditors and accruals		(1.9)	(2.2)
NET CURRENT LIABILITIES		(1.4)	(1.7)
Net assets		3,209.3	3,048.2
EQUITY			
Issued capital	29	279.7	239.1
Reserves	30(b)	2,877.6	2,790.0
Proposed final dividend	13	52.0	19.1
Total equity		3,209.3	3,048.2

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

Notes to Financial Statements

31st December, 2010

1. CORPORATE INFORMATION

During the year, the Company and its subsidiaries (collectively referred to as the "Group") was principally engaged in property development and investment, construction and building related businesses, and other investments.

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(f). These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1st January, 2010

The consolidated financial statements include the financial statements of the Group for the year ended 31st December, 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Notes to Financial Statements (Cont'd)

Basis of consolidation prior to 1st January, 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests (formerly known as minority interests), prior to 1st January, 2010, were accounted for using the parent entity extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interests until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interests had a binding obligation to cover these. Losses prior to 1st January, 2010 were not reallocated between non-controlling interests and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1st January, 2010 has not been restated.

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 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 12 Amendments	<i>Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets (early adopted)</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
HKFRS 5 Amendments	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
included in <i>Improvements to HKFRSs issued in October 2008</i>	
Improvements to HKFRSs 2009	<i>Amendments to a number of HKFRSs issued in May 2009</i>
HK Interpretation 4 Amendment	<i>Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
HK Interpretation 5	<i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i>

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised) and amendments to HKAS 12, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1st January, 2010.

(b) Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Amendments to HKAS 12 were issued in December 2010 which introduce a rebuttable presumption that deferred tax on investment property measured using the fair value model in HKAS 40 *Investment Property* should be determined on the basis that its carrying amount will be recovered through sale. The amendments also require that deferred tax on non-depreciable assets measured using the revaluation model in HKAS 16 *Property, Plant and Equipment* should always be measured on a sale basis. As a result of the amendments, Hong Kong (SIC)-21 *Income Taxes – Recovery of Revalued Non-depreciable Assets*, will be superseded once the amendments become effective. Although the amendments are effective for annual periods beginning on or after 1st January, 2012, the Group has decided to early adopt the amendments in these financial statements.

Notes to Financial Statements (Cont'd)

A former subsidiary of the Company, which has become an associate following the disposal by the Group of its 75% interest in the company in 2009, and Regal REIT, a former associate of RHIHL, which has become a subsidiary of RHIHL since 23rd July, 2010, have previously provided deferred tax on the fair value gains on their investment properties assuming that the carrying amounts of these properties will be recovered through use. Upon the adoption of the Amendments to HKAS 12, they now measure deferred tax on investment properties assuming that their carrying amounts will be recovered through sale. The effects of the above changes are summarised below:

	2010 HK\$'million	2009 HK\$'million
<i>Consolidated income statement for the year ended 31st December</i>		
Decrease in other income and gains	–	(16.3)
Increase in other operating expenses, net	(9.9)	–
Increase/(Decrease) in share of profits and losses of associates	(2.0)	10.1
Decrease in income tax expense	–	7.6
Decrease/(Increase) in profits attributable to non-controlling interests	4.8	(0.6)
	<hr/>	<hr/>
Increase/(Decrease) in profit for the year	(7.1)	0.8
	<hr/> <hr/>	<hr/> <hr/>
Increase/(Decrease) in basic earnings per share	HK(0.29) cent	HK0.03 cent
	<hr/> <hr/>	<hr/> <hr/>
Increase/(Decrease) in diluted earnings per share	HK(0.27) cent	HK0.03 cent
	<hr/> <hr/>	<hr/> <hr/>
<i>Consolidated statement of financial position at 31st December</i>		
Increase in investments in associates	2.1	14.0
Increase in non-controlling interests	(0.9)	(5.8)
	<hr/>	<hr/>
	1.2	8.2
	<hr/> <hr/>	<hr/> <hr/>
Increase in capital reserve	0.1	–
Increase in retained profits	1.1	8.2
	<hr/>	<hr/>
	1.2	8.2
	<hr/> <hr/>	<hr/> <hr/>
<i>Consolidated statement of financial position at 1st January</i>		
Decrease in investments in associates		(1.6)
Increase in deferred tax assets		7.6
Decrease in deferred tax liabilities		6.9
Increase in non-controlling interests		(5.5)
		<hr/>
Increase in retained profits		7.4
		<hr/> <hr/>

Due to the retrospective application of the amendments which has resulted in the restatement of items in the consolidated statement of financial position, a consolidated statement of financial position as at 1st January, 2009, and the related notes affected by the amendments are presented in these financial statements.

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 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> ²
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time adopters</i> ⁴
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> ⁴
HKFRS 9	<i>Financial Instruments</i> ⁵
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ³
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> ¹
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> ³
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ²

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1st July, 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1st January, 2011 although there are separate transitional provisions for each standard.

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

² Effective for annual periods beginning on or after 1st July, 2010

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

⁴ Effective for annual periods beginning on or after 1st July, 2011

⁵ 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) Business combinations and goodwill

Business combinations from 1st January, 2010

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

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

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 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.

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

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

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interests (formerly known as minority interests) were measured at the proportionate share of the acquiree's identifiable net assets.

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

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

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

(b) 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 investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

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

Where the Group's equity interest in a subsidiary is diluted by virtue of the additional issue of shares by such subsidiary (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 capital reserve.

(c) 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 investments 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 investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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.

(d) Impairment of non-financial assets

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.

(e) 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.

(f) 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. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains any non-controlling interests in its former subsidiary after the sale.

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.

(g) 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.

(h) 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 investments, 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 investments 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 by 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 investments 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 investments 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 investments in rare circumstances. Reclassification to loans and receivables is permitted when the financial investments 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.

(i) 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 investment 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.

(j) 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; or
- 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.

(k) 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 plus directly attributable transaction costs.

The Group's financial liabilities include amount due to an associate, creditors and deposits received.

Subsequent measurement

The measurement of loans and borrowings is as follows:

After initial recognition, loans and 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.

(l) 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.

(m) 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.

(n) Fair value of financial instruments

The fair value of financial instruments that are 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.

(o) Convertible preference shares

The component of convertible preference shares that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. The carrying amount of the conversion option is not remeasured in subsequent years.

(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) Other assets

Other assets held on the long term basis are stated at cost less any impairment losses deemed necessary by the Directors.

(r) 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.

Notes to Financial Statements (Cont'd)

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 each financial year end.

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.

(s) 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.

(t) 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.

(u) 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(t) 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.

(v) 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.

(w) 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.

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.

(x) 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.

(y) Employee benefits

Share-based payment transactions

The Company and its listed subsidiary operate share option schemes 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.

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.

(z) 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;
- (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.

(aa) 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.

(ab) 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 ESTIMATES

The preparation of the Group's financial statements requires management to make 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.

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 at 31st December, 2010 was HK\$202.0 million (2009 - HK\$202.0 million) and the carrying amount of goodwill included in investments in associates was HK\$287.6 million (2009 - HK\$287.6 million, as restated). More details are given in notes 17 and 18 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, 2010 was HK\$310.3 million (2009 - HK\$312.2 million). Further details are contained in note 28 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\$11.1 million (2009 - HK\$11.8 million) being recognised in the income statement.

Measurement of fair value of equity-settled transactions

Both the Company and its listed subsidiary operate share option schemes 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 the Group's 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 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 tax payable 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, 2010 and 2009:

GROUP

	Property development and investment		Construction and building related businesses		Hotel operation and management		Securities investment		Others		Eliminations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	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	5.8	12.1	92.3	148.6	18.8	0.2	14.2	27.6	-	-	-	-	131.1	188.5
Intersegment sales	-	-	-	1.3	-	-	-	-	-	-	-	(1.3)	-	-
Total	5.8	12.1	92.3	149.9	18.8	0.2	14.2	27.6	-	-	(1.3)	-	131.1	188.5
Segment results	(15.2)	66.3	7.1	3.8	(2.3)	(0.1)	497.9	311.3	3.7	1.7	-	-	491.2	383.0
Interest income and unallocated non-operating and corporate gains													4.2	34.9
Unallocated non-operating and corporate expenses													(35.7)	(39.9)
Operating profit													459.7	378.0
Finance costs													(0.1)	(1.6)
Share of profits and losses of associates	(413.5)	(113.2)	-	-	2,125.4*	233.1*	-	-	-	-	-	-	1,711.9	119.9
Profit before tax													2,171.5	496.3
Income tax													(0.6)	(0.6)
Profit for the year before allocation between equity holders of the parent and non-controlling interests													2,170.9	495.7
Attributable to:														
Equity holders of the parent													1,287.1	316.0
Non-controlling interests													883.8	179.7
													2,170.9	495.7

* The amount represents contribution from Regal Hotels International Holdings Limited ("RHHL"), the listed associate of the Company, and its subsidiaries (the "RHHL Group").

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	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	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	50.8	12.1	32.7	31.1	1.1	0.1	1,243.6	790.3	3.5	6.1	-	-	1,231.7	839.7
Investments in associates	146.9	658.4	-	-	5,928.1	3,731.8	-	-	-	-	-	-	6,075.0	4,390.2
Asset of a disposal group classified as held for sale	249.4	249.4	-	-	-	-	-	-	-	-	-	-	249.4	249.4
Cash and unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	822.3	595.0
Total assets	-	-	-	-	-	-	-	-	-	-	-	-	8,478.4	6,074.3
Segment liabilities	(5.6)	(9.8)	(36.3)	(57.0)	(1.7)	(0.1)	(11.6)	(103.8)	-	-	-	-	(55.2)	(170.7)
Liability directly associated with the asset of a disposal group classified as held for sale	(98.9)	(98.9)	-	-	-	-	-	-	-	-	-	-	(98.9)	(98.9)
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	(238.3)	(233.1)
Total liabilities	-	-	-	-	-	-	-	-	-	-	-	-	(392.4)	(502.7)
Other segment information:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	42.6	10.8	0.5	0.5	-	-	-	-	-	-	-	-	-	-
Capital expenditure	-	-	0.1	0.5	-	-	-	-	-	-	-	-	-	-
Other non-cash income	-	-	-	-	-	-	-	-	(2.5)	(0.7)	-	-	-	-

Notes to Financial Statements (Cont'd)

Geographical information

(a) Revenue from external customers

	2010 HK\$'million	2009 HK\$'million
Hong Kong	122.8	187.9
Mainland China	8.3	0.6
	<u>131.1</u>	<u>188.5</u>

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

(b) Non-current assets

	2010 HK\$'million	2009 HK\$'million (Restated)
Hong Kong	6,323.2	4,167.9
Mainland China	1.3	427.6
	<u>6,324.5</u>	<u>4,595.5</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\$43.7 million (2009 - HK\$80.9 million) and HK\$14.0 million (2009 - HK\$38.0 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	
	2010	2009
	HK\$'million	HK\$'million
		(Restated)
<u>Revenue</u>		
Rental income:		
Investment properties	4.4	10.7
Properties held for sale	0.4	0.4
Construction and construction-related income	77.5	140.1
Estate management fees	3.2	3.1
Property development consultancy and project management fees	11.6	5.4
Gain from sale of listed investments at fair value through profit or loss, net	10.8	18.6
Dividend income from listed investments	3.4	9.0
Hotel operation	18.8	0.2
Other operations including estate agency service	1.0	1.0
	131.1	188.5
	131.1	188.5
<u>Other income and gains</u>		
Interest income from:		
Bank balances	0.7	0.5
Loans receivable	3.8	1.6
Dividend income from listed investments	2.3	–
Gain on disposal of subsidiaries (note 32(c))	–	17.4
Excess over the cost of additional interests in the listed subsidiary	–	33.6
	6.8	53.1
	6.8	53.1

6. OTHER OPERATING INCOME/(EXPENSES), NET

Other operating income/(expenses), net, include the following major items:

	GROUP	
	2010 HK\$'million	2009 HK\$'million
Loss on redemption of financial assets at fair value through profit or loss	–	(49.1)
Loss on disposal of an associate	(3.9)	–
Reversal of impairment of loans receivable and debtors	10.0	0.7
	<u>10.0</u>	<u>0.7</u>

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	GROUP	
	2010 HK\$'million	2009 HK\$'million
Cost of inventories sold and services provided	56.6	24.5
Depreciation	1.5	1.2
Less: Depreciation capitalised in respect of construction contracts	(0.1)	(0.1)
	<u>1.4</u>	<u>1.1</u>
Employee benefit expenses* (inclusive of Directors' remuneration disclosed in note 9):		
Salaries, wages and benefits	65.4	63.1
Equity-settled share option expense	0.5	1.4
Staff retirement scheme contributions	3.2	3.3
	<u>69.1</u>	<u>67.8</u>
Less: Staff costs capitalised in respect of property development projects and construction contracts:		
Wages and salaries	(21.0)	(24.6)
Staff retirement scheme contributions	(1.0)	(1.3)
	<u>47.1</u>	<u>41.9</u>

* Inclusive of an amount of HK\$9.2 million (2009 - HK\$5.1 million) classified under cost of inventories sold and services provided.

Notes to Financial Statements (Cont'd)

	GROUP	
	2010 HK\$'million	2009 HK\$'million
Auditors' remuneration	1.6	1.6
Loss on disposal of available-for-sale investments	–	1.6
Write-down of inventories to net realisable value [#]	0.6	2.8
Minimum lease payments under operating leases:		
Land and buildings	29.6	10.2
Plant and machinery	0.2	1.6
	<u>29.8</u>	<u>11.8</u>
Less: Minimum lease payments capitalised in respect of construction contracts:		
Land and buildings	(0.5)	(0.9)
Plant and machinery	(0.2)	(1.6)
	<u>(0.7)</u>	<u>(2.5)</u>
and after crediting:	<u>29.1</u>	<u>9.3</u>
Fair value gains, net, on financial assets at fair value through profit or loss		
- held for trading	8.0	28.6
- designated as such upon initial recognition	466.6	307.4
	<u>474.6</u>	<u>336.0</u>
Gross rental income	4.8	11.1
Less: Outgoings	(15.3)	(7.6)
Net rental income/(loss)	<u>(10.5)</u>	<u>3.5</u>
Reversal of impairment of loans receivable and debtors	<u>10.0</u>	<u>0.7</u>

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

Notes to Financial Statements (Cont'd)

8. FINANCE COSTS

	GROUP	
	2010 HK\$'million	2009 HK\$'million
Interest on bank loans wholly repayable within five years	–	1.3
Other loan costs	0.1	0.3
	<hr/>	<hr/>
Total finance costs	0.1	1.6
	<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	
	2010 HK\$'million	2009 HK\$'million
Fees	1.9	1.8
Other emoluments:		
Salaries and other allowances	6.7	6.2
Performance related/discretionary bonuses	1.2	1.0
Equity-settled share option expense	0.4	1.4
Staff retirement scheme contributions	0.7	0.6
	<hr/>	<hr/>
	10.9	11.0
	<hr/> <hr/>	<hr/> <hr/>

(a) Independent non-executive directors

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

	2010 HK\$'million	2009 HK\$'million
Mr. Anthony Chuang	0.15	0.15
Mr. Ng Siu Chan	0.35	0.35
Mr. Wong Chi Keung	0.35	0.35
	<hr/>	<hr/>
	0.85	0.85
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Notes to Financial Statements (Cont'd)

The independent non-executive directors of the Company were entitled to a total sum of HK\$0.85 million (2009 - HK\$0.85 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, 2010. The fees paid to Mr. Ng Siu Chan and Mr. Wong Chi Keung also included a sum of HK\$0.15 million (2009 - HK\$0.15 million) and HK\$0.20 million (2009 - HK\$0.20 million) respectively, which represented the fees entitled by these directors for serving as independent non-executive directors as well as audit committee members of Paliburg Holdings Limited ("PHL"), the listed subsidiary of the Company.

There were no other emoluments payable to the independent non-executive directors during the year (2009 - 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
2010						
Mr. Lo Yuk Sui	0.20	3.42	0.57	0.33	0.34	4.86
Mr. Kenneth Ng Kwai Kai	0.20	0.79	0.13	0.03	0.06	1.21
Mr. Donald Fan Tung	0.20	1.03	0.21	0.03	0.10	1.57
Mr. Kelvin Leung So Po**	0.08	0.31	0.06	0.01	0.03	0.49
Mr. Jimmy Lo Chun To	0.20	0.93	0.15	0.03	0.09	1.40
Miss Lo Po Man	0.20	0.20	0.03	0.01	0.02	0.46
	<u>1.08</u>	<u>6.68</u>	<u>1.15</u>	<u>0.44</u>	<u>0.64</u>	<u>9.99</u>
2009						
Mr. Lo Yuk Sui	0.20	3.35	0.56	1.06	0.34	5.51
Mr. Kenneth Ng Kwai Kai	0.20	0.77	0.13	0.08	0.06	1.24
Mr. Donald Fan Tung	0.20	1.01	0.17	0.08	0.10	1.56
Mr. Jimmy Lo Chun To	0.20	0.90	0.15	0.08	0.09	1.42
Miss Lo Po Man	0.20	0.19	0.03	0.04	0.01	0.47
	<u>1.00</u>	<u>6.22</u>	<u>1.04</u>	<u>1.34</u>	<u>0.60</u>	<u>10.20</u>

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

* The fees entitled by these executive directors except for Mr. Kelvin Leung So Po also include a fee of HK\$0.10 million entitled by each of these executive directors for serving as an executive director of PHL.

** Appointed as Director with effect from 1st March, 2010.

10. SENIOR EXECUTIVES' EMOLUMENTS

The five highest-paid individuals included four (2009 - four) Directors, details of whose remuneration are disclosed in note 9 to the financial statements. The emoluments of the remaining one (2009 - one) individual who was not a Director, are as follows:

	GROUP	
	2010 HK\$'million	2009 HK\$'million
Salaries and other emoluments	1.4	1.3
Performance related/discretionary bonuses	0.3	0.2
Staff retirement scheme contributions	0.1	0.1
	1.8	1.6
	1.8	1.6

The emoluments of the remaining one (2009 - one) individual fell within the following band:

HK\$	2010 Number of individuals	2009 Number of individuals
1,500,001 - 2,000,000	1	1
	1	1
	1	1

11. INCOME TAX

	GROUP	
	2010 HK\$'million	2009 HK\$'million (Restated)
Group:		
Current - Hong Kong		
Charge for the year	0.6	0.7
Deferred tax (note 28)	-	(0.1)
Total tax charge for the year	0.6	0.6
	0.6	0.6

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2009 - 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 applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	GROUP	
	2010 HK\$'million	2009 HK\$'million (Restated)
Profit before tax	<u>2,171.5</u>	<u>496.3</u>
Tax at the Hong Kong statutory tax rate of 16.5% (2009 - 16.5%)	358.3	81.9
Profits and losses attributable to associates	(282.5)	(19.8)
Income not subject to tax	(81.2)	(70.0)
Expenses not deductible for tax	4.7	13.9
Tax losses utilised from previous periods	(3.7)	(9.8)
Tax losses not recognised during the year	<u>5.0</u>	<u>4.4</u>
Tax charge at the Group's effective rate of 0.03% (2009 - 0.12%)	<u>0.6</u>	<u>0.6</u>

The share of tax charge attributable to associates amounting to HK\$37.2 million (2009 - HK\$6.1 million, as restated) is included in "Share of profits and losses of associates" in the consolidated income statement.

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31st December, 2010 includes a loss of HK\$2.7 million (2009 - HK\$3.4 million) which has been dealt with in the financial statements of the Company (note 30(b)).

13. DIVIDENDS

	2010 HK\$'million	2009 HK\$'million
Interim - HK0.4 cent (2009 - HK0.3 cent) per ordinary share	9.6	6.9
Proposed final - HK1.6 cents (2009 - HK0.8 cent) per ordinary share	<u>52.0</u>	<u>19.1</u>
	<u>61.6</u>	<u>26.0</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 PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the year attributable to equity holders of the parent of HK\$1,287.1 million (2009 - HK\$316.0 million, as restated) and on the weighted average of 2,490.1 million (2009 - 2,372.4 million, as restated) ordinary shares of the Company in issue during the year, as adjusted for the effect of the rights issue of new ordinary shares to the qualifying shareholders of the Company on the basis of one new ordinary share for every ten existing ordinary shares held on 18th October, 2010 at a subscription price of HK\$0.48 per share.

(b) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2010 is based on the profit for the year attributable to equity holders of the parent, adjusted for the decrease in the Group's proportionate interest in the earnings of Paliburg Holdings Limited ("PHL"), the listed subsidiary of the Company and its subsidiaries (the "PHL Group") of HK\$16.5 million assuming all outstanding share options of PHL and the subscription rights attaching to all outstanding warrants of PHL were exercised to subscribe for ordinary shares of PHL at the beginning of the year. The weighted average number of ordinary shares used in the calculation is the aggregate of the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per ordinary share calculation and the weighted average number of ordinary shares of 107.5 million that would be issued assuming the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of the year. The exercise prices of the share options of the Company and RHIHL 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.

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2009 was based on the profit for that year attributable to equity holders of the parent. The weighted average number of ordinary shares used in the calculation was the aggregate of the weighted average number of ordinary shares in issue (as restated) during that year, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 79.9 million (as restated) that would be issued assuming all the 812.4 million convertible preference shares of the Company were converted into 83.2 million (as restated) ordinary shares of the Company at the beginning of that year. The exercise prices of the share options of the Company, PHL and RHIHL, and the subscription prices of the warrants of the Company and PHL outstanding during that year were higher than the average market prices of the respective ordinary shares of the Company, PHL and RHIHL and, accordingly, they had no dilutive effect on the basic earnings 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, 2010				
At 31st December, 2009 and 1st January, 2010:				
Cost	1.1	15.9	1.4	18.4
Accumulated depreciation	(0.4)	(14.2)	(1.1)	(15.7)
Net carrying amount	<u>0.7</u>	<u>1.7</u>	<u>0.3</u>	<u>2.7</u>
At 1st January, 2010, net of accumulated depreciation	0.7	1.7	0.3	2.7
Additions	–	2.8	0.2	3.0
Write-off	–	(0.7)	–	(0.7)
Write-back of depreciation upon write-off	–	0.7	–	0.7
Depreciation provided during the year	–	(1.2)	(0.3)	(1.5)
At 31st December, 2010, net of accumulated depreciation	<u>0.7</u>	<u>3.3</u>	<u>0.2</u>	<u>4.2</u>
At 31st December, 2010:				
Cost	1.1	18.0	1.6	20.7
Accumulated depreciation	(0.4)	(14.7)	(1.4)	(16.5)
Net carrying amount	<u>0.7</u>	<u>3.3</u>	<u>0.2</u>	<u>4.2</u>

Notes to Financial Statements (Cont'd)

	GROUP			
	Leasehold properties HK\$'million	Leasehold improvements, fixtures and furniture, equipment HK\$'million	Motor vehicles HK\$'million	Total HK\$'million
31st December, 2009				
At 1st January, 2009:				
Cost	1.1	15.6	1.4	18.1
Accumulated depreciation	(0.4)	(13.6)	(0.8)	(14.8)
Net carrying amount	<u>0.7</u>	<u>2.0</u>	<u>0.6</u>	<u>3.3</u>
At 1st January, 2009, net of accumulated depreciation				
	0.7	2.0	0.6	3.3
Additions	–	0.6	–	0.6
Disposals/Write-off	–	(0.3)	–	(0.3)
Write-back of depreciation upon disposals/write-off	–	0.3	–	0.3
Depreciation provided during the year	–	(0.9)	(0.3)	(1.2)
At 31st December, 2009, net of accumulated depreciation	<u>0.7</u>	<u>1.7</u>	<u>0.3</u>	<u>2.7</u>
At 31st December, 2009:				
Cost	1.1	15.9	1.4	18.4
Accumulated depreciation	(0.4)	(14.2)	(1.1)	(15.7)
Net carrying amount	<u>0.7</u>	<u>1.7</u>	<u>0.3</u>	<u>2.7</u>

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

16. INVESTMENT PROPERTIES

	GROUP	
	2010 HK\$'million	2009 HK\$'million
Carrying amount at 1st January	0.4	358.3
Additions	–	10.8
Gain from fair value adjustments	0.1	46.1
Disposal of subsidiaries (note 32(c))	–	(414.8)
	<hr/>	<hr/>
Carrying amount at 31st December	0.5	0.4
	<hr/> <hr/>	<hr/> <hr/>

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	0.2
	<hr/>
	0.5
	<hr/> <hr/>

The Group's investment properties were revalued on 31st December, 2010 by independent professionally qualified valuers with an RICS qualification at HK\$0.5 million, on an open market, existing use basis.

17. GOODWILL

The amounts of the goodwill capitalised as an asset and recognised in the consolidated statement of financial position arising from the acquisition of additional interests in the listed and unlisted subsidiaries, are as follows:

	GROUP	
	HK\$'million	
At 1st January, 2009, 31st December, 2009 and 2010:		
Cost	449.6	
Accumulated impairment	(247.6)	
	<hr/>	
Net carrying amount	202.0	
	<hr/> <hr/>	

Impairment testing of goodwill

As at 31st December, 2010, the carrying amount of goodwill relates to the acquisition of additional interests in PHL prior to 1st January, 2010, which is allocated to one cash-generating unit, the PHL Group. The recoverable amount of the PHL Group is determined based on the fair value of its audited net asset adjusted for its interest in the listed associate, RHIHL, revalued to reflect the fair value of certain hotel properties held by the RHIHL Group.

18. INVESTMENTS IN ASSOCIATES

	GROUP		
	31st December, 2010 HK\$'million	31st December, 2009 HK\$'million (Restated)	1st January, 2009 HK\$'million (Restated)
Listed and unlisted companies:			
Share of net assets	5,373.1	3,586.4	3,452.2
Goodwill on acquisition	287.6	287.6	287.6
	<u>5,660.7</u>	<u>3,874.0</u>	<u>3,739.8</u>
Loans to associates	156.0	156.0	156.0
Amounts due from associates	258.4	360.3	239.5
Amount due to an associate	(0.1)	(0.1)	(0.1)
	<u>6,075.0</u>	<u>4,390.2</u>	<u>4,135.2</u>
Share of net assets of the listed associate	<u>5,640.6</u>	<u>3,444.1</u>	<u>3,204.6</u>
Market value of an associate listed in Hong Kong	<u>1,522.8</u>	<u>1,593.4</u>	<u>1,025.7</u>

Goodwill

	GROUP	
	2010 HK\$'million	2009 HK\$'million (Restated)
Cost and carrying amount at 1st January and 31st December	<u>287.6</u>	<u>287.6</u>

The loans to associates are unsecured, interest-free and not repayable within one year.

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.

The share of net assets represents the share attributable to the Group before the Group's non-controlling interests therein.

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
			2010	2009	
Regal Hotels International Holdings Limited ("RHIHL") ⁽²⁾	Bermuda	Ordinary shares of HK\$0.10 each	49.3 ⁽¹⁾	48.7 ⁽¹⁾	Investment holding
Hang Fok Properties Limited ("Hang Fok") ⁽³⁾	British Virgin Islands	Ordinary shares of US\$1 each	50.0 ⁽¹⁾	50.0 ⁽¹⁾	Investment holding
Cheerjoy Development Limited*	Hong Kong	Ordinary shares of HK\$1 each	30.0 ⁽¹⁾	30.0 ⁽¹⁾	Property development
Sonnix Limited ("Sonnix") ⁽⁴⁾	Hong Kong	Ordinary shares of HK\$1 each	–	25.0 ⁽¹⁾	Hotel and property investments

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

- (1) The percentage of equity interest represents equity interest attributable to the PHL Group.
- (2) The RHIHL Group is engaged in the business activities of hotel operation and management, hotel ownership, property development and investment and other investments. The ordinary shares of RHIHL are listed on The Stock Exchange of Hong Kong Limited.
- (3) 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. Although the relevant court rejected the petitions made by the associate for the setting aside of the unfavourable arbitral awards, the associate is still resorting to other available legal means to safeguard the aforesaid 36% shareholding interest and to pursue its legal rights against the vendor. On the other hand, the joint venture entities are encountering various difficult issues including shareholders' disputes, lawsuits raised by the Chinese joint venture partner and a third party, and outstanding issues relating to the land development rights of the project. The associate and the joint venture entities are still in discussions with the Chinese joint venture partner and the relevant government authorities in an attempt to resolve the abovementioned issues. While the Group's management will persist in striving to tackle the overall difficult situation and to protect the Group's interests in the project, due to the lack of progress in resolving various issues for a prolonged period and having taken into account the complications in the overall situation, the Group's management considers it appropriate to make a further provision at the associate's level in respect of its investment in the project in the amount of HK\$801.0 million and 50% of which is directly attributable to the Group.

- (4) 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. The remaining 25% equity interest has also been disposed of to Regal REIT during the year (note 33(b)).

Notes to Financial Statements (Cont'd)

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.

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:

	2010 HK\$'million	2009 HK\$'million (Restated)
Assets	24,828.8	12,976.1
Liabilities	12,101.3	7,982.5
Revenue	1,502.7	1,395.6
Profit	6,092.5	290.2

19. AVAILABLE-FOR-SALE INVESTMENTS

	GROUP	
	2010 HK\$'million	2009 HK\$'million
Unlisted investments, at fair value	6.2	7.5

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK\$0.8 million (2009 - HK\$6.9 million).

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

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP	
	2010 HK\$'million	2009 HK\$'million
Non-current assets:		
Listed equity investments in Hong Kong, at market value	389.5	209.0
Unlisted debt investments, at fair value	567.6	374.9
	957.1	583.9
Current assets:		
Listed equity investments, at market value		
Hong Kong	178.8	193.9
Elsewhere	–	4.9
	178.8	198.8
Unlisted debt investment, at fair value	93.4	–
	272.2	198.8

The listed equity investments included under non-current assets and the unlisted debt investments at 31st December, 2009 and 2010 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, 2009 and 2010 were classified as held for trading.

The unlisted debt investments included under non-current assets at 31st December, 2010 represented the PHL Group's 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\$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 PHL 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. With effect from 30th August, 2010, the conversion price was further adjusted to HK\$0.06 per share as a result of the subdivision of ordinary shares of Cosmopolitan on the basis of 1 into 5. At 31st December, 2010, 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 3,333.3 million new shares of Cosmopolitan at the adjusted conversion price of HK\$0.06 per share.

The unlisted debt investments included under non-current assets as at 31st December, 2009 represented the PHL Group's investments in the 2013 CB and the new convertible bonds issued by Cosmopolitan group during that 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"). The conversion price of 2011 CB was adjusted to HK\$0.06 per share from 30th August, 2010 as a result of the subdivision of ordinary shares of Cosmopolitan. The 2011 CB has been reclassified as unlisted debt investment under current assets at 31st December, 2010.

Subsequent to the end of the reporting period, the 2011 CB was converted into 466.7 million new ordinary shares of Cosmopolitan upon its maturity in February 2011.

At 31st December, 2010, the PHL Group also held approximately 16.79% interest in the issued 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 PHL Group and other bondholders, the interest held by the PHL Group in the enlarged issued share capital of Cosmopolitan would be increased to 25.9%. The results of Cosmopolitan group have not been equity accounted for by the PHL Group as the directors of PHL consider that despite the PHL Group's investments in the shares of Cosmopolitan, the 2011 CB and the 2013 CB, the PHL 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.

At the date of approval of these financial statements, the market value of the listed equity investments and the fair value of the unlisted debt investments included under non-current assets were approximately HK\$243.2 million and HK\$375.0 million respectively.

21. LOANS RECEIVABLE

The balance represents long term mortgage loans granted by the PHL Group to purchasers in connection with the sale of its properties. The loans are secured by the 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.

22. OTHER ASSETS

	GROUP	
	2010 HK\$'million	2009 HK\$'million
At cost:		
Deposits with The Stock Exchange of Hong Kong Limited	0.1	0.1
Others	0.1	0.1
	0.2	0.2

23. INVENTORIES

	GROUP	
	2010 HK\$'million	2009 HK\$'million
Work in progress	3.3	6.2
Finished goods	0.8	1.0
	4.1	7.2
	4.1	7.2

24. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK\$18.2 million (2009 - HK\$7.4 million) representing the trade debtors of the Group.

	GROUP	
	2010 HK\$'million	2009 HK\$'million
Trade debtors	20.0	9.5
Impairment	(1.8)	(2.1)
	18.2	7.4
	18.2	7.4

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	
	2010 HK\$'million	2009 HK\$'million
Outstanding balances with ages:		
Within 3 months	19.6	8.8
Between 4 to 6 months	0.1	0.2
Between 7 to 12 months	0.1	0.3
Over 1 year	0.2	0.2
	20.0	9.5
	20.0	9.5

Notes to Financial Statements (Cont'd)

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

	GROUP	
	2010 HK\$'million	2009 HK\$'million
At 1st January	2.1	2.2
Amounts written off as uncollectible	(0.1)	–
Impairment loss reversed	(0.2)	(0.1)
	1.8	2.1
At 31st December	1.8	2.1

The above provision for impairment of trade debtors represents a provision for individually impaired trade debtors with a gross carrying amount of HK\$1.8 million (2009 - HK\$2.1 million). The individually impaired trade debtors relate to customers that were in financial difficulties and the balances are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	GROUP	
	2010 HK\$'million	2009 HK\$'million
Outstanding balances with ages:		
Less than 3 months past due	18.0	7.0
4 to 6 months past due	0.1	0.2
7 to 12 months past due	–	0.2
Over 1 year	0.1	–
	18.2	7.4
	18.2	7.4

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\$1.6 million (2009 - HK\$4.1 million), HK\$0.1 million (2009 - HK\$0.3 million) and HK\$1.3 million (2009 - 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.

25. 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 investments 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, 2009 and 2010.

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:

	2010 HK\$'million	2009 HK\$'million
Asset		
Loan receivable	249.4	249.4
Liability		
Loan from minority shareholders	(98.9)	(98.9)

26. CREDITORS AND ACCRUALS

Included in the balance is an amount of HK\$4.2 million (2009 - HK\$3.4 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	
	2010 HK\$'million	2009 HK\$'million
Outstanding balances with ages:		
Within 3 months	4.2	3.4

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 related company of HK\$1.5 million (2009 - HK\$2.3 million) and HK\$4.5 million (2009 - Nil), respectively, which are unsecured, non-interest bearing and have no fixed terms or repayment.

27. CONSTRUCTION CONTRACTS

	GROUP	
	2010 HK\$'million	2009 HK\$'million
Gross amount due from contract customers included in debtors, deposits and prepayments	3.8	5.4
Gross amount due to contract customers included in creditors and accruals	(11.8)	(33.2)
	<u>(8.0)</u>	<u>(27.8)</u>
Contract costs incurred plus recognised profits less recognised losses to date	2,191.2	2,103.2
Less: Progress billings	(2,199.2)	(2,131.0)
	<u>(8.0)</u>	<u>(27.8)</u>

At 31st December, 2010, retentions held by customers for contract works, as included in debtors, deposits and prepayments under current assets, amounted to approximately HK\$5.4 million (2009 - HK\$8.7 million).

28. DEFERRED TAX ASSETS

The movements in deferred tax assets of the Group for the years ended 31st December, 2010 and 2009 are as follows:

	GROUP		
	Accelerated tax depreciation HK\$'million	Tax losses HK\$'million	Total HK\$'million (Restated)
At 1st January, 2009	(1.9)	9.5	7.6
Deferred tax credited/(charged) to the income statement during the year (note 11)	(0.5)	0.6	0.1
Disposal of subsidiaries (note 32(c))	2.4	(10.1)	(7.7)
	<u>—</u>	<u>—</u>	<u>—</u>
At 31st December, 2009, 1st January, 2010 and 31st December 2010	<u>—</u>	<u>—</u>	<u>—</u>

Notes to Financial Statements (Cont'd)

In addition, the Group also has tax losses arising in Hong Kong and the United States of America amounting to HK\$1,441.7 million (2009 - HK\$1,441.2 million) and HK\$207.0 million (2009 - HK\$212.6 million), respectively, as at 31st December, 2010. 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\$310.3 million (2009 - HK\$312.2 million) have not been recognised in respect of these tax losses on account of the unpredictability of future profit streams.

At 31st December, 2010, there was no significant unrecognised deferred tax liability (2009 - 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.

29. SHARE CAPITAL AND SHARE PREMIUM

	COMPANY	
	2010 HK\$'million	2009 HK\$'million
Shares		
Authorised:		
4,000.0 million (2009 - 4,000.0 million) ordinary shares of HK\$0.10 each	400.0	400.0
7,749.3 million (2009 - 7,749.3 million) convertible preference shares of HK\$0.10 each	774.9	774.9
	<u>1,174.9</u>	<u>1,174.9</u>
Issued and fully paid:		
2,798.0 million (2009 - 2,391.8 million) ordinary shares of HK\$0.10 each	279.7	239.1
Share premium		
Ordinary shares	<u>1,407.9</u>	<u>1,256.2</u>

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, 2010 and 2009 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, 2009		4,000.0	400.0	2,310.5	231.0	1,183.1
Issue of new shares upon conversion of convertible preference shares	(i)	-	-	81.2	8.1	73.1
Issue of new shares upon exercise of warrants	(ii)	-	-	0.1	-	-
At 31st December, 2009 and 1st January 2010		4,000.0	400.0	2,391.8	239.1	1,256.2
Issue of new shares under the Rights Issue	(iii)	-	-	239.2	23.9	90.9
Issue of new shares upon exercise of warrants	(iv)	-	-	167.0	16.7	63.5
Share issue expenses		-	-	-	-	(2.7)
At 31st December, 2010		<u>4,000.0</u>	<u>400.0</u>	<u>2,798.0</u>	<u>279.7</u>	<u>1,407.9</u>
Convertible preference shares of HK\$0.10 each						
At 1st January, 2009		7,749.3	774.9	812.4	81.2	-
Conversion of convertible preference shares	(i)	-	-	(812.4)	(81.2)	-
At 31st December, 2009, 1st January, 2010 and 31st December, 2010		<u>7,749.3</u>	<u>774.9</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total share capital						
At 31st December, 2010			<u>1,174.9</u>		<u>279.7</u>	<u>1,407.9</u>
At 31st December, 2009			<u>1,174.9</u>		<u>239.1</u>	<u>1,256.2</u>

Notes to Financial Statements (Cont'd)

Notes:

- (i) In December 2009, an aggregate of 81.2 million new ordinary shares of HK\$0.10 each were issued upon the conversion of the outstanding 812.4 million series C convertible preference shares at the date of maturity on a mandatory basis.
- (ii) During the year ended 31st December, 2009, an aggregate of 4,782 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 then prevailing adjusted subscription price of HK\$1.00 per share for a total cash consideration of HK\$4,782.3, before expenses.
- (iii) In November 2010, 239.2 million new ordinary shares of HK\$0.10 each were issued to the qualifying shareholders of the Company on the basis of one new ordinary share for every ten existing ordinary shares of HK\$0.10 each held on 18th October, 2010 at a subscription price of HK\$0.48 per share (the "Rights Issue").
- (iv) During the year ended 31st December, 2010, an aggregate of 167.0 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 then prevailing adjusted subscription price of HK\$1.00 per share before the Rights Issue and \$0.48 per share after the Rights Issue for a total cash consideration of HK\$80.2 million, before expenses.

Convertible Preference Shares

Pursuant to the terms of the debt restructuring which was completed on 15th December, 2004, three series of preference shares comprising 4,222.3 million series A shares at an issue price of HK\$0.20 each (the "Series A Shares"), 277.5 million series B shares at an issue price of HK\$0.175 each (the "Series B Shares") and 3,249.5 million series C shares at an issue price of HK\$0.15 each (the "Series C Shares"), (collectively the "Preference Shares") were issued by the Company to certain financial creditors. All Preference Shares are non-voting and not entitled to any income distribution.

Under the terms of the debt restructuring and the Series A Shares, certain financial creditors had chosen to sell back a total of 392.7 million Series A Shares to the Company immediately after their issuance at a total consideration of HK\$3.9 million.

In December 2005, all of the remaining 3,829.6 million Series A Shares were redeemed and cancelled by the Company.

In December 2006, all of the 277.5 million Series B Shares were redeemed and cancelled by the Company.

Each Series C Share was convertible into one new ordinary share of HK\$0.01, subject to adjustment, of the Company before the consolidation of ordinary shares of the Company on the basis of 10 into 1 effective from 23rd October, 2008 (the "Share Consolidation"). After the Share Consolidation, every ten Series C Shares are convertible into one new ordinary share of HK\$0.10, subject to adjustment, of the Company. The conversion may take place in stages pursuant to the terms of the Series C Shares over a period commencing after the second anniversary of issuance up to 15th December, 2009, the date of maturity on which all outstanding Series C Shares are to be converted on a mandatory basis. The Company has the right to redeem the outstanding Series C Shares at any time prior to maturity at their issue price which is HK\$0.15 per share but the holders do not have the right to sell back the Series C Shares to the Company.

During the years ended 31st December, 2006 and 2007, 741.7 million and 812.4 million Series C Shares were converted into 741.7 million and 812.4 million new ordinary shares of the Company, respectively. During the year ended 31st December, 2008, 70.7 million and 812.3 million Series C Shares were converted into 70.7 million new ordinary shares of HK\$0.01 each and 81.2 million ordinary shares of HK\$0.10 each of the Company, respectively.

In December 2009, all of the 812.4 million Series C Shares were converted into 81.2 million new ordinary shares of the Company.

Share options

The Century City International Holdings Limited Share Option Scheme

The Company operates a share option scheme named as "The Century City International Holdings Limited Share Option Scheme" (the "Century Share Option Scheme"). The Century 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 Century 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 Century 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\$ (Note 1)
		At 1st January, 2010	Vested during the year	Adjustment during the year (Note 1)	At 31st December, 2010		
	Director						
12th May, 2005	Mr. Lo Yuk Sui						
	Vested:	28,000,000	7,000,000	840,000	35,840,000	Note 2	1.172
	Unvested:	7,000,000***	(7,000,000)	-	-		
	Total						
	Vested:	28,000,000	7,000,000	840,000	35,840,000		
	Unvested:	7,000,000	(7,000,000)	-	-		

* 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.

Notes to Financial Statements (Cont'd)

Notes:

(1) During the year, as a result of the Rights Issue, the total number of ordinary shares falling to be allotted and issued upon full exercise of the subscription rights attaching to the then outstanding 35,000,000 options granted under the Century Share Option Scheme was adjusted from 35,000,000 ordinary shares of HK\$0.10 each to 35,840,000 ordinary shares of HK\$0.10 each, and the exercise price of all outstanding options was adjusted from HK\$1.20 per ordinary share to HK\$1.172 per ordinary share, both effective from 8th November, 2010.

(2) 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 Century 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 Century Share Option Scheme and as a percentage of the issued share capital as at 31st December, 2010 and at the date of this report: 35,840,000 ordinary shares (approximately 1.28% as at 31st December, 2010 and approximately 1.10% at the date of this report)

Notes to Financial Statements (Cont'd)

- | | |
|--|--|
| (iv) Maximum entitlement of each participant under the Century 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 |
| (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 Century Share Option Scheme: | The life of the Century Share Option Scheme commenced from 16th June, 2005, date of adoption, and ending on 15th June, 2015. |

Notes to Financial Statements (Cont'd)

The Paliburg Holdings Limited Share Option Scheme

PHL operates a share option scheme named as "The Paliburg Holdings Limited Share Option Scheme" (the "Paliburg Share Option Scheme"). The Paliburg Share Option Scheme was adopted by PHL's shareholders on 16th June, 2005 and became effective on 21st July, 2005. Share options granted under the Paliburg 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 PHL pursuant to the Paliburg 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, 2010	Vested during the year	At 31st December, 2010		
Directors						
12th May, 2005	Mr. Lo Yuk Sui					
	Vested:	16,070,400	4,017,600	20,088,000	Note	1.97
	Unvested:	4,017,600***	(4,017,600)	–		
25th July, 2005	Mr. Kenneth Ng Kwai Kai					
	Vested:	1,729,800	446,400	2,176,200	Note	1.97
	Unvested:	446,400	(446,400)	–		
25th July, 2005	Mr. Donald Fan Tung					
	Vested:	1,785,600	446,400	2,232,000	Note	1.97
	Unvested:	446,400	(446,400)	–		
25th July, 2005	Mr. Kelvin Leung So Po*					
	Vested:	535,680	133,920	669,600	Note	1.97
	Unvested:	133,920	(133,920)	–		
25th July, 2005	Mr. Jimmy Lo Chun To					
	Vested:	1,785,600	446,400	2,232,000	Note	1.97
	Unvested:	446,400	(446,400)	–		
25th July, 2005	Miss Lo Po Man					
	Vested:	892,800	223,200	1,116,000	Note	1.97
	Unvested:	223,200	(223,200)	–		
Other Employees						
25th July, 2005	Employees, in aggregate					
	Vested:	1,874,880	468,720	2,343,600	Note	1.97
	Unvested:	468,720	(468,720)	–		
Total						
	Vested:	24,674,760	6,182,640	30,857,400		
	Unvested:	6,182,640	(6,182,640)	–		

Notes to Financial Statements (Cont'd)

- * Subject to adjustment in the case of rights or bonus issues, or other relevant changes in the share capital of PHL.
- ** Offer date is the date on which the grant of share options is offered by PHL, 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.
- # Appointed as Director of the Company on 1st March, 2010.

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 Paliburg Share Option Scheme is set out as follows:

- (i) Purpose: To provide PHL 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 PHL Group; (iv) a person or entity that provides advisory, consultancy, professional or other services to any member of the PHL Group; (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the PHL 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

Notes to Financial Statements (Cont'd)

- | | |
|---|---|
| (iii) Total number of ordinary shares subject to outstanding options under the Paliburg Share Option Scheme and as a percentage of the issued share capital as at 31st December, 2010 and at the date of this report: | 30,857,400 ordinary shares of PHL (approximately 2.74%) |
| (iv) Maximum entitlement of each participant under the Paliburg Share Option Scheme: | Not exceeding 1% of the offer ordinary shares of PHL 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 |
| (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 of PHL (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 PHL 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 PHL 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 PHL |
| (ix) The life of the Paliburg Share Option Scheme: | The life of the Paliburg 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 6th January, 2006, an ordinary resolution was duly passed by the shareholders of the Company with respect to a bonus issue of warrants ("Warrants") of the Company to its shareholders, on the basis of one unit of Warrants carrying a subscription right of HK\$0.10 for every five ordinary shares of HK\$0.01 each of the Company held by the shareholders on the register of members of the Company on 6th January, 2006.

On 18th January, 2006, Warrants carrying aggregate subscription rights of approximately HK\$328.3 million were issued to the shareholders of the Company. On issue, the Warrants confer rights on their holders to subscribe for up to approximately 3,283.3 million new ordinary shares of HK\$0.01 each of the Company at the initial subscription price of HK\$0.10 per ordinary share of HK\$0.01 each (subject to adjustment), at any time from the date falling 3 months after the date of issue (i.e., 18th April, 2006) to the date falling 7 days prior to the fifth anniversary of date of issue (i.e., 11th January, 2011). With effect from 23rd October, 2008, the subscription price of the Warrants was adjusted to HK\$1.00 per ordinary share of HK\$0.10 as adjusted for the 10-into-1 share consolidation implemented in October 2008. On 5th November, 2010 after 4:00 p.m., the subscription price of warrants was adjusted to HK\$0.48 per ordinary share of HK\$0.10 as a result of the Rights Issue.

During the prior year, Warrants carrying aggregate subscription rights of approximately HK\$0.005 million were exercised to subscribe for 0.005 million new ordinary shares of HK\$0.10 each of the Company at the then prevailing adjusted subscription price of HK\$1.00 per share.

Details of the outstanding Warrants exercised to subscribe for ordinary shares during the reporting period are as follows:

	Amount of subscription rights attached to 2011 Warrants HK\$	No. of ordinary shares issued
Balance at beginning of the reporting period	303,196,049.90	–
Exercise of Warrants:		
- during the period from 1st January, 2010 up to before 4:00 p.m. on 5th November, 2010 at the then prevailing adjusted subscription price of <u>HK\$1.00</u> per ordinary share	(42,482.10)	42,480
- during the period from at or after 4:00 p.m. on 5th November, 2010 to the end of the reporting period at the then prevailing adjusted subscription price of <u>HK\$0.48</u> per ordinary share	<u>(80,150,866.18)</u>	<u>166,980,953</u>
Balance at end of the reporting period	<u><u>223,002,701.62</u></u>	<u><u>167,023,433</u></u>

Subsequent to the end of the reporting period, the Warrants carrying aggregate subscription rights of HK\$215,788,436.58 were exercised to subscribe for a total of 449,559,232 new ordinary shares at the then prevailing adjusted subscription price of HK\$0.48 per ordinary share. The outstanding Warrants carrying aggregate subscription rights of HK\$7,214,265.04 which were not exercised by 4:00 p.m. on 11th January, 2011, the expiry date of the subscription rights, lapsed.

Notes to Financial Statements (Cont'd)

30. 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 pages 62 and 63.

(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, 2009		1,183.1	1,322.7	6.6	233.3	2,745.7
Issue of new shares upon conversion of convertible preference shares	29(i)	73.1	-	-	-	73.1
Equity-settled share option arrangements	29	-	-	0.6	-	0.6
Loss for the year	12	-	-	-	(3.4)	(3.4)
Interim 2009 dividend	13	-	-	-	(6.9)	(6.9)
Proposed final 2009 dividend	13	-	-	-	(19.1)	(19.1)
At 31st December, 2009 and 1st January, 2010		1,256.2	1,322.7	7.2	203.9	2,790.0
Issue of new shares under the Rights Issue	29(iii)	90.9	-	-	-	90.9
Issue of new shares upon exercise of warrants	29(iv)	63.5	-	-	-	63.5
Share issue expenses		(2.7)	-	-	-	(2.7)
Equity-settled share option arrangements	29	-	-	0.2	-	0.2
Loss for the year	12	-	-	-	(2.7)	(2.7)
Interim 2010 dividend	13	-	-	-	(9.6)	(9.6)
Proposed final 2010 dividend	13	-	-	-	(52.0)	(52.0)
At 31st December, 2010		1,407.9	1,322.7	7.4	139.6	2,877.6

The contributed surplus represents reserves arising from (i) the group reorganisation in 1989, being 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 acquired subsidiaries at the date of acquisition; and (ii) the Company's capital reorganisation in 2004.

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(y) 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.

31. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2010	2009
	HK\$'million	HK\$'million
Unlisted shares, at cost	2,059.0	2,059.0
Amount due from a subsidiary	4,114.2	3,953.4
	<hr/>	<hr/>
Provision for impairment	6,173.2 (2,962.5)	6,012.4 (2,962.5)
	<hr/>	<hr/>
	3,210.7	3,049.9
	<hr/> <hr/>	<hr/> <hr/>

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.

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
			2010	2009	
Aikford Financial Services Limited	Hong Kong	HK\$2	100	100	Securities investment
Almighty International Limited	British Virgin Islands	US\$1	100	100	Investment holding
Century City BVI Holdings Limited	British Virgin Islands	HK\$10	100	100	Investment holding
Century City Finance Limited	Hong Kong	HK\$2	100	100	Financing
Century City Holdings Limited	Hong Kong	HK\$264,488,059	100	100	Investment holding and management services
Century City (Nominees) Limited	Hong Kong	HK\$2	100	100	Nominee services
Century City (Secretaries) Limited	Hong Kong	HK\$2	100	100	Secretarial services
世紀城市(北京)企業 管理有限公司	The People's Republic of China	HK\$1,500,000	100	100	Corporate management
Cityline Finance Limited	Hong Kong	HK\$2	100	100	Financing
Cleerview Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding
Gold Concorde Holdings Limited	British Virgin Islands	US\$1	100	100	Investment holding
Meylink Limited	British Virgin Islands	US\$1	100	100	Investment holding
Saxonworld Limited	British Virgin Islands	US\$1	100	100	Investment holding
Smartaccord 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
			2010	2009	
Splendour Corporation	British Virgin Islands	US\$1	100	100	Investment holding
T.M. Nominees Limited	Hong Kong	HK\$2	100	100	Nominee services
Paliburg Holdings Limited	Bermuda	Ordinary - HK\$112,421,807	59.5	58.7	Investment holding
303 Technology Limited	Hong Kong	HK\$2	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Security systems and software design, development and distribution
Bajan Company Limited	Hong Kong	HK\$2	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Securities investment
Cathay City Property Management, Inc.	U.S.A.	US\$10,000	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Financing
Chatwin Engineering Limited	Hong Kong	HK\$16,800,000	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Building construction
Cheer Faith Limited	Hong Kong	HK\$2	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Financing
Cosmos Best Development Limited	Hong Kong	HK\$2	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Management services
Cosmos Gain Investment Limited	Hong Kong	HK\$2	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Property development and investment
Everlane Investment Limited	Hong Kong	HK\$2	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Property development and investment
Farich Investment Limited	Hong Kong	HK\$2	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Investment holding
Fine Cosmos Development Limited	Hong Kong	HK\$2	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Property development and 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
			2010	2009	
Finso Limited	Hong Kong	HK\$2	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Investment holding
Gain World Investments Limited	British Virgin Islands	US\$1	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Investment holding
Glaser Holdings Limited	British Virgin Islands	US\$1	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Investment holding
Grand Equity Limited	British Virgin Islands	US\$1	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Investment holding
Great Select Holdings Limited	British Virgin Islands	US\$1	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Securities investments
Guo Yui Investments Limited	British Virgin Islands	US\$1	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Investment holding
H.P. Nominees Limited	Hong Kong	HK\$2	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Investment holding and nominee services
Hilmark Investments Limited	British Virgin Islands	US\$1	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Investment holding
Jumbo Pearl Investments Limited	British Virgin Islands	US\$1	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Securities investment
Leading Lighting Technology Limited	Hong Kong	HK\$1	59.5 ⁽ⁱ⁾	–	Lighting technology services
Leading Technology Holdings Limited	British Virgin Islands	US\$100	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Investment holding
Lendas Investments Limited	British Virgin Islands	US\$1	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Securities investment
Linkprofit Limited	Hong Kong	HK\$1,000	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	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
			2010	2009	
Paliburg BVI Holdings Limited	British Virgin Islands	HK\$10	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Investment holding
Paliburg Building Services Limited	Hong Kong	HK\$2	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Mechanical and electrical engineering services
Paliburg Development BVI Holdings Limited	British Virgin Islands	US\$1	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Investment holding
Paliburg Development Consultants Limited	Hong Kong	HK\$100,000	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Development consultants
Paliburg Development Finance Limited	Hong Kong	HK\$2	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Financing
Paliburg Estate Agents Limited	Hong Kong	HK\$20	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Estate agent
Paliburg Estate Management Limited	Hong Kong	HK\$20	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Estate management
Paliburg Finance Limited	Hong Kong	HK\$2	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Financing
Paliburg International Holdings Limited	Bermuda	HK\$100,000	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Investment holding
Paliburg Investments Limited	Hong Kong	HK\$526,506,860	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Investment holding
Paliburg Property Development (Shanghai) Co., Ltd.	The People's Republic of China	US\$10,000,000	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Property development and investment
Real Charm Investment Limited	Hong Kong	HK\$2	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Hotel operation and sub-leasing
Rich Pearl Limited	Hong Kong	HK\$10,000	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Financing
Sanefix Development Limited	Hong Kong	HK\$2	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Property 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
			2010	2009	
Shenzhen Leading Technology Co., Ltd. ⁽ⁱⁱ⁾	The People's Republic of China	RMB20,000,000	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Security systems and software design, development and distribution
Sun Joyous Investments Limited	British Virgin Islands	US\$1	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Securities investment
Taylor Investments Ltd.	British Virgin Islands	US\$1	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Investment holding
Transcar Investments Limited	British Virgin Islands	US\$1	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Investment holding
Tristan Limited	Hong Kong	HK\$20	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Property development and investment
Wiggans Investments Limited	British Virgin Islands	US\$1	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Securities investment
Winart Investments Limited	British Virgin Islands	US\$1	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Securities investment
Winrise Investment Limited	Hong Kong	HK\$2	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Securities investment
Yield Star Limited	British Virgin Islands	US\$1	59.5 ⁽ⁱ⁾	58.7 ⁽ⁱ⁾	Investment holding

(i) The percentages of equity interest represent those attributable to the Group through its shareholdings in PHL.

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

Except for Century City BVI Holdings Limited, all of the above subsidiaries are indirectly held by the Company.

All of the above subsidiaries operate in the place of their incorporation/registration, except for PHL which is incorporated in Bermuda but operates in Hong Kong.

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.

32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2010 HK\$'million	2009 HK\$'million (Restated)
Profit before tax	2,171.5	496.3
Adjustments for:		
Finance costs	0.1	1.6
Share of profits and losses of associates	(1,711.9)	(119.9)
Interest income	(4.5)	(2.1)
Dividend income	(5.7)	(9.0)
Gain on disposal of subsidiaries	–	(17.4)
Loss on disposal of an associate	3.9	–
Loss on disposal of available-for-sale investments	–	1.6
Loss on redemption of financial assets at fair value through profit or loss	–	49.1
Depreciation	1.4	1.1
Reversal of impairment of loans receivable and debtors	(10.0)	(0.7)
Write-down of inventories to net realisable value	0.6	2.8
Fair value gains on investment properties	(0.1)	(46.1)
Fair value gains, net, on financial assets at fair value through profit or loss	(474.6)	(336.0)
Excess over the cost of additional interests in the listed subsidiary	–	(33.6)
Equity-settled share option expenses	0.5	1.4
	(28.8)	(10.9)
Decrease/(Increase) in financial assets at fair value through profit or loss	28.0	(89.8)
Decrease in inventories	2.5	–
Decrease/(Increase) in debtors, deposits and prepayments	(33.1)	38.4
Increase/(Decrease) in creditors and accruals	(111.6)	60.8
Increase/(Decrease) in deposits received	0.1	(2.6)
Cash used in operations	(142.9)	(4.1)
Hong Kong profits tax paid	(0.6)	(0.8)
Net cash flows used in operating activities	(143.5)	(4.9)

Notes to Financial Statements (Cont'd)

(b) Cash and cash equivalent balances

At the end of the reporting period, the cash and bank balances of the Group amounted to HK\$77.2 million (2009 - HK\$15.1 million) were held by certain subsidiaries operating in the PRC where exchange controls apply.

(c) Disposal of subsidiaries

	2010 HK\$'million	2009 HK\$'million (Restated)
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 asset (note 28)	-	7.7
	-	214.0
Gain on disposal of subsidiaries (note 5)	-	17.4
Costs relating to the disposal	-	16.8
	-	248.2
Satisfied by:		
Cash	-	194.7
Investments in associates	-	53.5
	-	248.2

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

	2010 HK\$'million	2009 HK\$'million
Cash and bank balances disposed of	-	(2.1)
Cash consideration	-	194.7
	-	192.6

33. 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	2010 HK\$'million	2009 HK\$'million
Associates:			
Management fee income	(i)	17.0	16.4
Gross construction fee income	(ii)	5.6	31.4
Gross development consultancy fee income	(iii)	3.2	3.8
Gross income in respect of security systems and products and other software	(iv)	3.8	1.9
Lease rental	(v)	24.0	4.7
Hotel management and marketing fees	(vi)	1.2	–
A jointly controlled entity of an associate*:			
Gross construction fee income	(ii)	–	0.6

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

Notes:

- (i) The management fee income included rentals and other overheads allocated by the Company either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of the Company, PHL and RHIHL 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 (i) the RHIHL Group for providing repairs and maintenance and construction works for the hotel properties, and (ii) Regal REIT for conversion of part of an investment property to a hotel. 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 (i) 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, and (ii) Regal REIT for conversion of part of an investment property to a hotel. 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 Sonnix, the owner of an investment property, at HK\$2.0 million per month in connection with the leasing of the investment property from Sonnix for hotel operation and sub-leasing businesses. Sonnix was disposed of to Regal REIT during the prior year as detailed in note 33(b) below.
- (vi) The hotel management and marketing fees were paid to the RHIHL Group in connection with the provision of hotel management and marketing services to a hotel operated by the Group for a period commencing from 24th December, 2009 to 31st December, 2010. The hotel management and marketing fees were charged at 5% (subject to a minimum amount of HK\$80,000 per month) and 1% of the gross revenues generated from that hotel respectively.

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

(b) Other related party transactions:

During the prior year, the PHL 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 PHL Group and became an associate thereafter. The PHL Group had 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 PHL Group the remaining 25% equity interest in the subject group.

In addition, the PHL Group had granted to Regal REIT a put right exercisable at Regal REIT's discretion to transfer back to the PHL 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, PHL had 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 PHL Group's equity interest in Sonnix. Pursuant to the shareholders' agreement in respect of the subject group, PHL may also provide a several guarantee proportionate to the PHL 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 provided in the S&P Agreement, the PHL 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.

During the year, Regal REIT has exercised the option to acquire from the PHL Group the remaining 25% equity interest in the subject group at a consideration of HK\$90.5 million based on the pre-agreed undiscounted valuation for the property of HK\$479.0 million and the transaction has been duly completed on 31st December, 2010 resulting in a loss on disposal of HK\$3.9 million.

Notes to Financial Statements (Cont'd)

(c) Outstanding balances with related parties:

	Notes	2010 HK\$'million	2009 HK\$'million
Due from associates	(i)	260.0	364.4
Due from a jointly controlled entity of the listed associate	(ii)	0.1	0.3
Due from related companies	(ii)	1.3	2.6
Due to a related company	(iii)	(4.5)	–
Due to the listed associate	(iv)	(1.6)	(2.4)
Loans to associates	(v)	156.0	156.0
		<u>156.0</u>	<u>156.0</u>

Notes:

- (i) Except for an amount of HK\$258.4 million (2009 - HK\$360.3 million) included in investments in associates in note 18 to the financial statements, the remaining balance is included in debtors, deposits and prepayments in note 24 to the financial statements.
- (ii) The amounts are included in debtors, deposits and prepayments in note 24 to the financial statements.
- (iii) The amounts are included in creditors and accruals in note 26 to the financial statements.
- (iv) Except for an amount of HK\$0.1 million (2009 - HK\$0.1 million) included in investments in associates in note 18 to the financial statements, the remaining balance is included in creditors and accruals in note 26 to the financial statements.
- (v) Details of loans to associates are included in note 18 to the financial statements.

(d) Compensation of key management personnel of the Group:

	2010 HK\$'million	2009 HK\$'million
Short term employee benefits	11.7	10.5
Equity-settled share option expense	0.5	1.4
Total compensation paid to key management personnel	<u>12.2</u>	<u>11.9</u>

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

The related party transactions set out in notes 33(a)(i) to (vi) and 33(b) above did not constitute connected transactions as defined in the Listing Rules to the Company.

Notes to Financial Statements (Cont'd)

34. PLEDGE OF ASSETS

At the end of the reporting period, certain ordinary shares in the listed associate with a market value of HK\$293.9 million (2009 - HK\$309.2 million) were pledged to secure general banking facilities granted to the Group.

35. CONTINGENT LIABILITIES

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

	GROUP		COMPANY	
	2010 HK\$'million	2009 HK\$'million	2010 HK\$'million	2009 HK\$'million
Corporate guarantees provided in respect of attributable share of banking facilities granted to:				
A subsidiary	–	–	20.0	20.0
An associate*	51.2	52.8	–	–
	<u>51.2</u>	<u>52.8</u>	<u>20.0</u>	<u>20.0</u>
	<u>51.2</u>	<u>52.8</u>	<u>20.0</u>	<u>20.0</u>

* The associate was disposed of to Regal REIT and became its wholly owned subsidiary during the year.

As at 31st December, 2009 and 2010, the banking facility granted to a subsidiary subject to a guarantee given by the Company was not utilised. The banking facility granted to an associate subject to a guarantee given by the Group was utilised to the extent of approximately HK\$51.2 million (2009 - HK\$35.2 million).

36. OPERATING LEASE ARRANGEMENTS

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, 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	GROUP	
	2010 HK\$'million	2009 HK\$'million
Within one year	7.5	24.7
In the second to fifth years, inclusive	1.2	0.8
	8.7	25.5
	8.7	25.5

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following outstanding commitments at 31st December, 2010:

	2010 HK\$'million	2009 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
	–	4.1
Capital commitments in respect of purchases of properties:		
Contracted, but not provided for	451.3	–
	451.3	4.1
	451.3	4.1

* The associate was disposed of to Regal REIT and became its wholly owned subsidiary during the year.

Notes to Financial Statements (Cont'd)

38. 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:

2010

GROUP

Financial assets

	Financial assets at fair value through profit or loss			Available-for-sale financial investments 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	-	-	-	6.2	6.2
Financial assets at fair value through profit or loss	1,050.5	178.8	-	-	1,229.3
Loans receivable	-	-	3.2	-	3.2
Trade debtors (note 24)	-	-	18.2	-	18.2
Other financial assets included in debtors, deposits and prepayments	-	-	65.0	-	65.0
Time deposits	-	-	238.7	-	238.7
Cash and bank balances	-	-	328.5	-	328.5
	<u>1,050.5</u>	<u>178.8</u>	<u>653.6</u>	<u>6.2</u>	<u>1,889.1</u>

Financial liabilities

	Financial liabilities at amortised cost HK\$'million
Due to an associate (note 18)	0.1
Trade creditors (note 26)	4.2
Other financial liabilities included in creditors and accruals	44.8
Deposits received	0.3
	<u>49.4</u>

Notes to Financial Statements (Cont'd)

2009

GROUP

Financial assets

	Financial assets at fair value through profit or loss		Loans and receivables HK\$'million	Available- for-sale financial investments HK\$'million	Total HK\$'million
	- designated as such upon initial recognition HK\$'million	- held for trading HK\$'million			
Available-for-sale investments	-	-	-	7.5	7.5
Financial assets at fair value through profit or loss	583.9	198.8	-	-	782.7
Loans receivable	-	-	5.5	-	5.5
Trade debtors (note 24)	-	-	7.4	-	7.4
Other financial assets included in debtors, deposits and prepayments	-	-	39.9	-	39.9
Time deposits	-	-	238.6	-	238.6
Cash and bank balances	-	-	127.7	-	127.7
	<u>583.9</u>	<u>198.8</u>	<u>419.1</u>	<u>7.5</u>	<u>1,209.3</u>

Financial liabilities

	Financial liabilities at amortised cost HK\$'million
Due to an associate (note 18)	0.1
Trade creditors (note 26)	3.4
Other financial liabilities included in creditors and accruals	130.5
Deposits received	0.2
	<u>134.2</u>

COMPANY

Financial liabilities

Financial liabilities included in creditors and accruals

**2010
Financial
liabilities at
amortised
cost
HK\$'million**

**2009
Financial
liabilities at
amortised
cost
HK\$'million**

1.5

1.5

39. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts of the Group's and Company's financial assets and financial liabilities approximate to their fair values at the end of the reporting period.

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, 2010, the Group held the following financial instruments measured at fair value:

Assets measured at fair value:

As at 31st December, 2010

	Level 1 HK\$'million	Level 2 HK\$'million	Level 3 HK\$'million	Total HK\$'million
Available-for-sale investments:				
Equity investments	–	6.2	–	6.2
Investments at fair value through profit or loss:				
Equity investments	568.3	–	–	568.3
Debt investments	–	661.0	–	661.0
	<u>568.3</u>	<u>667.2</u>	<u>–</u>	<u>1,235.5</u>

As at 31st December, 2009

	Level 1 HK\$'million	Level 2 HK\$'million	Level 3 HK\$'million	Total HK\$'million
Available-for-sale investments:				
Equity investments	–	7.5	–	7.5
Investments at fair value through profit or loss:				
Equity investments	407.8	–	–	407.8
Debt investments	–	374.9	–	374.9
	<u>407.8</u>	<u>382.4</u>	<u>–</u>	<u>790.2</u>

The Company did not have any financial assets or financial liabilities measured at fair value as at 31st December, 2010 and 2009.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2009 - Nil).

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise 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 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 adopt 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.

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 24 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

2010

	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	4.2	–	–	4.2
Other payables	44.8	–	–	44.8
Deposits received	0.3	–	–	0.3
Due to an associate	0.1	–	–	0.1
Corporate guarantee provided in respect of attributable share of outstanding banking facilities granted to an associate*	51.2	–	–	51.2
	<u>100.6</u>	<u>–</u>	<u>–</u>	<u>100.6</u>

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	130.5	–	–	130.5
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>169.4</u>	<u>–</u>	<u>–</u>	<u>169.4</u>

* The associate was disposed of to Regal REIT and became its wholly owned subsidiary during the year.

Notes to Financial Statements (Cont'd)

	COMPANY	
	2010 Within 1 year or on demand HK\$'million	2009 Within 1 year or on demand HK\$'million
Creditors and accruals	1.5	1.5

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 20) and available-for-sale investments (note 19) as at 31st December, 2010. 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.

	Carrying amount of investments HK\$'million	Change in profit before tax HK\$'million	Change in equity* HK\$'million
2010			
Listed investments:			
– At fair value through profit or loss	568.3	28.4	–
Unlisted investments:			
– Available-for-sale	6.2	–	0.3
– At fair value through profit or loss	661.0	32.0	–
2009			
Listed investments:			
– At fair value through profit or loss	407.8	20.4	–
Unlisted investments:			
– Available-for-sale	7.5	–	0.2
– At fair value through profit or loss	374.9	17.6	–

* 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, 2010 and 31st December, 2009.

41. EVENTS AFTER THE REPORTING PERIOD

As announced on 17th March, 2011, the PHL Group and the RHIHL Group have entered into a conditional agreement to establish a joint venture for the development of real estate projects for sale and/or leasing.

The joint venture will be owned by the PHL Group and the RHIHL Group on a 50:50 basis and the maximum total capital commitment to the joint venture will be HK\$3,800 million, to be contributed by the PHL Group and the RHIHL Group in a maximum capital commitment of HK\$1,900 million each and on pro-rata basis in accordance with their respective shareholdings in the joint venture. The formation of the joint venture will be conditional upon, among others, the approval by the independent shareholders of RHIHL. It is the intention of the two groups that, upon the due establishment of the joint venture, the joint venture may acquire from the PHL Group certain development projects in Hong Kong as its starting projects.

42. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been restated to conform with the current year's accounting treatment, and a third statement of financial position as at 1st January, 2009 has been presented.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 24th March, 2011.

Independent Auditors' Report



To the shareholders of Century City International Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Century City International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 142, which comprise the consolidated and company statements of financial position as at 31st December, 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditors' Report (Cont'd)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2010, and of the 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
24th March, 2011

Schedule of Principal Properties

As at 31st December, 2010

PROPERTIES FOR DEVELOPMENT AND/OR SALE

	Description	Use	Approx. Area	Stage of completion (estimated completion date)	Percentage interest attributable to the Company
(1)	Larvotto 8 Praya Road, Ap Lei Chau, Hong Kong	Primarily residential	Site area - 180,511 sq. ft. Gross floor area - 913,000 sq. ft.	Development works completed with Occupation Permit issued in December 2010	17.8
(2)	Certain carparking spaces at Villa Art Deco, 9 Town Park Road South, Yuen Long, Hong Kong	Carparking spaces	–	–	59.5
(3)	Certain carparking spaces at Park Royale, Yuen Long Town Lot No. 450, 38 Town Park Road North, Yuen Long, Hong Kong	Carparking spaces	–	–	59.5
(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"> Land Use Right Certificates for the Phase I land site obtained Development works suspended 	26.2
(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	29.3

Schedule of Principal Properties (Cont'd)

As at 31st December, 2010

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	Site area for the whole development - 1,204,148 sq. ft.	Development works for first stage commenced	14.6
		<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. 		

PROPERTIES FOR INVESTMENT

Description	Use	Lease	Percentage interest attributable to the Company
9 luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Residential	Medium term	29.3

Published Five Year Financial Summary

A summary of the results and of the assets, liabilities, and non-controlling 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,				
	2010 HK\$'million	2009 HK\$'million (Restated)	2008 HK\$'million (Restated)	2007 HK\$'million (Restated)	2006 HK\$'million (Restated)
Revenue	131.1	188.5	282.9	339.8	160.0
Operating profit	459.7	378.0	58.1	172.5	116.7
Finance costs	(0.1)	(1.6)	(5.3)	(24.5)	(19.2)
Share of profits and losses of associates	1,711.9	119.9	(444.6)	1,351.6	155.4
Profit/(Loss) before tax	2,171.5	496.3	(391.8)	1,499.6	252.9
Income tax	(0.6)	(0.6)	(1.4)	1.8	5.4
Profit/(Loss) for the year before allocation between equity holders of the parent and non-controlling interests	2,170.9	495.7	(393.2)	1,501.4	258.3
Attributable to:					
Equity holders of the parent	1,287.1	316.0	(166.5)	798.6	114.2
Non-controlling interests	883.8	179.7	(226.7)	702.8	144.1
	2,170.9	495.7	(393.2)	1,501.4	258.3

Published Five Year Financial Summary (Cont'd)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

31st December,

	2010 HK\$'million	2009 HK\$'million (Restated)	2008 HK\$'million (Restated)	2007 HK\$'million (Restated)	2006 HK\$'million (Restated)
Property, plant and equipment	4.2	2.7	3.3	4.8	5.6
Investment properties	0.5	0.4	358.3	380.3	350.3
Goodwill	202.0	202.0	202.0	202.0	202.0
Property held for future development	-	-	-	-	26.7
Investments in associates	6,075.0	4,390.2	4,135.2	4,623.9	2,981.6
Available-for-sale investments	6.2	7.5	14.0	17.9	37.4
Financial assets at fair value through profit or loss	957.1	583.9	211.3	308.5	-
Loans receivable	3.2	5.5	6.5	9.7	14.3
Deferred tax assets	-	-	7.6	8.2	5.3
Deposits	42.6	-	-	10.0	-
Other assets	0.2	0.2	0.2	0.2	0.2
Current assets	<u>1,187.4</u>	<u>881.9</u>	<u>869.1</u>	<u>990.6</u>	<u>553.0</u>
Total assets	<u><u>8,478.4</u></u>	<u><u>6,074.3</u></u>	<u><u>5,807.5</u></u>	<u><u>6,556.1</u></u>	<u><u>4,176.4</u></u>
Current liabilities	(392.4)	(502.7)	(429.8)	(623.7)	(442.5)
Interest bearing bank and other borrowings	-	-	(214.6)	(50.0)	(337.9)
Convertible bonds	-	-	-	-	(74.7)
Total liabilities	<u>(392.4)</u>	<u>(502.7)</u>	<u>(644.4)</u>	<u>(673.7)</u>	<u>(855.1)</u>
Non-controlling interests	<u><u>(3,112.7)</u></u>	<u><u>(2,159.6)</u></u>	<u><u>(2,054.5)</u></u>	<u><u>(2,584.6)</u></u>	<u><u>(1,544.1)</u></u>

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