1. GENERAL

Shui On Land Limited (the "Company") was incorporated on 12 February 2004 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 4 October 2006. The directors of the Company consider that its parent and ultimate holding company is Shui On Company Limited, a private limited liability company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 48. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new International Financial Reporting Standard ("IFRS"), International Accounting Standard ("IAS") and Interpretations ("IFRIC") (hereinafter collectively referred to as "new IFRSs") issued by the International Accounting Standards Board, which are effective for the Group's financial year beginning 1 January 2007.

IAS 1 (Amendment)	Capital Disclosures
IFRS 7	Financial Instruments: Disclosures
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

The adoption of the new IFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under IAS 1 (Amendment) and IFRS 7 retrospectively. Certain information presented in prior year under the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" has been removed and the relevant comparative information based on the requirements of IAS 1 (Amendment) and IFRS 7 has been presented for the first time in the current year.

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

IAS 1 (Revised)	Presentation of Financial Statements[1]
IAS 23 (Revised)	Borrowing Costs[1]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
IFRS 3 (Revised)	Business Combinations[2]
IFRS 8	Operating Segments[1]
IFRIC 11	IFRS 2: Group and Treasury Share Transactions[3]
IFRIC 12	Service Concession Arrangements[4]
IFRIC 13	Customer Loyalty Programmes[5]
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 March 2007
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Group except for the adoption of IFRS 3 (Revised) and IAS 27 (Revised). The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The principal accounting policies adopted are set out as follows:

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for common control combinations

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

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

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

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Acquisition of additional interest in a subsidiary

When the Group increases its interest in an enterprise that is already an entity controlled by the Company, goodwill arising on such acquisition represents the difference between the cost of additional interest acquired and the increase in the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities. No revaluation surplus or deficit on revaluation of the identifiable assets, liabilities and contingent liabilities of the subsidiary to current fair value is recognised in the consolidated balance sheet. The difference between the fair value, representing the amount of consideration less the amount of goodwill, and the carrying amount of the net assets attributable to the additional interest acquired is recognised as a reserve movement. This difference represents the portion of the revaluation difference that arose since the original acquisition date that is attributable to the Group's increased interest in the subsidiary and is released to the consolidated income statement upon the disposal by the subsidiary of the assets to which it relates.

At the date of acquisition, the Group reassesses the identification and measurement of the enterprise's identifiable assets, liabilities and contingent liabilities. If the Group's additional interest in the net fair value of those items exceeds the cost of the acquisition, any excess remaining after that reassessment, which represents the gain from acquisition, is recognised by the Group immediately in the consolidated income statement.

Investment properties

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of buildings over their estimated useful lives or where shorter, the terms of leasehold land where the buildings located, using the straight-line method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

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

Prepaid lease payments

Prepaid lease payments for leasehold land are charged to the consolidated income statement on a straight-line basis over the period of the land use rights.

Properties under development

When the leasehold land and buildings are in the course of development for production, rental or for administrative purposes or for investment potential, the leasehold land component is classified as a prepaid lease payment and amortised on a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of the costs of the properties under development.

Properties under development which are intended to be held for own use or their investment potential are carried at cost, less any identified impairment losses and are shown as non-current assets.

Properties under development which are intended to be held for sale are carried at lower of cost and net realisable value and are shown as current assets.

Interests in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which excludes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. Where the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realised value is determined based on prevailing market conditions.

Financial instruments

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

Financial assets

The Group's financial assets are mainly loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including accounts receivable, loan receivable, loans to associates, amount due from an associate, amounts due from related parties, amount due from a minority shareholder of a subsidiary and bank balances and pledged bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at each balance sheet date and are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of loans and receivables have been impacted.

The objective evidence of impairment could include:

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

An impairment loss of loans and receivables is recognised in consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss directly for all financial assets with the exception of the amount due from a jointly controlled entity and trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated income statement. When the amount due from a jointly controlled entity and trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Convertible redeemable preference shares

Junior convertible redeemable preference shares are regarded as compound instruments, consisting of a liability component, an equity component and embedded derivatives which are not closely related to the host contract. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt without the conversion feature. The difference between the proceeds of issue of the convertible redeemable preference shares and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the preference shares into equity of the Company, is included in equity (capital reserve).

In subsequent periods, the liability component of the convertible redeemable preference shares is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in capital reserve until the embedded option is exercised (in which case the balance stated in capital reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in capital reserve will be released to the retained earnings. No gain or loss is recognised in consolidated income statement loss upon conversion or expiration of the option.

Senior preference shares consist of a liability component, embedded derivatives which are not closely related to the host contract (the liability component) and conversion options that are not settled by the exchange of a fixed amount for fixed number of equity instrument. The liability component, embedded derivatives and conversion options are recognised at their fair values at initial recognition. The liability component is subsequently measured at amortised cost by using the effective interest method. The embedded derivatives are subsequently measured at fair value with changes recognised in the consolidated income statement. The conversion options which is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured is measured at cost. When, subsequently, the reliable measure is available, the conversion options shall be remeasured at fair value, and the difference between its carrying amount and fair value shall be recognised in the consolidated income statement.

Issue costs that relate to the issue of the convertible redeemable preference shares are allocated to the liability and equity/conversion option components in proportion to the allocation of the proceeds. Issue costs relating to the equity component and conversion option derivative are charged directly to equity and the consolidated income statement immediately, respectively. Issue costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Notes and warrants

At the date of issue, the net proceeds received were assigned to the notes and the warrants according to their fair values. Issue costs are apportioned between the notes and the warrants based on their relative fair value at the date of issue. Notes are subsequently measured at amortised cost, using the effective interest method.

Other financial liabilities

The Company's other financial liabilities including accounts payable, amounts due to related parties, amounts due to minority shareholders of subsidiaries, loan from a minority shareholder of a subsidiary and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in consolidated income statement depends on the nature of the hedge relationship. The Group designates certain derivatives as cash flow hedges.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the consolidated income statement.

Hedge accounting

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement as part of other income or other expenses. Amounts deferred in equity are recycled in the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement.

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 “Revenue”.

Derecognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the income statement in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange reserve.

Equity-settled share-based payment transactions

Share options granted to employees and directors

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in consolidated income statement, with a corresponding adjustment to share option reserve.

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

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses immediately, unless the services qualify for recognition as assets. Corresponding adjustment has been made to equity (share option reserve).

Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs (Continued)

The amount recognised in the consolidated balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Government grants

Government grants awarded in recognition of the Group's past development and which have no future related costs are recognised as income when they become receivable.

Revenue recognition

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

Income from properties developed for sale, where there is no pre-sales arrangement prior to completion of the development, is recognised on the execution of a binding sales agreement entered into subsequent to the completion of the development.

Income from properties under pre-sale arrangement prior to completion of the development is recognised on the execution of a binding sales agreement or when the relevant completion certificates are issued by the respective government authorities, whichever is the later. Payments received from the purchasers prior to this stage are recorded as customers' deposits received on sale of properties and presented as current liabilities.

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

Revenue from serviced apartment operation is recognised upon the provision of the services.

Property management, project management and service fee are recognised on an appropriate basis over the relevant period in which the services are rendered.

Sales of goods are recognised when significant risks and rewards of ownership of goods are transferred to the buyers, generally when goods are delivered and title has passed.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, the directors of the Company have made the following judgment and key sources of estimation uncertainty at the balance sheet date. The key assumptions concerning the future 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.

Investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the assumptions used in the valuation is reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Land appreciation tax

The Group is subject to land appreciation tax in the People's Republic of China ("PRC"). However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and the Group has not finalised its land appreciation tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation tax and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax provisions in the periods in which such tax is finalised with local tax authorities.

5. TURNOVER AND SEGMENTAL INFORMATION

An analysis of the Group's turnover for the year is as follows:

	2007 RMB'million	2006 RMB'million
Property development:		
Property sales	**4,085**	4,283
Property investment:		
Rental income received from investment properties	**401**	358
Income from operations of serviced apartments	**25**	25
Property management fees	**19**	22
Rental related income	**29**	24
	474	429
Others	**11**	17
	4,570	4,729

Business segment

For management purposes, the Group's business activities are broadly categorised under two major business segments – property development and property investment. These segments are the bases on which the Group reports its primary segment information.

Principal activities are as follows:

Property development – development and sale of properties

Property investment – property letting, management and operations of serviced apartments

5. TURNOVER AND SEGMENTAL INFORMATION (Continued)

Business segment (Continued)

For the year ended 31 December 2007

	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Turnover				
Segment sales	4,085	474	11	4,570
Results				
Segment results	2,151	915	9	3,075
Interest income				208
Finance costs				(125)
Gains on disposal and partial disposals of equity interests in subsidiaries				845
Gain on acquisition of additional equity interests in subsidiaries				80
Share of results of associates				26
Net unallocated expenses				(422)
Profit before taxation				3,687
Taxation				(820)
Profit for the year				2,867
Other information				
Allowance for bad and doubtful debts	–	7	–	7
Capital additions	3,625	93	15	3,733
Depreciation of property, plant and equipment charged to consolidated income statement	7	10	11	28
Release of prepaid lease payments charged to consolidated income statement	–	1	–	1
Loss on disposal of property, plant and equipment	–	1	–	1
Equity-settled share-based payment expenses	36	–	–	36
Balance sheet				
Assets				
Segment assets	15,394	8,246	78	23,718
Interests in associates				85
Loans to associates				981
Amount due from an associate				12
Unallocated corporate assets				5,083
Consolidated total assets				29,879
Liabilities				
Segment liabilities	(1,445)	(215)	(3)	(1,663)
Unallocated corporate liabilities				(11,510)
Consolidated total liabilities				(13,173)

5. TURNOVER AND SEGMENTAL INFORMATION (Continued)

Business segment (Continued)

For the year ended 31 December 2006

	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Turnover				
Segment sales	4,283	429	17	4,729
Results				
Segment results	2,616	431	(9)	3,038
Interest income				96
Finance costs				(118)
Gain on partial disposals of equity interests in subsidiaries				582
Share of results of associates				1
Loss on change in fair value of derivative financial instruments				(500)
Net unallocated expenses				(314)
Profit before taxation				2,785
Taxation				(1,145)
Profit for the year				1,640
Other information				
Allowance for amount due from a jointly controlled entity	–	–	1	1
Allowance for bad and doubtful debts	–	1	–	1
Capital additions	4,463	134	18	4,615
Depreciation of property, plant and equipment charged to consolidated income statement	2	14	11	27
Release of prepaid lease payments charged to consolidated income statement	–	1	–	1
Loss on disposal of property, plant and equipment	–	2	1	3
Balance sheet				
Assets				
Segment assets	13,306	6,440	62	19,808
Interests in associates				3
Amount due from an associate				2
Unallocated corporate assets				6,222
Consolidated total assets				26,035
Liabilities				
Segment liabilities	(1,302)	(173)	(3)	(1,478)
Unallocated corporate liabilities				(9,392)
Consolidated total liabilities				(10,870)

5. TURNOVER AND SEGMENTAL INFORMATION (Continued)

Geographical segment

Over 90% of the Group's turnover and contribution to operating profit is attributable to customers in the PRC. Accordingly, no analysis of geographical segment is presented.

No geographical segment information of the Group's assets and liabilities is shown as the Group's assets and liabilities are substantially located in the PRC.

6. OTHER INCOME

	2007 RMB'million	2006 RMB'million
Interest income	**135**	90
Imputed interest income on non-current accounts receivable from sales of properties	**14**	–
Interest income on consideration receivable on disposals of equity interests in subsidiaries	**52**	–
Imputed interest income on consideration receivable on disposals of equity interest in subsidiaries (notes 20 & 43(e))	**7**	6
Sundry income	**11**	14
Grant received from local government	**50**	68
	269	178

7. OTHER EXPENSES

	2007 RMB'million	2006 RMB'million
Loss on change in fair value of warrants (note 26)	**–**	357
Loss on change in fair value of conversion options of senior preference shares (note 34)	**–**	143
Loss on change in fair value of derivative financial instruments	**–**	500
Transaction costs attributable to initial public offering	**–**	152
Donations to charitable organisations	**13**	6
	13	658

8. OPERATING PROFIT

	2007 RMB'million	2006 RMB'million
Operating profit has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts	**7**	1
Allowance for amount due from a jointly controlled entity	**-**	1
Auditor's remuneration	**6**	6
Depreciation of property, plant and equipment	**28**	28
Less: Amount capitalised to properties under development	**-**	(1)
	28	27
Release of prepaid lease payments	**100**	118
Less: Amount capitalised to properties under development	**(99)**	(117)
	1	1
Loss on disposal of property, plant and equipment	**1**	3
Employee benefits expenses		
Directors' emoluments	**20**	29
Other staff costs		
Salaries, bonuses and allowances	**266**	166
Share-based payment expenses	**36**	-
Retirement benefits costs	**22**	15
Total employee benefits expenses	**344**	210
Less: Amount capitalised to properties under development	**(82)**	(64)
	262	146
Cost of properties sold recognised as an expense	**1,790**	1,552
Rental charges under operating leases	**31**	24

9. FINANCE COSTS

	2007 RMB'million	2006 RMB'million
Interest on bank loans and overdrafts wholly repayable within five years	**211**	213
Interest on amounts due to shareholders wholly repayable within five years (note 43(e))	**–**	1
Interest on amount due to a minority shareholder of a subsidiary wholly repayable within five years (notes 25 and 43(e))	**4**	4
Imputed interest on loan from a minority shareholder of a subsidiary wholly repayable within five years (notes 32 and 43(e))	**10**	9
Interest on consideration payable on acquisition of additional interests in subsidiaries (note 43(e))	**–**	32
Interest on convertible redeemable preference shares (note 34)	**–**	273
Interest on notes (note 26)	**329**	322
Less: Net interest income from cross currency interest rate swap	**(96)**	–
Total interest costs	**458**	854
Less: Amount capitalised to properties under development	**(358)**	(643)
	100	211
Loss (gain) on change in fair value of early redemption rights on notes (note 26)	**17**	(23)
Net exchange gain on financing activities	**(9)**	(78)
Other finance costs	**17**	8
	125	118

Borrowing cost capitalised during the year ended 31 December 2007 arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of approximately 4.7% (2006: 11.6%) to expenditure on the qualifying assets.

10. TAXATION

	2007 RMB'million	2006 RMB'million
PRC Enterprise Income Tax:		
Current taxation		
– Provision for the year	**650**	167
– Underprovision in prior year	**–**	17
	650	184
Deferred taxation (note 33)		
– Provision for the year	**289**	785
– Attributable to a change in tax rate of the PRC Enterprise Income Tax	**(343)**	–
	(54)	785
PRC Land Appreciation Tax	**224**	176
	820	1,145

No provision for Hong Kong Profits Tax has been made as the income of the Group neither arises in, nor is derived from, Hong Kong.

PRC Enterprise Income Tax has been provided at the applicable income tax rate of 33% on the assessable profits of the companies in the Group during the year.

On 16 March 2007, the PRC Government promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC, which changes the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

The provision of Land Appreciation Tax is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. Land Appreciation Tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowings costs and the relevant property development expenditures.

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

	2007 RMB'million	2006 RMB'million
Profit before taxation	**3,687**	2,785
PRC Enterprise Income Tax at 33%	**1,217**	919
PRC Land Appreciation Tax	**224**	176
Tax effect of PRC Land Appreciation Tax	**(74)**	(58)
Tax effect of share of results of associates	**(9)**	–
Tax effect of expenses not deductible for tax purposes	**142**	337
Tax effect of income not taxable for tax purposes	**(349)**	(252)
Tax effect of tax losses not recognised	**12**	13
Tax effect on utilisation of tax losses previously not recognised	**–**	(4)
Tax effect on recognition of deferred tax assets arising from tax losses previously not recognised	**–**	(3)
Decrease in opening deferred tax liabilities resulting from a decrease in applicable tax rate	**(343)**	–
Underprovision in prior year	**–**	17
Tax charge for the year	**820**	1,145

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

The emoluments paid or payable to the directors of the Company were as follows:

Name of director	Notes	Fees	Salaries and other benefits	Performance related incentive payments	Retirement benefit costs	2007 Total	2006 Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Vincent H.S. Lo		–	–	–	–	–	13
Mr. Wilfred Y.W. Wong	(a)	–	2,772	–	96	2,868	11,397
Mr. William T. Addison		–	7,036	7,798	–	14,834	6,110
Sir John R.H. Bond	(b)	291	–	–	–	291	97
The Honourable Chun Ying Leung	(c)	291	–	–	–	291	182
Dr. Edgar W.K. Cheng	(b)	388	–	–	–	388	130
Dr. William K.L. Fung	(b)	388	–	–	–	388	242
Professor Gary C. Biddle	(b)	485	–	–	–	485	303
Dr. Roger L. McCarthy	(b)	388	–	–	–	388	242
Mr. David J. Shaw	(b)	291	–	–	–	291	182
Mr. Louis H.W. Wong	(d)	–	–	–	–	–	6,687
Mr. Shing Sun Hui	(d)	–	–	–	–	–	3,151
Total for 2007		2,522	9,808	7,798	96	20,224	28,736
Total for 2006		1,378	15,288	11,271	799	28,736	

Notes:

(a) Executive director resigned during the year

(b) Independent non-executive directors

(c) Non-executive director

(d) Executive directors resigned in 2006 and became senior management

Of the five highest paid individuals in the Group, one (2006: four) is executive director of the Company whose emolument is set out above. The emoluments of the remaining four (2006: one) individuals are as follows:

	2007 RMB'million	2006 RMB'million
Salaries and other benefits	17	7
Performance related incentive payments	9	–
Retirement benefit costs	1	–
	27	7

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Continued)

The emoluments of the remaining highest paid employees were within the following bands:

	2007 Number of employees	2006 Number of employees
Emolument bands		
HK$4,000,001 – HK$4,500,000	**1**	–
HK$6,000,001 – HK$6,500,000	**1**	–
HK$6,500,001 – HK$7,000,000	**1**	1
HK$9,000,001 – HK$9,500,000	**1**	–
	4	1

12. DIVIDENDS

	2007 RMB'million	2006 RMB'million
Interim dividend paid in respect of 2007 of HK5 cents per share (2006: nil)	**203**	–
Final dividend proposed in respect of 2007 of HK10 cents per share (2006: HK6 cents per share)	**373**	248
	576	248

In June 2007, a final dividend in respect of 2006 of HK6 cents (equivalent to RMB5.9 cents) per share was paid to the shareholders.

In October 2007, an interim dividend in respect of 2007 of HK5 cents (equivalent to RMB4.8 cents) per share (2006: nil) was paid to the shareholders.

The final dividend in respect of 2007 of HK10 cents (equivalent to RMB8.9 cents) per share has been proposed by the directors and is subject to approval by the Company's shareholders in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

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

Earnings

	2007 RMB'million	2006 RMB'million
Earnings for the purposes of basic earnings per share, being profit for the year attributable to shareholders of the Company	**2,462**	1,146
Effect of dilutive potential shares:		
Interest on convertible redeemable preference shares charged to consolidated income statement	**–**	4
Loss on change in fair value of conversion options of senior preference shares	**–**	143
Earnings for the purpose of diluted earnings per share	**2,462**	1,293

Number of shares

	2007 'million	2006 'million
Weighted average number of ordinary shares for the purposes of basic earnings per share	**4,185**	**2,405**
Effect of dilutive potential shares:		
Convertible redeemable preference shares	**–**	1,003
Additional consideration in respect of the Rainbow Sale and Purchase Agreement (note 43(b))	**–**	2
Share options issued by the Company	**15**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**4,200**	**3,410**

	2007	2006
Basic earnings per share (note (a))	**RMB0.59**	RMB0.48
	HK$0.61	HK$0.47
Diluted earnings per share (note (a))	**RMB0.59**	RMB0.38
	HK$0.61	HK$0.37

Notes:

(a) The HK dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.026 for 2007 and RMB1.000 to HK$0.976 for 2006, being the average exchange rates that prevailed during the respective years, in accordance with the International Accounting Standard 21 "Effects of Changes in Foreign Exchange Rates".

(b) There are no dilution effects for the share options granted on 1 August 2007, 2 October 2007, 1 November 2007 and 3 December 2007 as the exercise price of these share options were higher than the average market price of the shares for the year.

14. INVESTMENT PROPERTIES

	2007 **RMB' million**	2006 RMB' million
At fair value		
At beginning of the year	**6,205**	5,877
Additions	**9**	105
Transfer from prepaid lease payments and properties under development (notes 16 and 17)	**1,203**	78
Increase in fair value recognised in the consolidated income statement	**577**	145
At end of the year	**7,994**	6,205

The investment properties are all situated in the PRC under long/medium-term leases. All the investment properties are rented out under operating leases.

The fair values of the Group's investment properties at 31 December 2007 and 31 December 2006 have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuers not connected to the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in relevant locations. The valuations have been arrived at using the capitalisation of net income method of valuation, based on the present value of the income to be derived from the properties. For the properties which are currently vacant, the valuation was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term.

All of the Group's investment properties held under operating leases to earn rentals are classified as investment properties and are accounted for using the fair value model.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB' million	Furniture, fixtures, equipment and motor vehicles RMB' million	Total RMB' million
At cost			
At 1 January 2006	134	92	226
Additions	17	35	52
Disposals	–	(25)	(25)
At 31 December 2006	151	102	253
Transfer from properties under development	**48**	**16**	**64**
Additions	**–**	**44**	**44**
Disposals of a subsidiary	**–**	**(7)**	**(7)**
Disposals	**–**	**(19)**	**(19)**
At 31 December 2007	**199**	**136**	**335**
Accumulated depreciation			
At 1 January 2006	17	42	59
Charge for the year	7	21	28
Eliminated on disposals	–	(22)	(22)
At 31 December 2006	24	41	65
Charge for the year	**6**	**22**	**28**
Eliminated on disposals of a subsidiary	**–**	**(2)**	**(2)**
Eliminated on disposals	**–**	**(16)**	**(16)**
At 31 December 2007	**30**	**45**	**75**
Carrying values			
At 31 December 2007	**169**	**91**	**260**
At 31 December 2006	127	61	188

The buildings are all situated in the PRC and are depreciated using the straight-line method over their estimated useful lives of 50 years or, where shorter, the terms of leasehold land where the buildings are located.

Furniture, fixtures, equipment and motor vehicles are depreciated using the straight-line method after taking into account of their estimated residual values over their estimated useful lives of 3 to 5 years.

16. PREPAID LEASE PAYMENTS

	2007 **RMB' million**	2006 RMB' million
At beginning of the year	**3,710**	2,664
Additions	**1,100**	1,195
Transfer to investment properties (note 14)	**(385)**	(31)
Release for the year (note 8)	**(100)**	(118)
At end of the year	**4,325**	3,710

The cost of prepaid lease payments represents the amount paid to the government of the PRC with lease terms ranging from 40 to 70 years.

17. PROPERTIES UNDER DEVELOPMENT

	Non-current		Current	
	2007	2006	**2007**	2006
	RMB' million	RMB' million	**RMB' million**	RMB' million
At cost				
At beginning of the year	**1,760**	1,127	**4,749**	5,244
Additions	**693**	563	**1,887**	2,700
Release of prepaid lease payments capitalised to properties under development (note 8)	**99**	117	**–**	–
Transfer to investment properties (note 14)	**(818)**	(47)	**–**	–
Transfer to properties held for sale	**–**	–	**(291)**	(3,195)
Transfer to property, plant and equipment	**–**	–	**(64)**	–
At end of the year	**1,734**	1,760	**6,281**	4,749

The properties under development are all situated in the PRC.

Included in the current portion of properties under development as at 31 December 2007 is carrying value of RMB4,542 million (2006: RMB4,133 million) which represents the carrying value of the properties expected to be completed and available for sale after more than twelve months from the balance sheet date.

18. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE

	2007	2006
	RMB' million	RMB' million
Cost of investments, unlisted	**59**	2
Share of post-acquisition profits	**26**	1
	85	3
Loans to associates	**981**	–
Amount due from an associate	**12**	2

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

	2007	2006
	RMB' million	RMB' million
Total assets	**2,445**	15
Total liabilities	**(2,126)**	(4)
Net assets	**319**	11
Group's share of net assets of associates	**85**	3
Revenue	**6**	4
Profit for the year	**42**	2
Group's share of results of associates for the year	**26**	1

18. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE (Continued)

Particulars of the Group's principal associates at 31 December 2007 are as follows:

Name of associate	Form of legal entity	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group	Place of incorporation/ registration and operations	Principal activities
Synergis Shui On Management Services (Shanghai) Limited (Note (i))	Limited liability company	50%	Hong Kong	Investment holding
上海淞滬公共交通樞紐建設發展有限公司 (Shanghai Songhu Public Traffic Hinge Construction Development Co., Ltd.)	Sino-Foreign Joint Venture	25%	PRC	Traffic system development
Richcoast Group Limited ("Richcoast") (Note (ii))	Sino-Foreign Joint Venture	61.54%	BVI	Investment holding
Dalian Qiantong Science & Technology Development Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Ruisheng Software Development Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Delan Software Development Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Jiadao Science & Technology Development Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Software Park Shuion Fazhan Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Software Park Shuion Kaifa Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development

Notes:

(i) The Group is able to exercise significant influence over Synergis Shui On Management Services (Shanghai) Limited because the Group has the power to appoint 2 out of the 5 directors of that company.

(ii) The Group does not have control over Richcoast because the Group has the power to appoint only 4 out of the 10 directors of that company.

Loans to associates represent the loans to subsidiaries of Richcoast for financing the development of Dalian Tiandi • Software Hub (formerly known as Dalian Software Park Phase II), a property development project in Dalian, the PRC. Pursuant to the Joint Venture Agreement dated 25 May 2007 referred to in note 43(d), the loans are unsecured, interest free and with no fixed terms of repayment until Many Gain International Limited ("Many Gain"), a shareholder of Richcoast which is an independent third party, has contributed its share of the shareholder's loan to the subsidiaries of Richcoast. Thereafter, the loans will bear interest at a rate of 10% per annum, subject to shareholders' approval. The loans are carried at amortised cost using the effective interest rate of 5.4%.

The amount due from an associate is unsecured, interest free and repayable on demand.

19. INTEREST IN A JOINTLY CONTROLLED ENTITY/AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

	2007 RMB' million	2006 RMB' million
Cost of investment, unlisted	–	–
Share of post-acquisition losses	–	–
	–	–
Amount due from a jointly controlled entity	11	11
Less: Allowance	(11)	(11)
	–	–

Particulars of the Group's jointly controlled entity at 31 December 2007 are as follows:

Name of jointly controlled entity	Form of legal entity	Proportion of nominal value of issued ordinary share capital held by the Group	Place of incorporation and operation	Principal activity
Crystal Jade Food and Beverage (Hangzhou) Limited	Limited liability company	50%	Hong Kong	Investment holding

The amount due from a jointly controlled entity is unsecured, interest free and repayable on demand.

20. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	2007 RMB' million	2006 RMB' million
Non-current accounts receivable comprise:		
Receivables from sales of properties (note a)	272	114
Deferred rental receivables	40	33
	312	147
Current accounts receivable comprise:		
Trade receivables	340	294
Less: allowance for bad and doubtful debts	(9)	(2)
	331	292
Consideration receivable on partial disposals of equity interests in subsidiaries (note b)	1,136	389
Prepayments of relocation costs	558	617
Deposit for land acquisition (note 41(b)(v))	1,200	–
Other deposits, prepayments and receivables	252	149
	3,477	1,447

20. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (Continued)

Trade receivables comprise:

(i) receivables arising from sales of properties which are due for settlement in accordance with the terms of the related sale and purchase agreements; and

(ii) rental receivables which are due for settlement upon issuance of monthly debit notes to the tenants.

The following is an aged analysis of trade receivables (net of allowance for bad and doubtful debts) at the balance sheet date:

	2007 **RMB' million**	2006 RMB' million
Not yet due	**284**	190
Within 30 days	**4**	53
31 – 60 days	**23**	12
61 – 90 days	**1**	4
Over 90 days	**19**	33
	331	292

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB47 million (2006: RMB102 million) which are past due at the balance sheet date for which the Group has not provided for impairment loss as the Group has collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

	2007 **RMB' million**	2006 RMB' million
Within 30 days	**4**	53
31 – 60 days	**23**	12
61 – 90 days	**1**	4
Over 90 days	**19**	33
	47	102

The Group has provided fully for all receivables with evidences show the receivables are not recoverable.

Movement in the allowance for bad and doubtful debts:

	2007 **RMB' million**	2006 RMB' million
Balance at beginning of the year	**2**	1
Impairment losses recognised on trade receivables	**7**	1
Balance at end of the year	**9**	2

20. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (Continued)

Movement in the allowance for bad and doubtful debts: (Continued)

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of RMB9 million (2006: RMB2 million) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

Notes:

(a) The amounts are unsecured and repayable on or before 31 December 2010. RMB152 million (2006: nil) of the entire amount outstanding at 31 December 2007 is interest free whereas the remaining balance of RMB120 million (2006: RMB114 million) is interest bearing as follows:

(i) the whole amount is interest free from 1 January 2007 to 31 December 2007

(ii) half of the amount is interest free and the remaining amount bears interest at 5% per annum from 1 January 2008 to 31 December 2008

(iii) the whole amount bears interest at simple interest rate of 6% per annum from 1 January 2009 to 31 December 2009

(iv) the full amount bears interest at simple interest rate of 8% per annum from 1 January 2010 to 31 December 2010

The amount is carried at amortised cost at effective interest rate of 8% per annum.

(b) The balance at 31 December 2007 represents the consideration receivable on partial disposals of equity interests in Fieldcity Investments Limited and Portspin Limited. These amounts are unsecured, interest bearing at People's Bank of China's 1-year borrowing rate and repayable in accordance with the terms set out in notes 36(a) & (b).

The balance at 31 December 2006 represented the consideration receivable on partial disposals of equity interests in Score High Limited. The amount was unsecured, interest free and repayable in accordance with the terms set out in note 36(d). The amount was carried at amortised cost at an effective interest rate of 8% per annum.

21. PLEDGED BANK DEPOSITS/BANK BALANCES

Pledged bank deposits represents deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to RMB237 million (2006: RMB368 million) have been pledged to secure long-term bank loans and are therefore classified as non-current assets.

Bank balances carry interest at market rates which range from 0.7% to 1.7% (2006: 0.7% to 5.0%). The pledged bank deposits carry fixed interest rate range from 0.7% to 1.7% (2006: 0.7% to 5.1%). The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

22. PROPERTIES HELD FOR SALE

The Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at cost.

23. LOAN RECEIVABLE

The loan is denominated in RMB, unsecured, interest bearing at 5.9% (2006: 5.0%) per annum and repayable on 26 June 2008.

24. AMOUNTS DUE FROM/TO RELATED PARTIES

Particulars of the amounts due from/to related parties are as follows:

	2007 RMB' million	2006 RMB' million
Amounts due from:		
– shareholders	1	1
– fellow subsidiaries	40	69
– a company in which a director of the Company has a beneficial interest (note)	3	4
– a director	–	11
– close family members of key management	–	15
Amounts due from related parties	44	100
Amounts due to:		
– shareholders	17	19
– fellow subsidiaries	22	54
Amounts due to related parties	39	73

Note:

Mr. Vincent H.S. Lo, a director of the Company, has a beneficial interest in this related company.

The amounts due from a director and close family members of key management represent receivables arising from sales of properties which are due for settlement in accordance with the terms of the related sale and purchase agreements. The remaining amounts due from/to related companies are unsecured, interest free and repayable on demand.

25. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

As at 31 December 2007, other than an amount of RMB84 million (2006: RMB84 million) due to a minority shareholder of a subsidiary, which bears interest at 5% (2006: 5%) per annum, the remaining amounts are unsecured, interest free and repayable on demand.

26. NOTES AND WARRANTS

On 12 October 2005, the Company, being issuer of warrants, and Shui On Development (Holding) Limited (the "Note Issuer"), a wholly owned subsidiary of the Company, issued 1,750 Class A Units and 2,000 Class B Units (together referred to as the "Units"). Each Class A Unit consists of one US$100,000 principal amount note and 1,071 warrants and each Class B Unit consists of one US$100,000 principal amount note and 1,000 warrants. The notes and the warrants were immediately separable upon the issue date.

The principal terms of the notes

The notes are:

(a) general, unsecured obligations of the Note Issuer;

(b) senior in right of payment to any existing and future obligations of the Note Issuer expressly subordinated in right of payment to the notes;

(c) pari passu in right of payment with all other unsecured, unsubordinated indebtedness of the Note Issuer (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); and

(d) effectively subordinated to all existing and future obligations of the Note Issuer's subsidiaries.

The notes bear interest at the rate of 8.5% per annum, payable semi-annually in arrears and will mature on 12 October 2008, unless earlier redeemed.

26. NOTES AND WARRANTS (Continued)

The principal terms of the notes (Continued)

The Note Issuer may, at its option, redeem all or part of the notes at the redemption prices equal to the percentage of the principal amount set forth below plus accrued and unpaid interest to the redemption date if redeemed during the twelve-month period beginning on 12 October of the years indicated below:

12-month period commencing in year	Percentage
2005	108.50%
2006	104.25%
2007	100.00%

The principal terms of the warrants

Each warrant:

(a) will be exercisable on 30 June 2007, 31 December 2007, 30 June 2008 or 12 October 2008 or, following a Qualifying IPO (as defined in the warrant agreement), the warrants will be exercisable at any time on or after the date of the Qualifying IPO;

(b) when exercised prior to a Qualifying IPO will entitle the holder thereof to receive cash from the Company in an amount equal to the Fair Value (as defined in Section 6.01 (g) of the warrant agreement) of, a number of fully paid and non-assessable ordinary shares of the Company equal to X (as defined in Section 4.01 (k) of the warrant agreement) at an exercise price of US$0.01 per share; subject to adjustments in certain cases as defined in the warrant agreement; and

(c) when exercised at any time on or after the date of a Qualifying IPO will entitle the holder thereof to receive cash from the Company in an amount equal to the Fair Value of a number of fully paid and non-assessable ordinary shares of the Company equal to Y (as defined in Section 4.01 (k) of the warrant agreement) at an exercise price of US$0.01 per share, subject to adjustments in certain cases as defined in the warrant agreement; provided that, if the issuance or delivery of ordinary shares by the Company to a holder would not be subject to any pre-emption right of holders of ordinary shares and the exercise price per ordinary shares is equal to or greater than the par value per ordinary share, the Company may deliver, at the Company's sole option, ordinary shares in lieu of cash.

The net proceeds received from the issue of the Units contain the following components that are required to be separately accounted for in accordance with IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement":

(a) Notes represent the present value of the contractually determined stream of future cash flows discounted at the rate of interest at that time of the market interest rate on instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option.

The interest charged for the year is calculated by applying an effective interest rate of approximately 12% to the notes for the year since the Units were issued.

(b) Warrants represent the fair value of the conversion option.

(c) The issuer's option to early redeem all or part of the notes during the period from 12 October 2005 to 11 October 2008.

26. NOTES AND WARRANTS (Continued)

	Notes RMB' million	Warrants RMB' million	Early redemption rights RMB' million	Total RMB' million
As at 1 January 2006	2,787	232	(6)	3,013
Exchange realignment	(109)	(6)	–	(115)
Interest charged during the year (note 9)	322	–	–	322
Interest paid during the year	(238)	–	–	(238)
Loss (gain) on change in fair value (notes 7 and 9)	–	357	(23)	334
Exercise during the year	–	(583)	–	(583)
As at 31 December 2006	2,762	–	(29)	2,733
Exchange realignment	**(182)**	**–**	**1**	**(181)**
Interest charged during the year (note 9)	**329**	**–**	**–**	**329**
Interest paid during the year	**(242)**	**–**	**–**	**(242)**
Loss on change in fair value (note 9)	**–**	**–**	**17**	**17**
As at 31 December 2007	**2,667**	**–**	**(11)**	**2,656**

Pursuant to an amendment agreement in relation to the warrant agreement dated 12 October 2005 entered into in August 2006 among the Company, JP Morgan Chase Bank, N.A. as warrant agent and J.P. Morgan Bank Luxembourg S.A. as registrar, in the event that a prospectus has been issued pursuant to a HK Qualifying IPO (as defined in the agreement), all of the warrants of the Company shall be deemed to be automatically exercised on the same day as the ordinary shares are allotted to investors under the HK Qualifying IPO, without the need for any holder to deliver the warrants or any exercise notice or the payment of the exercise price in respect of those warrants and the warrant shares shall be issued and allotted upon such automatic exercise on the same day. On 4 October 2006, all the warrants were automatically exercised and were converted into 107,370,582 ordinary shares in the Company.

27. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2007 RMB' million	2006 RMB' million
Trade payables aged analysis:		
Not yet due	**495**	722
Within 30 days	**288**	14
61 – 90 days	**1**	–
Over 90 days	**1**	–
	785	736
Retention payables (note)	**78**	76
Deed tax, business tax and other tax payables	**555**	475
Deposits received and receipt in advance from property sales	**39**	20
Deposits received and receipt in advance in respect of rental of investment properties	**142**	124
Accrued charges	**169**	123
	1,768	1,554

Note:
Retention payables are expected to be repaid upon the expiry of the retention periods according to the respective contracts.

28. BANK BORROWINGS

	2007 RMB' million	2006 RMB' million
Repayable within a period of		
– Not more than 1 year or on demand	**1,514**	1,683
– More than 1 year, but not exceeding 2 years	**586**	287
– More than 2 years, but not exceeding 5 years	**2,149**	1,745
– More than 5 years	**156**	–
	4,405	3,715
Less: Amount due within one year shown under current liabilities	**(1,514)**	(1,683)
Amount due after one year	**2,891**	2,032

The carrying amount of the Group's bank loans are analysed as follows:

Denominated in	Interest rate per annum	2007 RMB' million	2006 RMB' million
RMB	90% to 100% of People's Bank of China Prescribed Interest Rate	**1,135**	657
	Fixed rate of 5.59%	**100**	–
	6-months RMB Base Lending Rate stipulated by the PRC	**–**	875
		1,235	1,532
Hong Kong dollars	Hong Kong Interbank Offered Rates plus 0.8% to 2.75%	**3,170**	2,183
		4,405	3,715

As at 31 December 2007, the weighted average effective interest rate on the bank loans was 5.5% (2006: 5.2%), and are further analysed as follows:

	2007	2006
Denominated in RMB	**7.0%**	5.8%
Denominated in Hong Kong dollars	**4.9%**	4.7%

The bank loans as at the balance sheet dates were secured by the pledge of assets as set out in note 39.

29. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS

At 31 December 2007, the Group has outstanding cross currency interest swap to receive interest at fixed rate of 8.5% (2006: 8.5%) per annum based on notional amount of US$375 million (2006: US$188 million), pay interest at fixed rate of 5.2% (2006: 5.2%) per annum based on notional amount of RMB2,931 million (2006: RMB1,467 million) and to exchange the principal at maturity whereby would receive US$375 million and pay RMB2,931 million. The Group has designated the cross currency interest swap as a hedge against the variability of cash flows arising from the fluctuation of currency in relation to the notes issued by the Group. The terms of the cross currency interest swap have been negotiated to match the terms of the notes.

The derivative financial instruments are measured at fair value at the balance sheet date. The fair values are determined based on valuation provided by the counterparty financial institution.

During the year ended 31 December 2007, fair value adjustments arising from the cross currency interest swap of RMB316 million (2006: RMB7 million) have been deferred in equity as hedge reserve; an amount of RMB237 million (2006: RMB2 million) is recognised in the consolidated income statement in line with the corresponding exchange gain recognised in respect of the notes liability designated as the hedge item. The remaining balance of the hedge reserve is expected to be recognised in the consolidated income statement at various dates in the coming ten months after the balance sheet, the period in which the interest and the principal of the notes are expected to settle.

30. SHARE CAPITAL

On 20 May 2006, the Company passed a resolution that the par value of each ordinary share of US$0.01 each in the authorised and issued share capital of the Company be sub-divided into four ordinary shares of US$0.0025 each ("Share Split"). In addition, the authorised share capital of the Company was increased by the creation of a further 8,000,000,000 new ordinary shares of US$0.0025 each. All references in the consolidated financial statements referring to share and amount per share of the Company have been restated for the Share Split.

	Authorised		**Issued and fully paid**	
	Number of shares	**US$'000**	**Number of shares**	**US$'000**
Ordinary shares of US$0.0025 each (after Share Split):				
At 1 January 2006	4,000,000,000	10,000	1,747,466,668	4,369
Increase on 20 May 2006	8,000,000,000	20,000	–	–
Issue of shares to HSBC Investor (note a)	–	–	145,009,345	363
Issues of shares upon placing and public offer (note b)	–	–	671,874,600	1,680
Issue of shares on conversion of convertible redeemable preference shares (note 34)	–	–	1,229,642,644	3,074
Issue of shares on exercise of warrants (note 26)	–	–	107,370,582	268
Issue of shares (notes 43(a) and (b))	–	–	283,733,332	709
At 31 December 2006	12,000,000,000	30,000	4,185,097,171	10,463
Issue of shares on exercise of share options	**–**	**–**	**500,000**	**1**
At 31 December 2007	**12,000,000,000**	**30,000**	**4,185,597,171**	**10,464**

30. SHARE CAPITAL (Continued)

	2007 RMB' million	2006 RMB' million
Shown in the consolidated balance sheet as	**84**	84

Notes:

(a) Pursuant to an agreement entered into between the Company and HSBC Securities Investments (Asia) Limited ("HSBC Investor") dated 4 June 2006, the Company issued 145,009,345 ordinary shares of US$0.0025 each to HSBC Investor at HK$5.35 per ordinary share for a total cash consideration of US$100,000,000.

(b) On 4 October 2006, 556,000,000 new ordinary shares of the Company of US$0.0025 each were issued at HK$5.35 per share for cash through an initial public offering by way of placing and public offer.

On 11 October 2006, the over-allotment option was exercised and 115,874,600 new ordinary shares of the Company of US$0.0025 each were issued at HK$5.35 per share issued for cash.

All shares issued during the year rank pari passu in all respects with other shares in issue.

31. OTHER RESERVES

(a) Merger reserve represents the aggregate of:

(i) the difference between the nominal value of the share capital and share premium issued by the Company and the aggregate of the share capital and share premium of the holding companies of the subsidiaries acquired;

(ii) the share of profit attributable to the deemed minority shareholders exchanged upon the group reorganisation in 2004; and

(iii) the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from a minority shareholder upon the group reorganisation in 2004.

(b) Special reserve represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from minority shareholders, which will be recognised in the consolidated income statement upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

During the year ended 31 December 2007, an amount of RMB12 million (2006: RMB23 million) was released to the consolidated income statement upon the disposal by the subsidiaries of the assets to which it relates.

(c) Other reserve comprises:

(i) The amount of RMB483 million represents payable waived in 2004 by Shui On Investment Company Limited, a subsidiary of Shui On Company Limited, in respect of development costs of the same amount originally paid by Shanghai Shui On Property Development Management Co., Ltd., a fellow subsidiary of Shui On Investment Company Limited, and recharged to certain subsidiaries of the Company.

(ii) Capital contribution of RMB21 million arising on the fair value adjustments at the initial recognition of an interest free loan advanced by a minority shareholder of a subsidiary in 2005, as set out in note 32.

(iii) Non-distributable reserve of RMB99 million arising from the capitalisation of retained profits as registered capital of a subsidiary in the PRC in 2006.

32. LOAN FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount is unsecured, interest free and repayable in two instalments of RMB100 million each on 31 March 2008 (or the other date to be agreed with the minority shareholder of the subsidiary) and 31 March 2009. The amount is carried at amortised cost at effective rate of 5.3% (2006: 5.3%) per annum. Fair value adjustment of RMB29 million at the initial recognition was credited to equity in 2005.

33. DEFERRED TAX ASSETS/LIABILITIES

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

	Accelerated tax depreciation RMB' million	Revaluation of properties RMB' million	Tax losses RMB' million	Recognition of sales and related cost of sales RMB' million	Others RMB' million	Total RMB' million
At 1 January 2006	113	1,127	(38)	–	26	1,228
Charge (credit) to income for the year	43	48	(24)	721	(3)	785
Charge to reserve for the year	–	–	–	–	40	40
At 31 December 2006	156	1,175	(62)	721	63	2,053
Effect on change in tax rate	**(66)**	**(285)**	**9**	**14**	**(15)**	**(343)**
Transfer to current tax liabilities	**–**	**–**	**20**	**(757)**	**10**	**(727)**
Charge (credit) to income for the year	**52**	**144**	**9**	**89**	**(5)**	**289**
At 31 December 2007	**142**	**1,034**	**(24)**	**67**	**53**	**1,272**

For the purposes of balance sheet presentation, certain deferred tax (assets) liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2007 RMB' million	2006 RMB' million
Deferred tax assets	**(89)**	(4)
Deferred tax liabilities	**1,361**	2,057
	1,272	2,053

As at the balance sheet date, the Group had unused tax losses of RMB231 million (2006: RMB288 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB98 million (2006: RMB187 million). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB133 million (2006: RMB101 million) due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

	2007 RMB' million	2006 RMB' million
2007	**–**	1
2008	**5**	5
2009	**15**	15
2010	**39**	41
2011	**38**	39
2012	**36**	–
	133	101

34. CONVERTIBLE REDEEMABLE PREFERENCE SHARES

Authorised:

	Number of shares			Junior preference shares of US$0.01 each	Senior preference shares of US$0.01 each	Total
	Junior preference shares	Senior preference shares	Total	US$'000	US$'000	US$'000
At 1 January 2006	220,000,000	180,000,000	400,000,000	2,200	1,800	4,000
Cancelled upon conversion of issued preference share to ordinary shares	(220,000,000)	(180,000,000)	(400,000,000)	(2,200)	(1,800)	(4,000)
At 31 December 2006 and 2007	–	–	–	–	–	–

Issued and fully paid:

	Number of shares			Junior preference shares of US$0.01 each	Senior preference shares of US$0.01 each	Total
	Junior preference shares	Senior preference shares	Total	RMB' million	RMB' million	RMB' million
At 1 January 2006	220,000,000	180,000,000	400,000,000	1,810	1,481	3,291
Conversion during the year	(220,000,000)	(180,000,000)	(400,000,000)	(1,810)	(1,481)	(3,291)
At 31 December 2006 and 2007	–	–	–	–	–	–

All the above junior preference shares and senior preference shares were issued at US$1 per share.

In January 2006, the Company received notice from a holder of convertible redeemable preference shares for the conversion of 10,000,000 senior preference shares of US$0.01 each into 8,115,547 ordinary shares of US$0.01 each (which were subsequently sub-divided into 32,462,188 ordinary shares of US$0.0025 each in May 2006). The ordinary shares were issued in March 2006.

On 4 October 2006, all the then junior preference shares and remaining senior preference shares were converted into 1,197,180,456 ordinary shares of US$0.0025 each pursuant to the provision of the Company's Article of Association which required that all the preference shares be converted into ordinary shares upon the date on which the securities of the Company were first listed on a stock exchange in connection with a Qualifying IPO (as defined in the Company's Articles of Association).

Pursuant to the resolution passed by the Company on 6 June 2006, upon the issue of the ordinary shares into which the junior preference shares and senior preference shares were converted, all the authorised but unissued share capital attributable to the junior preference shares and senior preference shares (including the authorised but unissued share capital attributable to the senior preference shares and junior preference shares arising from conversion) had been cancelled.

34. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Continued)

The movement of convertible redeemable preference shares are as follows:

	Liability component RMB' million	Equity component RMB' million	Conversion options of senior preference shares RMB' million	Total RMB' million
At 1 January 2006	2,874	423	–	3,297
Exchange realignment	(70)	–	–	(70)
Interest charged during the year (note 9)	273	–	–	273
Interest paid during the year	(112)	–	–	(112)
Change in fair value (note 7)	–	–	143	143
Conversion during the year	(2,965)	(423)	(143)	(3,531)
At 31 December 2006 and 2007	**–**	**–**	**–**	**–**

The principal terms of these preference shares include the following:

Conversion

(i) Mandatory conversion:

The Company might, having given notice to the holders of the preference shares pursuant to the provisions of the Company's Articles of Association, require that all of the preference shares be converted into ordinary shares, provided that (a) the conversion date was at least 18 months after 31 May 2004; and (b) the conversion was effective only upon, but not before, the date on which the securities of the Company were first listed on a stock exchange in connection with a Qualifying IPO (as defined in the Company's Articles of Association), or such earlier date as were approved by the holders then outstanding, whereupon all the preference shares were automatically be converted without any further act by the Company or the members of the Company into such number of fully paid ordinary shares as determined in accordance with the then effective conversion rate.

(ii) Optional conversion:

(a) at the option of the holder thereof, at any time after the date of their allotment and without the payment of any additional consideration thereof, into such number of ordinary shares as determined in accordance with the then effective conversion rate credited as fully paid; and

(b) at the option of the Company pursuant to a subscription and shareholders' agreement dated 18 February 2004 (the "Agreement") entered into among the Company, NRI Limited (a wholly owned subsidiary of Shui On Construction and Materials Limited), the Investors (as defined in the Agreement), Shui On Investment Company Limited, Shui On Properties Limited, Shui On Company Limited and Shui On Construction and Materials Limited, at any time after the date falling 60 days from the date of issue of a capital call by the Company, if the holder thereof continued to be in default of its obligation to subscribe for further preference shares under such capital call and the preference shares to be subscribed by such holder had not been subscribed by other members of the Company, into such number of ordinary shares as determined in accordance with the then effective conversion rate credited as fully paid.

(iii) Conversion price:

The junior preference shares and the senior preference shares were convertible into ordinary shares at an initial conversion price of US$1.07 and US$1.35, respectively. The conversion prices were subject to adjustments in accordance with the Company's Articles of Association. Following the Share Split of the Company's ordinary shares, the conversion prices of the junior preference shares and the senior preference shares had been adjusted in accordance with the Company's Articles of Association.

(iv) In the event of a mandatory conversion of senior preference shares, the number of ordinary shares to which the holder of senior preference shares were entitled upon such mandatory conversion was capped at that number of ordinary shares which provided the holder with an internal rate of return on the holder's investment in such senior preference shares of 27.5%, computed in accordance with accepted financial practice in Hong Kong and on the basis that the ordinary shares arising from such conversion were valued at the price at which shares of the Company were on offer for subscription pursuant to an initial public offering.

34. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Continued)

Redemption

(i) Junior preference shares

(a) a holder may, at any time prior to 31 May 2009, by notice in writing require the Company to redeem all or some of its shares, in multiples of not less than 100,000 shares, on 31 May 2010;

(b) if an Event of Default (as defined in the Agreement) has been declared in accordance with the Agreement, the holders of at least 70% of the then outstanding junior preference shares may, by a written notice, require the Company to redeem all or part of their shares within 6 months from the date of the written notice; and

(c) subject to points (i)(a) and (i)(b) above and the mandatory conversion, the Company shall redeem all of the then outstanding junior preference shares on 31 May 2011.

The redemption price payable by the Company shall be a sum equal to any arrears or accruals of cash dividends payable in respect of the junior preference shares calculated up to the relevant redemption date, plus the issue price paid on the junior preference shares, plus a premium equal to the amount derived by dividing the Equity Participation (as defined in the Company's Articles of Association) by the total number of junior preference shares issued up to the relevant redemption date.

(ii) Senior preference shares

(a) a holder may, at any time prior to 31 May 2008, by notice in writing require the Company to redeem all or some of its shares, in multiples of not less than 100,000 shares, on 31 May 2009;

(b) if an Event of Default (as defined in the Agreement) has been declared in accordance with the Agreement, the holders of at least 70% of the then outstanding senior preference shares may, by a written notice, require the Company to redeem all or part of their shares within 6 months from the date of the written notice; and

(c) subject to points (ii)(a) and (ii)(b) above and the mandatory conversion, the Company shall redeem all of the then outstanding senior preference shares on 31 May 2011.

The redemption price payable by the Company shall be a sum equal to any arrears or accruals of cash dividends and cumulative dividends payable in respect of the senior preference shares calculated up to the relevant redemption date, plus the issue price paid on the senior preference shares, plus a premium equal to the amount derived by dividing the Equity Participation (as defined in the Company's Articles of Association) by the total number of senior preference shares issued up to the relevant redemption date. The overall return, including Equity Participation, on the senior preference shares investment to the holders thereof shall be capped at an internal rate of return of 27.5% before the application of the Discount Factor (as defined in the Company's Articles of Association).

Dividend

(i) The junior preference shares conferred on the holders thereof the entitlement to a fixed cumulative preferential cash dividend at the rate of 7% per annum of the issue price commencing from the date of issue of the junior preference shares, payable semi-annually and in priority to the dividend in respect of the ordinary shares.

(ii) The senior preference shares conferred on the holders thereof the following entitlements:

(a) a fixed cumulative preferential cash dividend at the rate of 7.5% per annum of the issue price commencing from the date of issue of the senior preference shares and payable semi-annually; and

(b) a fixed cumulative preferential cash dividend at the rate of 7.5% per annum of the issue price commencing from the date of issue of the senior preference shares and payable on the redemption date.

The cash dividends of senior preference shares were ranked in priority to the ordinary shares and the junior preference shares on payment of dividend.

34. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Continued)

The net proceeds received from the issue of convertible redeemable preference shares contained the following components that were required to be separately accounted for in accordance with IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement":

(a) Debt component represented the present value of the contractually determined stream of future cash flows discounted at the rate of interest at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option.

The interest charged for the year ended 31 December 2006 was calculated by applying effective interest rates of approximately 12% to the debt component for the year since the convertible redeemable preference shares were issued.

(b) Equity component represented the fair value of the embedded conversion option to convert the liability into equity of the Company.

(c) Embedded derivatives, comprising:

(i) The holder's option to extend the redemption date from 31 May 2010 to 31 May 2011 and from 31 May 2009 to 31 May 2011 for junior preference shares and senior preference shares, respectively.

(ii) Premium payable by the Company upon redemption of the junior preference shares and the senior preference shares, equalled to the amount derived by dividing the Equity Participation (as defined in the Clauses 3B.22 and 3A.22 of the Company's Articles of Association) by the total number of junior/senior preference shares issued up to the redemption date. For senior preference shares, the overall return, including Equity Participation, on the senior preference shares investment to the holders thereof was capped at an internal rate of return of 27.5% before the application of the Discount Factor (as defined in clause 3A.22 of the Company's Articles of Association).

In the opinion of the directors of the Company, the fair value of the embedded derivatives was nil as at 4 October 2006, the date that all outstanding preference share were converted.

(d) Conversion options of senior preference shares - in the event of a mandatory conversion of senior preference share, the number of ordinary shares to which the holders of senior preference shares was entitled upon mandatory conversion capped at that number of ordinary shares which provided the holders with an internal rate of return on the holder's investment in such senior preference shares of 27.5%, computed in accordance with accepted financial practice in Hong Kong and on the basis that the ordinary shares arising from such conversion was valued at the price at which shares of the Company were on offer for subscription pursuant to an initial public offering.

The conversion options were linked to and were settled by delivery of the equity shares of the Company whose fair values could not be reliably measured as at 1 January 2006.

Fair value of the conversion options at 4 October 2006, the date that all outstanding senior preference shares were converted, amounting to RMB143 million.

35. ACQUISITION OF ADDITIONAL EQUITY INTERESTS IN SUBSIDIARIES

Acquisition of 30% of the issued share capital of Profitstock Holding Limited

Pursuant to a sale and purchase agreement dated 31 July 2007 entered into among Equity Millennium Limited and Shun Hing China Investment Limited collectively as sellers (the "Sellers") and Shui On Development (Holding) Limited ("SOD"), a wholly owned subsidiary of the Company, as purchaser, SOD agreed to acquire a 30% of the issued share capital of a then 70% owned subsidiary, Profitstock Holding Limited ("Profitstock"), from the Sellers. In addition, SOD also agreed to acquire the benefit of the shareholders' loans advanced to Profitstock by the Sellers amounting to RMB121 million. The consideration for the acquisition of the 30% of the issued share capital of Profitstock and the benefit of the shareholders' loans, which amounted to US$116 million (equivalent to RMB870 million), is payable in cash by two instalments. The first instalment amounting to US$58 million (equivalent to RMB438 million) was settled in July 2007. The second instalment in the remaining sum of US$58 million (equivalent to RMB432 million) was settled in October 2007 when the transaction was completed.

35. ACQUISITION OF ADDITIONAL EQUITY INTERESTS IN SUBSIDIARIES (Continued)

Acquisition of 30% of the issued share capital of Profitstock Holding Limited (Continued)

A gain of RMB80 million arose from the above acquisition, representing the excess of the Group's share of additional interest in the fair value of the net assets of Profitstock attributable to the acquisition over the cost of the acquisition, has been recognised in the consolidated income statement for the year ended 31 December 2007.

36. DISPOSALS OF EQUITY INTERESTS IN SUBSIDIARIES

	2007 **RMB' million**	2006 RMB' million
Gain on disposals of partial equity interests whilst retaining control of subsidiaries:		
– 25% of the issued share capital of Fieldcity Investments Limited (note a)	**480**	–
– 49% of the issued share capital of Portspin Limited (note b)	**364**	–
– 19.8% of the issued share capital of Score High Limited (note d)	**–**	582
	844	582
Gain on disposal of equity interests in subsidiaries:		
– 100% of the issued share capital of Bestwealth Holdings Limited (note c)	**1**	–
	845	582

Notes:

(a) Disposal of a 25% of the issued share capital of Fieldcity Investments Limited

Pursuant to a sale and purchase agreement dated 29 June 2007 entered into between SOD as seller and an independent third party as purchaser, SOD agreed to sell to the purchaser a 25% of the issued share capital of Fieldcity Investments Limited ("Fieldcity"), a then wholly owned subsidiary of the Company. In addition, the purchaser also agreed to acquire the benefit of the shareholder's loans advanced to Fieldcity by SOD amounting to US$98 million (equivalent to RMB746 million). The consideration for the disposal of the equity interest and the benefit of the shareholder's loans, which amounted to RMB1,245 million, is receivable by five instalments. The first instalment in the sum of RMB62 million was settled in June 2007. The second and third instalments in the sum of RMB249 million each, which bore interest at the People's Bank of China ("PBOC") Prescribed Interest Rate, were received in October 2007 and March 2008. The fourth and fifth instalments in the sum of RMB374 million and RMB311 million, which bear interest at PBOC Prescribed Interest Rate, shall be received in July 2008 and October 2008, respectively.

A gain of RMB480 million arose from the above disposal has been recognised in the consolidated income statement for the year ended 31 December 2007.

(b) Disposal of a 49% of the issued share capital of Portspin Limited

Pursuant to a sale and purchase agreement dated 29 June 2007 entered into between SOD as seller and the independent third party referred to in (a) above as purchaser, SOD agreed to sell to the purchaser a 49% of the issued share capital of Portspin Limited, a then wholly owned subsidiary of the Company. The consideration for the disposal of the equity interest, which amounted to RMB364 million, is receivable by three instalments. The first instalment in the sum of RMB18 million was settled in June 2007. The second instalment in the sum of RMB182 million, which bore interest at PBOC Prescribed Interest Rate, was received in October 2007. The third instalment on the remaining sum of RMB164 million, which bore interest at PBOC Prescribed Interest Rate, was received in March 2008.

A gain of RMB364 million arose from the above disposal has been recognised in the consolidated income statement for the year ended 31 December 2007.

36. DISPOSAL OF INTERESTS IN SUBSIDIARIES (Continued)

(c) Disposal of a 100% of the issued share capital of Bestwealth Holdings Limited

On 14 February 2007, the Group disposed of the entire equity interests in Bestwealth Holdings Limited to the independent third party referred to in (d) below as purchaser for an aggregate cash consideration of RMB11 million. The net assets of the disposed subsidiaries at the date of disposal were as follows:

	RMB' million
Net assets disposed of:	
Property, plant and equipment	5
Bank balances and cash	7
Other payables and accrued charges	(1)
Exchange reserve realised	(1)
	10
Gain on disposal	1
Cash consideration	11
Net cash inflow arising on disposal:	
Cash consideration	11
Bank balances and cash disposed of	(7)
	4

The impact of Bestwealth Holdings Limited on the Group's results and cash flows in the current and prior year is insignificant.

(d) Disposal of a 19.8% of the issued share capital of Score High Limited

Pursuant to a sale and purchase agreement dated 1 September 2006 entered into between SOD as seller and an independent third party as purchaser, SOD agreed to sell to the purchaser a 9.9% of the issued share capital of Score High Limited, a then wholly owned subsidiary of the Company. The consideration for the sale of the equity interests, which amounted to RMB503 million, was receivable by two instalments in US dollars. The first instalment in the sum of RMB352 million was settled in November 2006 and the second instalment of RMB151 million was settled in June 2007.

Pursuant to a sale and purchase agreement dated 9 September 2006 entered into between SOD as seller and a preference shareholder of the Company as purchaser, SOD agreed to sell to the purchaser another 9.9% of the issued share capital of Score High Limited, subject to the terms and conditions of the agreement. The consideration for the sale of the equity interests, which amounted to RMB503 million, was receivable by three instalments in US dollars. The first instalment in the sum of RMB252 million was settled in November 2006, the second instalment in the sum of RMB75 million was settled in March 2007 and the third instalment on the remaining sum of RMB176 million was settled in June 2007.

A gain of RMB582 million arose from the above disposals, after deducting the fair value adjustment of RMB20 million at the initial recognition in respect of the considerations due in March 2007 and June 2007, has been recognised in the consolidated income statement for the year ended 31 December 2006.

37. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by the shareholders on 8 June 2007 for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the Scheme, the total number of shares in respect of which options may be granted is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

At 31 December 2007, 150,409,189 share options had been granted and remained outstanding under the Scheme, representing 3.6% of the shares of the Company in issue at that date. The Scheme allows the Board of Directors, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable.

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of options, to be paid within 1 month from the date of the offer.

The vesting period and the exercisable period of the share options granted to eligible employees and a director are as follows:

	Vesting period	Exercisable period
The first 1/7 of the grant:	From date of grant to the 2nd anniversary	From the 2nd to the 7th anniversary to the date of grant
The second 1/7 of the grant:	From date of grant to the 3rd anniversary	From the 3rd to the 8th anniversary to the date of grant
The third 1/7 of the grant:	From date of grant to the 4th anniversary	From the 4th to the 9th anniversary to the date of grant
The fourth 1/7 of the grant:	From date of grant to the 5th anniversary	From the 5th to the 9th anniversary to the date of grant
The fifth 1/7 of the grant:	From date of grant to the 6th anniversary	From the 6th to the 9th anniversary to the date of grant
The sixth 1/7 of the grant:	From date of grant to the 7th anniversary	From the 7th to the 9th anniversary to the date of grant
The last 1/7 of the grant:	From date of grant to the 8th anniversary	From the 8th to the 9th anniversary to the date of grant

The vesting period and the exercisable period of the share options granted to a consultant are as follows:

	Vesting period	Exercisable period
The first 1/5 of the grant:	Unconditional and fully vested at the date of grant	Before the 5th anniversary to the date of grant
The second 1/5 of the grant:	From date of grant to the 1st anniversary	Before the 6th anniversary to the date of grant
The third 1/5 of the grant:	From date of grant to the 2nd anniversary	Before the 7th anniversary to the date of grant
The fourth 1/5 of the grant:	From date of grant to the 3rd anniversary	Before the 8th anniversary to the date of grant
The last 1/5 of the grant:	From date of grant to the 4th anniversary	Before the 9th anniversary to the date of grant

The share options granted to independent non-executive directors, a non-executive director and a consultant are unconditional and fully vested at the date of grant and exercisable on or before the 5th anniversary to the date of grant.

During the year ended 31 December 2007, options were granted on 20 June, 1 August and 2 October, 1 November and 3 December. The exercise price of the options granted on those dates are HK$7.00, HK$8.18, HK$10.00, HK$11.78 and HK$9.88 and the closing share price at the date of grant are HK$6.98, HK$7.99, HK$10.00, HK$11.78 and HK$9.88, respectively. The weighted average estimated fair values of the options granted on those dates are HK$2.90 HK$3.15, HK$3.96, HK$4.58 and HK$3.73, respectively. These fair values were calculated using the Binominal model. The inputs into the model were as follows:

Expected volatility	40% to 45%
Expected life	3.42 years to 8.76 years
Risk-free rate	2.62% to 4.68%
Expected dividend yield	2.0% to 2.5%

Expected volatility was determined by using the volatility of the listed companies in the same industry over the previous 7 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The Group recognised the total expense of RMB36 million for the year ended 31 December 2007 (2006: nil) in relation to share options granted by the Company.

In respect of the share options exercised during the year, the share price at the date of exercise is HK$7.95.

The movement in the Company's share options is set out below:

	Number of options				
Date of grant	**At 1 January 2007**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**At 31 December 2007**
20 June 2007	–	146,888,190	(500,000)	(8,721,392)	137,666,798
1 August 2007	–	1,636,903	–	(201,710)	1,435,193
2 October 2007	–	5,222,500	–	(22,500)	5,200,000
1 November 2007	–	4,550,064	–	(44,566)	4,505,498
3 December 2007	–	1,601,700	–	–	1,601,700
	–	159,899,357	(500,000)	(8,990,168)	150,409,189

Number of options exercisable at end of the year	3,700,000

38. PROVIDENT AND RETIREMENT FUND SCHEMES

Hong Kong

The Group participates in both a defined benefit plan (the "Plan") which is registered under the Occupational Retirement Schemes Ordinance and in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The Plan was set up by the Group during 2004. The assets of the schemes are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Plan prior to the establishment of MPF Scheme were offered a choice of staying within the Plan or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The MPF Scheme

For members of the MPF Scheme, contributions made by the employees at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employees' salaries, depending on the employees' length of service with the Group.

The Group's contributions to the MPF Scheme charged to the consolidated income statement as staff costs during the year ended 31 December 2007 amounted to RMB256,000 (2006: RMB110,000). The amount of the employer's voluntary contributions to the MPF Scheme forfeited for the financial periods referred to above were immaterial and had been used to reduce the existing level of contributions.

The Plan

Contributions to the Plan are made by the members at 5% of their salaries and by the Group which are based on recommendations made by the actuary of the Plan. The current employer contribution rate ranges from 5% to 10% of the members' salaries. Under the Plan, a member is entitled to retirement benefits which comprise the sum of any benefits transferred from another scheme and the greater of the sum of employer's basic contribution plus the member's basic contribution accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the length of employment with the Group on the attainment of the retirement age of 60. For members who joined the Plan before 1997, the retirement age is 60 for male members and 55 for female members. No other post-retirement benefits are provided.

38. PROVIDENT AND RETIREMENT FUND SCHEMES (Continued)

Hong Kong (Continued)

The Plan (Continued)

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out at 31 December 2006 and 31 December 2007 by Ms. Elaine Hwang of Watson Wyatt Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

The principal actuarial assumptions used as at the balance sheet date are as follows:

	2007	2006
Discount rate	**3.50%**	3.75%
Expected rate of salary increase	**2008: 14%**	3%
	2009: 11%	
	2010: 8%	
	2011: 5%	
Expected rate of return on plan assets	**8.25%**	8.25%

The actuarial valuation showed that the fair value of the plan assets attributable to the Group at 31 December 2007 was RMB75 million (2006: RMB66 million), representing 84% (2006: 112%) of the benefits that had accrued to members.

Amounts recognised in the consolidated income statement for the years ended 31 December 2006 and 31 December 2007 in respect of the defined benefit plan are as follows:

	2007 RMB'million	2006 RMB'million
Current service cost	**3**	2
Interest cost	**2**	2
Expected return on plan assets	**(5)**	(3)
Net amount charged to consolidated income statement as staff costs	**–**	1

The actual returns on plan assets allocated to the Group for the years ended 31 December 2007 and 31 December 2006 were gains of RMB14 million and RMB16 million, respectively.

The amounts included in the consolidated balance sheets arising from the Group's obligations in respect of the Plan are as follows:

	2007 RMB'million	2006 RMB'million
Present value of funded defined benefit obligations	**89**	59
Unrecognised actuarial (losses) gains	**(20)**	2
Fair value of plan assets	**(75)**	(66)
Defined benefit assets	**(6)**	(5)

38. PROVIDENT AND RETIREMENT FUND SCHEMES (Continued)

Hong Kong (Continued)

The Plan (Continued)

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2007 RMB'million	2006 RMB'million
At 1 January	**59**	44
Exchange realignment	**(4)**	(2)
Current service cost	**3**	2
Interest cost	**2**	2
Contributions from plan participants	**1**	2
Actuarial losses	**31**	10
Transfer-in liabilities for transferred participants	**–**	1
Benefits paid	**(3)**	–
At 31 December	**89**	59

Movements in the fair value of the plan assets in the current year were as follows:

	2007 RMB'million	2006 RMB'million
At 1 January	**(66)**	(47)
Exchange realignment	**4**	2
Expected return on plan assets	**(5)**	(3)
Actuarial gains	**(9)**	(13)
Contributions from the employer	**(1)**	(2)
Contributions from plan participants	**(1)**	(2)
Benefits paid	**3**	–
Transfer-in assets	**–**	(1)
At 31 December	**(75)**	(66)

The major categories of plan assets at the balance sheet date are as follows:

	2007 RMB'million	2006 RMB'million
Equities	**42**	37
Hedge funds	**16**	14
Bonds and cash	**17**	15
	75	66

The Group expects to make a contribution of RMB1 million (2006: RMB2 million) to the defined benefit plans during the next financial year.

PRC

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specified percentage of the payroll of their employees to retirement benefit schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the respective schemes.

39. PLEDGE OF ASSETS

The following assets were pledged to banks as securities to obtain certain banking facilities at the balance sheet date:

	2007 RMB'million	2006 RMB'million
Investment properties	**7,937**	6,205
Property, plant and equipment	**134**	89
Prepaid lease payments	**187**	261
Properties under development	**2,339**	1,053
Properties held for sale	**212**	950
Bank deposits	**854**	1,202
	11,663	9,760

Included in pledged bank deposits above is an amount of RMB285 million (2006: nil) which has been pledged to a bank to secure the banking facilities granted to an associate.

In addition, the equity interests in certain subsidiaries were also pledged to banks as securities to obtain banking facilities at the balance sheet date.

40. LEASE ARRANGEMENTS

As lessor

Property rental income in respect of the investment properties earned, net of outgoings, during the year ended 31 December 2007 was RMB339 million (2006: RMB323 million). The investment properties held have committed tenants for the next one to thirteen years at fixed rentals. Certain leases contain contingent rental income recognised during the year ended 31 December 2007 amounting to RMB5 million (2006: RMB10 million).

As at the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	2007 RMB'million	2006 RMB'million
Within one year	**417**	405
In the second to fifth years inclusive	**701**	499
Over five years	**145**	127
	1,263	1,031

As lessee

As at the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007 RMB'million	2006 RMB'million
Within one year	**47**	30
In the second to fifth years inclusive	**50**	49
Over five years	**83**	101
	180	180

Operating lease payments represent rentals payable by the Group for certain of its office and retail properties. Leases are negotiated for an average term of one to twenty years.

41. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

As at the respective balance sheet dates, the Group had the following commitments:

	2007	2006
	RMB'million	RMB'million
Contracted but not provided for:		
Capital expenditure in respect of properties under development in the PRC	**5,046**	3,874
Capital expenditure in respect of the acquisition of property, plant and equipment	**19**	2

(b) Other commitments

(i) On 13 September 2004, the Group entered into an agreement with Shui On Construction Company Limited, a subsidiary of Shui On Company Limited, to form a company in which the Group is entitled to share 1% of the result of that company and to provide a funding not exceeding RMB320,000. Shui On Company Limited is the ultimate holding company of the Company.

No capital had been contributed by the Group to this company as at 31 December 2007 and 31 December 2006.

In August 2004, the Group issued a letter of guarantee amounting to HK$7 million jointly with Shui On Construction Company Limited in favour of a third party to guarantee the due performance of the company.

(ii) Pursuant to an agreement entered into with the 上海市虹口區衛生局 of the Hongkou District, Shanghai, the PRC on 20 June 2006, the Group has committed to build a hospital to be located in the Rui Hong Xin Cheng area of the Hongkou District as compensation for the removal of those medical and health care services originally located in that area. As at 31 December 2007, no construction contracts related to the hospital were entered into. No provision for the construction costs has been made in the consolidated financial statements as the amount cannot be measured reliably.

(iii) Pursuant to an agreement entered into with the district government (the "Luwan Government") of the Luwan District, Shanghai, the PRC, the Group has committed to build certain educational facilities to be located in the Taipingqiao area of the Luwan District as compensation for the removal of those educational facilities originally located in that area. As at 31 December 2007, no construction contracts related to the educational facilities were entered into. No provision for the construction costs has been made in the consolidated financial statements as the amount cannot be measured reliably.

(iv) Pursuant to an agreement entered into with the 上海市江灣體育場 on 20 September 2006, the Group has committed to pay a minimum fixed sum of RMB24 million for the right to operate the gymnasium located in the Jian Wan area of the Yangpu District, Shanghai from 1 January 2007 to 31 December 2026.

(v) On 30 November 2007, the Group entered into a Confirmation Agreement with the Land Exchange Center at Chancheng District in Foshan City, Guangdong Province, the PRC confirming the Group's successful bid for a plot of land in Foshan. Under this Confirmation Agreement, a total consideration for acquiring the land use rights of the land is RMB7,510 million. As at 31 December 2007, the Group has made a refundable deposit amounting to RMB1,200 million (2006: nil) to the Land Exchange Center for acquiring the land in Foshan.

41. COMMITMENTS AND CONTINGENCIES (Continued)

(c) Contingent liabilities

Financial guarantee contracts:

(i) Pursuant to an agreement entered into with the district government (the "Hongkou Government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July 2002, guarantees of no more than RMB324 million (2006: RMB324 million) will be granted by the Group to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 December 2007, no amount had been drawn down under this arrangement.

(ii) At 31 December 2006, certain subsidiaries of the Company had outstanding guarantees issued in favour of banks amounting to RMB414 million in respect of mortgage facilities granted to the buyers of its residential properties. There were no such guarantees outstanding at 31 December 2007.

(iii) As at 31 December 2007, the Group has issued guarantees amounting to RMB285 million to banks in respect of banking facilities granted to an associate. The full amount of RMB285 million has been utilised by the associate as at 31 December 2007.

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the directors consider that the possibility of the default of the parties involved is remote, accordingly, no value has been recognised in the consolidated balance sheets as at 31 December 2007 and 31 December 2006.

42. MAJOR NON-CASH TRANSACTIONS

Details of the non-cash transactions entered into during the years ended 31 December 2007 and 2006 in relation to the acquisitions and disposals of interests in subsidiaries are set out in notes 35 and 36, respectively.

43. RELATED PARTY TRANSACTIONS

Apart from the related party transactions and balances as stated in notes 18, 19, 24, 25, 31, 32 and 41, the Group had the following transactions with certain subsidiaries of Shui On Company Limited.

(a) Pursuant to a sale and purchase agreement dated 18 February 2004 (the "Taipingqiao Sale and Purchase Agreement") entered into among Shui On Investment Company Limited as vendor, the Company as purchaser and Shui On Company Limited as guarantor, the Company agreed to acquire from Shui On Investment Company Limited the Sale Shares, the Interest and the benefits of the Debts (as defined in the Taipingqiao Sale and Purchase Agreement), subject to and in accordance with the terms and conditions stipulated in the Taipingqiao Sale and Purchase Agreement. The acquisition was satisfied by the issue of 301,000,000 ordinary shares of US$0.01 each (which were subsequently sub-divided into 1,204,000,000 ordinary shares of US$0.0025 in May 2006) each in the Company and was completed on 31 May 2004.

Pursuant to the Taipingqiao Sale and Purchase Agreement, Shui On Investment Company Limited, a subsidiary of Shui On Company Limited, is entitled to receive additional consideration up to a maximum amount of US$74 million payable by the Company, if all of the performance targets specified in the Taipingqiao Sale and Purchase Agreement are achieved. Any additional consideration shall be satisfied by the Company by way of allotment and issue to Shui On Investment Company Limited of the relevant number of ordinary shares of par value of US$0.01 each credited as fully paid and valued for this purpose at US$1.00 per share.

On 4 October 2006, the Company issued and allotted a total of 272,000,000 shares of US$0.0025 each, credited as fully paid, to Shui On Investment Company Limited as settlement of additional consideration pursuant to the Taipingqiao Sale and Purchase Agreement.

43. RELATED PARTY TRANSACTIONS (Continued)

(b) Pursuant to the sale and purchase agreement dated 18 February 2004 (the "Rainbow Sale and Purchase Agreement") entered into between Shui On Construction and Materials Limited ("SOCAM") as vendor and the Company as purchaser, the Company agreed to acquire from SOCAM the entire issued share capital of Foresight Profits Limited and the benefits of the amount owned by Hollyfield Holdings Limited, a wholly owned subsidiary of Foresight Profits Limited, to SOCAM immediately prior to the completion of the Rainbow Sale and Purchase Agreement, subject to and in accordance with the terms and conditions stipulated in the Rainbow Sale and Purchase Agreement. The acquisition was satisfied by the issue of 130,000,000 ordinary shares of US$0.01 each (which were subsequently sub-divided into 520,000,000 ordinary shares of US$0.0025 in May 2006) each in the Company and was completed on 31 May 2004.

Pursuant to the Rainbow Sale and Purchase Agreement, SOCAM was entitled to receive additional consideration up to the maximum amount of US$8.8 million payable by the Company, if all of the performance targets specified in the Rainbow Sale and purchase Agreement are achieved. Any additional consideration shall be satisfied by the Company by way of allotment and issue to SOCAM of the relevant number of ordinary shares of par value of US$0.01 each credited as fully paid and valued for this purpose at US$1.00 per share.

On 9 December 2005, the Company issued and allotted a total of 5,866,667 ordinary shares of US$0.01 each (which were subsequently sub-divided into 23,466,668 shares of US$0.025 each in May 2006), credited as fully paid, to SOCAM as settlement of additional consideration pursuant to the Rainbow Sale and Purchase Agreement.

On 2 March 2006, the Company issued and allotted a total of 2,933,333 ordinary shares of US$0.01 each (which were subsequently sub-divided into 11,733,332 ordinary shares of US$0.0025 each in May 2006), credited as fully paid, to SOCAM as settlement of additional consideration pursuant to the Rainbow Sale and Purchase Agreement.

(c) Pursuant to the Taipingqiao Sale and Purchase Agreement (note 43(a)), an indemnity dated 31 May 2004 was granted by Shui On Investment Company Limited, a subsidiary of Shui On Company Limited, to the Company in respect of the potential tax charge that may arise in the event that the development costs in connection with a man-made lake and the underground carpark in the Taipingqiao area in Shanghai cannot be utilised for tax purpose in respect of certain subsidiaries as stated in the Taipingqiao Sale and Purchase Agreement.

(d) Pursuant to the Joint Venture Agreement dated 25 May 2007 entered into with Innovate Zone Group Limited ("Innovate Zone"), an indirect subsidiary of the Company, Main Zone Group Limited ("Main Zone"), a direct wholly-owned subsidiary of SOCAM and Many Gain, an independent third party, whereby the parties agreed to form a joint venture company, Richcoast, which owned as to 61.54%, 28.20% and 10.26% by Innovate Zone, Main Zone, and Many Gain respectively for the development and operation of Dalian Tiandi Software Hub in Dalian, the PRC.

43. RELATED PARTY TRANSACTIONS (Continued)

(e) The Group also had the following transactions with related parties in which certain directors and senior management of the Company have beneficial interests as follows:

	2007 RMB'million	2006 RMB'million
Fellow subsidiaries		
Rental and building management income	–	1
Project management fee income	–	1
Project construction fees	117	30
Rental and building management fee expenses	22	18
Agency fee	–	11
Sales and marketing expenses	–	1
Project management fee	10	–
Associates		
Building management fee expenses	3	–
Shareholders		
Interest expenses	–	1
Reimbursement of staff cost received	–	1
Reimbursement of staff cost paid	–	2
Rental and building management fee expenses	–	3
Minority shareholders of subsidiaries		
Interest income	7	6
Interest expenses	14	45
Property management fee	–	3
Jointly controlled entity		
Rental and building management fee income	4	5
Rental and building management fee expenses	–	1
A director		
Property sales	–	15
Senior management		
Property sales	7	–
Close family members of senior management		
Property sales	–	15

44. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 15 January 2008, the Group agreed to inject further cash by way of shareholders' loan in the equivalent of approximately RMB437 million (about HK$470 million) to the joint venture formed for the development of Dalian Tiandi • Software Hub, whereby the Group ultimately holds a 48% effective interest. Details of the transactions are set out in announcement of the Company dated 16 January 2008.

(b) Pursuant to an agreement dated 26 February 2008 entered into between Smithton Limited ("Smithton"), an indirect wholly-owned subsidiary of Shui On Company Limited, as seller and Foresight Profits Limited ("Foresight"), an indirect wholly-owned subsidiary of the Company, as purchaser, Foresight agreed to acquire from Smithton its entire interest in Silomax, being 100% of the issued share capital of Silomax, and the loan in the amount of approximately HK$147 million (equivalent to approximately RMB137 million). Silomax is the indirect owner of the project company holding Shanghai RHXC Phase I.

44. EVENTS AFTER THE BALANCE SHEET DATE (Continued)

Foresight shall pay to Smithton the consideration in the amount of approximately HK$153 million (equivalent to approximately RMB142 million, subject to adjustment) in cash. On the signing of the above agreement, Foresight paid to Smithton the first 10% of the consideration. The balance of the consideration will be paid on completion of the acquisition or such other date as mutually agreed by Foresight and Smithton. The consideration will be funded by internal resources of the Company.

The acquisition of Smithton was completed on 28 February 2008. In accordance with the terms of the above Agreement, all profits or losses of Silomax arising on or after 31 December 2007 would be attributable to the Group.

45. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the notes and the bank borrowings disclosed in notes 26 and 28 net of bank balances and cash and pledged bank deposits, and equity attributable to equity holders of the Company, comprising issued share capital and reserves, and minority interests.

The directors of the Company review the capital structure of the Group by using a gearing ratio, which is calculated on the basis of dividing the excess of the sum of bank loans and notes payable over the sum of bank balances and cash (inclusive of pledged bank deposits) by total equity. The review is conducted at least quarterly and before each major financing or investment decision is made.

The gearing ratio at the year end was as follows:

	2007 **RMB'million**	2006 RMB'million
Notes	**2,667**	2,762
Bank borrowings	**4,405**	3,715
Pledged bank deposits	**(854)**	(1,202)
Bank balances and cash	**(2,843)**	(4,452)
Net debt	**3,375**	823
Total equity	**16,706**	15,165
Net debt to total equity	**20.2%**	5.4%

46. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2007 **RMB'million**	2006 RMB'million
Financial assets		
Fair value through profit or loss	**11**	29
Loans and receivables (including bank balances and cash)	**8,769**	7,583
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	**(323)**	(7)
Amortised cost	**(9,598)**	(8,287)

46. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, loan receivable, loans to associates, amount due from an associate, amounts due from related parties, amount due from a minority shareholder of a subsidiary, pledged bank deposits, accounts payable, amounts due to related parties, amounts due to minority shareholders of subsidiaries and loan from a minority shareholder of a subsidiary and bank borrowings.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Currency risk

All of the Group's turnover is denominated in RMB. However, the Group has certain bank balances and debt obligations that are denominated in foreign currency. As a result, the Group is exposed to fluctuations in foreign exchange rates. In order to mitigate currency risk, the Group has entered into highly effective cross currency interest swaps (which has been designated as hedging instruments) whereby the principal of the US dollar note repayable in October 2008 has been hedged against RMB. Details of the hedging instruments are set out in note 29. The Group continues reviewing the effectiveness of these hedging instruments and the underlying strategies in monitoring currency risk.

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

	2007 **RMB'million**	2006 RMB'million
HK dollar		
Assets	**401**	2,463
Liabilities	**(3,296)**	(2,342)
US dollar		
Assets	**689**	1,634
Liabilities	**(3,063)**	(3,425)

Sensitivity analysis

The Group is mainly exposed to the currency of Hong Kong dollars and US dollars.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items assuming the balances outstanding for the whole year and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

46. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Sensitivity analysis (Continued)

	Note	2007 RMB'million	2006 RMB'million
HK dollar			
Profit or loss	(i)	**138**	(6)
US dollar			
Profit or loss	(ii)	**98**	85
Other equity	(iii)	**15**	–

(i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in HK dollar not subject to cash flow hedge at year end.

(ii) This is mainly attributable to the exposure outstanding on receivables and payables denominated in US dollar not subject to cash flow hedge at year end.

(iii) This is as a result of the changes in fair value of derivative instruments designated as cash flow hedges in relation to the Group's senior note denominated in US dollar.

The Group's sensitivity to foreign currency has increased during the current year mainly due to both the significant depreciation of HK dollar and US dollar against RMB and increase in foreign currency bank borrowings.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings at variable rates. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and PBOC prescribed interest rate arising from the Group's HK dollar and RMB borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would decrease/increase by RMB22 million (2006: decrease/ increase by RMB19 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

46. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk

The Group's principal financial assets are bank balances and cash, pledged bank deposit, accounts receivable, loan receivable, loans to associates, amount due from an associate, amount due from a minority shareholder of a subsidiary and amounts due from related companies, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its accounts receivable and loan receivable. The amounts presented in the consolidated balance sheets are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, except for as at 31 December 2007 and 2006 where the largest debtor amounting to approximately RMB114 million and RMB125 million, respectively, arising from sales of properties and loans to associates of RMB981 million and loan receivable of RMB240 million.

The credit risk on liquid funds is limited because majority of the counterparties are banks with creditworthy financial institutions.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank and other borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

For derivative instruments settle on a net basis, undiscounted net cash outflows are presented.

Liquidity and interest risk tables

	Weighted average effective interest rate %	Within 1 year or on demand RMB' million	More than 1 year but less than 2 years RMB' million	More than 2 years but less than 5 years RMB' million	More than 5 years RMB' million	Total undiscounted cash flows RMB' million	Carrying amount at 31.12.2007 RMB' million
2007							
Non-derivative financial liabilities							
Trade and other payables	–	1,418	–	–	–	1,418	1,418
Bank borrowings at variable rates	5.4%	1,561	634	2,678	303	5,176	4,405
Senior notes	8.5%	2,972	–	–	–	2,972	2,667
Amounts due to related parties	–	39	–	–	–	39	39
Amounts due to minority shareholders of subsidiaries	–	880	–	–	–	880	876
Loan from a minority shareholder of a subsidiary	–	193	–	–	–	193	193
		7,063	634	2,678	303	10,678	9,598
Derivatives – net settlement							
Cash flow hedge instruments	–	323	–	–	–	323	323

46. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate %	Within 1 year or on demand RMB' million	More than 1 year but less than 2 years RMB' million	More than 2 years but less than 5 years RMB' million	More than 5 years RMB' million	Total undiscounted cash flows RMB' million	Carrying amount at 31.12.2006 RMB' million
2006							
Non-derivative financial liabilities							
Trade and other payables	–	1,287	–	–	–	1,287	1,287
Bank borrowings at variable rates	5.2%	1,734	300	1,893	–	3,927	3,715
Senior notes	8.5%	–	3,426	–	–	3,426	2,762
Amounts due to related parties	–	73	–	–	–	73	73
Amounts due to minority shareholders of subsidiaries	–	271	–	–	–	271	267
Loan from a minority shareholder of a subsidiary	–	183	–	–	–	183	183
		3,548	3,726	1,893	–	9,167	8,287
Derivatives – net settlement							
Cash flow hedge instruments	–	–	7	–	–	7	7

c. Fair value

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

- the fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions; and
- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

47. SUMMARISED BALANCE SHEET OF THE COMPANY

	2007 RMB'million	2006 RMB'million
Investments in subsidiaries	**1,237**	1,237
Amounts due from subsidiaries	**8,121**	6,204
Other receivables	**–**	32
Bank balances	**26**	2,683
Total assets	**9,384**	10,156
Amount due to a subsidiary	**–**	(29)
Total liability	**–**	(29)
Net assets	**9,384**	10,127
Share capital	**84**	84
Reserves	**9,300**	10,043
Total equity	**9,384**	10,127

48. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2007 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1)	Place of operation	Principal activities
Atlantic Best Limited	Hong Kong 5 January 2001	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Billion China Investments Limited	British Virgin Islands ("BVI") 18 October 2007	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Billion Glory Limited	Hong Kong 14 March 2003	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Billion World Limited	Hong Kong 19 November 2003	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Bondwise Profits Limited	BVI 28 December 2000	1 ordinary share of US$1	70%	Hong Kong	Investment holding
Bright Continental Limited	Hong Kong 5 March 2003	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Bright Power Enterprises Limited	BVI 1 July 2004	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Bright Winner Limited	Hong Kong 27 December 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Brixworth International Limited	BVI 3 January 2001	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Central Fit Investments Limited	BVI 23 October 2007	1 ordinary share of US$1	100%	Hong Kong	Investment holding

48. PARTICULARS OF THE SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1)	Place of operation	Principal activities
Century Team Limited	Hong Kong 16 January 1998	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Chinalink Capital Limited	BVI 16 July 2003	999 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
China Advance Limited	Hong Kong 13 November 2006	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
China Wealth (H.K.) Limited	Hong Kong 4 January 2006	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Chongqing Shui On Tiandi Property Development Co., Ltd.	PRC 21 November 2003	Registered and paid up capital US$140,000,000	79.398%	PRC	Property development
Citichamp Limited	Hong Kong 19 July 2006	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Cititop Pacific Limited	Hong Kong 1 December 2000	2 ordinary shares of HK$1 each	70%	Hong Kong	Investment holding
Costworth Investments Limited	BVI 12 January 2001	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Crown Fame Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Cybricity Limited	Hong Kong 28 April 2000	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
East Trend Limited	Hong Kong 14 February 2001	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Eastern View Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Excel Efficient Limited	BVI 19 August 2002	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Fieldcity Investments Limited	BVI 30 March 2005	100 ordinary shares of US$1 each	75%	Hong Kong	Investment holding
Focus Top Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Foresight Profits Limited	BVI 8 February 2001	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Galore Profits Limited	BVI 23 January 2001	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Global Ocean Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Globaland Limited	Hong Kong 30 October 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding

48. PARTICULARS OF THE SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1)	Place of operation	Principal activities
Globe State Properties Limited	BVI 12 October 2005	100 ordinary shares of US$1 each	70%	Hong Kong	Investment holding
Glory Advance Investments Limited	BVI 18 August 2006	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Grand Hope Limited	Hong Kong 14 March 2003	2 ordinary shares of HK$1 each	80.2%	Hong Kong	Investment holding
Grand Rich Limited	Hong Kong 14 March 2003	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Hangzhou Xihu Tiandi Management Co., Ltd.	PRC 6 March 2003	Registered and paid up capital US$1,400,000	100%	PRC	Property management
Hangzhou Xihu Tiandi Properties Co., Ltd.	PRC 12 June 2003	Registered and paid up capital US$34,540,000	100%	PRC	Property development
Hing Tin Investments Limited	BVI 23 October 2007	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Hollyfield Holdings Limited	Mauritius 19 April 2001	2 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Infoshore International Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Info Union Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Innovate Zone Group Limited	BVI 3 January 2007	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Intellect Profit Investments Limited	BVI 10 August 2007	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Interchina International Limited	BVI 12 January 2001	100 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Join Legend Limited	Hong Kong 2 June 2006	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Keen Allied Investments Limited	BVI 18 September 2002	1 ordinary share of US$1	100%	Hong Kong	Investment holding
King Concord Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Kinmax Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Land Pacific Limited	Hong Kong 2 November 2007	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Legend City Limited	Hong Kong 4 June 1997	2 ordinary shares of HK$1 each	51%	Hong Kong	Investment holding

48. PARTICULARS OF THE SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1)	Place of operation	Principal activities
Lucky Gain Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Magic Best Investments Limited	BVI 19 July 2007	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Magic Bright Investments Limited	BVI 18 September 2007	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Marble Way Limited	BVI 28 August 1996	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Modern Prosper Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	Hong Kong	Investment holding
New Asia Limited	Hong Kong 31 October 2003	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
New Power Profits Limited	BVI 18 October 2005	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Nice In Investments Limited	BVI 18 October 2007	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Onfair Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Onwin Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Oriental Gain Limited	Hong Kong 2 February 2001	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Oriental Host Limited	Hong Kong 23 October 2007	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Pacific Gain Limited	Hong Kong 11 September 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Portspin Limited	BVI 22 May 1997	100 ordinary share of US$1 each	51%	Hong Kong	Investment holding
Princemax Limited	Hong Kong 15 April 1998	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Profitstock Holdings Limited	BVI 2 June 2005	100 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Regal Victory Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Rich Prime Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Rise Lake Investments Limited	BVI 23 August 2007	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Score High Limited	BVI 12 February 2003	1,000 ordinary share of US$1 each	80.2%	Hong Kong	Investment holding

48. PARTICULARS OF THE SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1)	Place of operation	Principal activities
Shanghai Bai-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB151,300,000	97%	PRC	Property development
Shanghai Fu Ji Properties Co., Ltd.	PRC 18 January 2004	Registered capital US$35,773,000 Paid up capital US$9,184,180	99%	PRC	Property development
Shanghai Fu-Xiang Properties Co., Ltd.	PRC 19 December 2001	Registered and paid up capital RMB645,000,000	99%	PRC	Property development
Shanghai Ji-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB71,600,000	97%	PRC	Property development
Shanghai Jing-Fu Property Co., Ltd.	PRC 26 December 2001	Registered and paid up capital RMB400,000,000	99%	PRC	Property development
Shanghai Lakeville Properties Co., Ltd.	PRC 23 May 2001	Registered and paid up capital RMB165,000,000	69.3%	PRC	Property development
Shanghai Le Fu Properties Co., Ltd.	PRC 20 February 2004	Registered capital US$82,500,000 Paid up capital US$50,551,600	99%	PRC	Property development
Shanghai IPO Food & Beverage Co., Ltd.	PRC 6 September 2006	Registered and paid up capital US$1,050,000	100%	PRC	Food and beverage services
Shanghai Rui Hong Xin Cheng Co., Ltd.	PRC 2 July 2001	Registered capital RMB1,400,000 Paid up capital RMB1,263,000	99%	PRC	Property development
Shanghai Rui Zhen Food & Beverage Co., Ltd.	PRC 7 November 2003	Registered and paid up capital US$2,100,000	99%	PRC	Food and beverage services
Shanghai Taipingqiao Properties Management Co., Ltd.	PRC 31 August 2001	Registered and paid up capital US$200,000	99%	PRC	Property management
Shanghai Xin-tian-di Plaza Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB101,300,000	97%	PRC	Property development
Shanghai Xing-Bang Properties Co., Ltd.	PRC 21 June 2001	Registered and paid up capital RMB290,500,000	99%	PRC	Property development

48. PARTICULARS OF THE SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1)	Place of operation	Principal activities
Shanghai Xing-Qi Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB274,900,000	97%	PRC	Property development
Shanghai Xing Qiao Properties Co., Ltd.	PRC 18 January 2004	Registered capital US$67,000,000 Paid up capital US$52,552,388	99%	PRC	Property development
Shanghai Yangpu Centre Development Co., Ltd. (Note 4)	PRC 26 August 2003	Registered and paid up capital US$60,500,000	70%	PRC	Property development
Shui On Development (Holding) Limited	Cayman Islands 27 July 2005	22 ordinary shares of US$0.01 each	100%	PRC	Investment holding
Shui On Land Management Limited	Hong Kong 12 May 2004	1 ordinary share of HK$1	100%	Hong Kong	Provision of management services
Shui On Resort Community (Yunnan) Development Limited	Cayman Islands 17 July 2006	1 ordinary share of US$0.01	100%	Hong Kong	Investment holding
Shui On Resort Community (Kunming) Holding Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Shui On Resort Community (Kunming) Limited	Hong Kong 25 July 2006	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Shui On Secretaries & Nominees Limited	Hong Kong 30 November 2006	1 ordinary share of HK$1	100%	Hong Kong	Provision of secretarial services
Shine First Limited	BVI 25 October 2006	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Shine Prime Investments Limited	BVI 2 November 2006	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Sino Realty Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Sino Wisdom Investments Limited	BVI 12 May 2006	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Sinoco Limited	Hong Kong 28 October 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Sinothink Holdings Limited	BVI 15 September 2000	100 ordinary shares of US$1 each	100%	Hong Kong	Investment holding

48. PARTICULARS OF THE SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1)	Place of operation	Principal activities
Smart Century Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Smart Silver Limited	BVI 18 December 2002	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Super Field Limited	Hong Kong 25 February 2005	1 ordinary share of HK$1	75%	Hong Kong	Investment holding
Timezone Management Limited	BVI 28 February 2001	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Tip Profit Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Triumph Sky Group Limited	BVI 23 October 2007	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Union Grow Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Wuhan Shui On Tiandi Property Development Co., Ltd.	PRC 2 August 2005	Registered capital US$238,000,000 Paid up capital US$203,600,000	75%	PRC	Property development
Wuhan Shui On Tian Di Trading Co., Ltd	BVI 8 January 2007	Registered and paid up capital US$600,000	100%	PRC	Retail business
上海瑞安房地產發展有限公司 (Shui On Development Limited)	PRC 14 June 2004	Registered and paid up capital US$5,350,000	100%	PRC	Management

Notes:

1. The Company directly holds the equity interest in Shui On Development (Holding) Limited. All other equity interests shown above are indirectly held by the Company.
2. All subsidiaries established in the PRC are either equity joint ventures or cooperative joint ventures except Hangzhou Xihu Tiandi Properties Company Limited, Wuhan Shui On Tian Di Trading Co., Ltd. and 上海瑞安房地產發展有限公司 (Shui On Development Limited) which are wholly foreign owned enterprises.
3. Except for Shui On Development (Holding) Limited, none of the subsidiaries had any debt securities subsisting at 31 December 2007 or at any time during the year.
4. The registered capital in Shanghai Yangpu Centre Development Company Limited ("KIC") shall be increased from US$60,500,000 to US$137,500,000 by US$77,000,000 pursuant to an amendment agreement dated 14 August 2007 (the "Amendment Agreement") entered into between Bright Continental Limited ("BCL", an indirect wholly owned subsidiary) and Shanghai Yangpu Knowledge and Innovation Zone Investment and Development Company Limited ("SYKIZ"). BCL shall inject the entire portion of the increase in equity capital from US$60,500,000 to US$77,000,000 and at a premium of US$8,470,000 in cash (being US$85,470,000 in total). SYKIZ will not participate in injecting any additional equity capital into KIC. As a result of the completion of the Amendment Agreement, the interest of BCL in the equity capital of KIC will be increased from 70% to 86.8% by 16.8% and SYKIZ's interest will be diluted from 30% to 13.2% by 16.8%.

   SYKIZ has made the necessary applications for the increase in registered capital. The Amendment Agreement is expected to be completed shortly after obtaining the approval by the relevant PRC government authorities is obtained.

49. COMPARATIVE FIGURES

In the current year, the comparative amounts have been restated to conform to the current year's presentation as follows:

(i) the presentation of consolidated income statement has been changed to function of expense method to reflect a more relevant and meaningful presentation.

(ii) In September 2007, the Financial Reporting Standards Committee of the Hong Kong Institute of Certified Public Accountants issued a meeting summary in which the committee concluded that Land Appreciation Tax is a form of income tax and is within the scope of the accounting standard "Income Tax". Taking this into account, the Land Appreciation Tax has been reclassified from cost of sales to taxation in the consolidated income statement.