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 47. 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 2008.

IAS 39 & IFRS 7 (Amendments)	Reclassification of Financial Assets
IFRIC 11	IFRS 2: Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

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

IFRSs (Amendments)	Improvements to IFRSs May 2008[1]
IFRSs (Amendments)	Improvements to IFRSs April 2009[2]
IAS 1 (Revised)	Presentation of Financial Statements[3]
IAS 23 (Revised)	Borrowing Costs[3]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
IAS 39 (Amendment)	Eligible Hedged Items[4]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
IFRS 3 (Revised)	Business Combinations[4]
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
IFRS 8	Operating Segments[3]
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives[5]
IFRIC 13	Customer Loyalty Programmes[6]
IFRIC 15	Agreements for the Construction of Real Estate[3]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[7]
IFRIC 17	Distributions of Non-cash Assets to Owners[4]
IFRIC 18	Transfer of Assets from Customers[8]

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

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2009
4 Effective for annual periods beginning on or after 1 July 2009
5 Effective for annual periods ending on or after 30 June 2009
6 Effective for annual periods beginning on or after 1 July 2008
7 Effective for annual periods beginning on or after 1 October 2008
8 Effective for transfers on or after 1 July 2009

The application 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. IFRIC 15 will affect the timing of the revenue recognition on the sales of properties. The application of the amendment to IAS 40 Investment Property included in improvements to IFRSs will affect the accounting for property under construction or development for future use as an investment property of the Group. The amendment to IAS 40 brings such property within the scope of IAS 40 which, therefore, shall be accounted for under the fair value model in accordance with the Group's accounting policy. Such property is currently accounted for at cost less impairment in accordance with IAS 16 Property, Plant and Equipment. The amendment is to be applied prospectively and is effective for the Group's financial year beginning 1 January 2009.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 classified as 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.

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, loans receivable, loans to associates, amounts due from associates, amounts due from related parties, amounts due from minority shareholders of subsidiaries 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of loans and receivables (Continued)

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.

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.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derivative financial instruments and hedging (Continued)

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 for 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 are 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.

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:

	2008 RMB'million	2007 RMB'million
Property development:		
Property sales	**2,939**	4,085
Property investment:		
Rental income received from investment properties	**497**	401
Income from serviced apartments	**25**	25
Property management fees	**32**	19
Rental related income	**39**	29
	593	474
Others	**24**	11
	3,556	4,570

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 2008

	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Turnover				
Segment turnover	2,939	593	24	3,556
Results				
Segment results	1,331	824	14	2,169
Interest income				227
Gains on partial disposals of equity interests in subsidiaries				1,883
Share of results of associates				44
Finance costs, net of exchange gain				(133)
Net unallocated expenses				(471)
Profit before taxation				3,719
Taxation				(977)
Profit for the year				2,742
Other information				
Capital additions	13	148	11	172
Development costs for properties under development and prepaid lease payment	–	2,677	–	2,677
Development costs for properties under development held for sale	4,535	–	–	4,535
Depreciation of property, plant and equipment	25	10	16	51
Release of prepaid lease payments charged to consolidated income statement	–	1	–	1
Loss on disposal of property, plant and equipment	14	–	–	14
Equity-settled share-based payment expenses	54	–	–	54
Balance sheet				
Assets				
Segment assets	20,357	9,298	67	29,722
Interests in associates				296
Loans to associates				1,331
Amounts due from associates				450
Unallocated corporate assets				3,251
Consolidated total assets				35,050
Liabilities				
Segment liabilities	(2,577)	(263)	(1)	(2,841)
Unallocated corporate liabilities				(13,045)
Consolidated total liabilities				(15,886)

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 turnover	4,085	474	11	4,570
Results				
Segment results	2,151	915	9	3,075
Interest income				208
Gain on acquisition of additional equity interests in subsidiaries				80
Gains on disposal and partial disposals of equity interests in subsidiaries				845
Share of results of associates				26
Finance costs, net of exchange gain				(125)
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	9	29	15	53
Development costs for properties under development and prepaid lease payments	–	1,793	–	1,793
Development costs for properties under development held for sale	1,887	–	–	1,887
Depreciation of property, plant and equipment	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)

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

	2008 RMB'million	2007 RMB'million
Interest income	**81**	135
Imputed interest income on non-current accounts receivable from sales of properties	**15**	14
Interest income on consideration receivable on partial disposals of equity interests in subsidiaries	**30**	52
Imputed interest income on consideration receivable on partial disposals of equity interests in subsidiaries	**–**	7
Interest income from amount due from associates	**11**	–
Imputed interest income from loans to associates	**89**	–
Interest income from a fellow subsidiary	**1**	–
Sundry income	**6**	11
Grant received from local government	**109**	50
	342	269

7. OPERATING PROFIT

	2008 RMB'million	2007 RMB'million
Operating profit has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts	**–**	7
Auditor's remuneration	**6**	6
Depreciation of property, plant and equipment	**51**	28
Release of prepaid lease payments	**130**	100
Less: Amount capitalised to properties under development	**(129)**	(99)
	1	1
Loss on disposal of property, plant and equipment	**14**	1
Employee benefits expenses		
Directors' emoluments		
Fees	**2**	3
Salaries, bonuses and allowances	**37**	17
Share-based payment expenses	**5**	8
	44	28
Other staff costs		
Salaries, bonuses and allowances	**291**	266
Retirement benefits costs	**25**	22
Share-based payment expenses	**49**	28
	365	316
Total employee benefits expenses	**409**	344
Less: Amount capitalised to properties under development	**(107)**	(82)
	302	262
Cost of properties sold recognised as an expense	**1,377**	1,790
Rental charges under operating leases	**40**	31

8. FINANCE COSTS, NET OF EXCHANGE GAIN

	2008 RMB'million	2007 RMB'million
Interest on bank loans and overdrafts wholly repayable within five years	**496**	211
Interest on amounts due to minority shareholders of subsidiaries wholly repayable within five years (notes 24 and 43(b))	**4**	4
Interest on loan from a minority shareholder of a subsidiary wholly repayable within five years (notes 31 and 43(b))	**88**	–
Interest on loan from a director wholly repayable within five years (notes 32 and 43(b))	**9**	–
Imputed interest on loan from a minority shareholder of a subsidiary wholly repayable within five years (notes 31 and 43(b))	**6**	10
Interest on notes (note 25)	**246**	329
Less: Net interest income from cross currency interest rate swap	**(25)**	(96)
Total interest costs	**824**	458
Less: Amount capitalised to properties under development	**(618)**	(358)
	206	100
Loss on change in fair value of early redemption rights on notes (note 25)	**13**	17
Fair value change on cross currency interest rate swap (note 28(a))	**242**	188
Net exchange gain on bank borrowings and other financing activities	**(343)**	(197)
Other finance costs	**15**	17
	133	125

Borrowing costs capitalised during the year ended 31 December 2008 arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of approximately 9.6% (2007: 4.7%) per annum to expenditure on the qualifying assets.

9. TAXATION

	2008 RMB'million	2007 RMB'million
PRC Enterprise Income Tax:		
Current taxation		
– Provision for the year	**316**	650
Deferred taxation (note 33)		
– Provision for the year	**190**	289
– Overprovision in prior year	**(68)**	–
– Attributable to a change in tax rate of the PRC Enterprise Income Tax	**–**	(343)
	122	(54)
PRC Land Appreciation Tax		
– Provision for the year	**269**	224
– Underprovision in prior year	**270**	–
	539	224
	977	820

9. TAXATION (Continued)

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 25% (2007: 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. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards. The deferred tax balance had 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.

According to a joint circular of the Ministry of Finance and State Administration of Tax – Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 shall be subject to PRC Enterprise Income Tax. Deferred tax of RMB56 million on the undistributed earnings has been charged to the consolidated income statement for the year ended 31 December 2008.

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.

During the year ended 31 December 2008, the Group revised the cost allocation for certain public facilities among various property development companies incorporated in the PRC that undertake the development of the various phases of the Shanghai Taipingqiao project. The revised cost allocation, which has been accepted by the relevant local tax bureau in the recent income tax filing, resulted in a change in accounting estimates for the provision in Land Appreciation Tax and, accordingly, an additional provision of RMB270 million has been made and charged to the consolidated income statement for the year ended 31 December 2008. Consequently, a corresponding reduction in deferred tax liabilities of RMB68 million has been made and credited to the consolidated income statement for the current year.

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

	2008 RMB'million	2007 RMB'million
Profit before taxation	**3,719**	3,687
PRC Enterprise Income Tax at 25% (2007:33%)	**930**	1,217
PRC Land Appreciation Tax	**269**	224
Tax effect of PRC Land Appreciation Tax	**(67)**	(74)
Deferred tax provided for withholding tax on income derived in the PRC	**56**	–
Tax effect of share of results of associates	**(11)**	(9)
Tax effect of expenses not deductible for tax purposes	**186**	142
Tax effect of income not taxable for tax purposes	**(662)**	(349)
Tax effect of tax losses not recognised	**74**	12
Underprovision of PRC Land Appreciation Tax in prior year	**270**	–
Overprovision of deferred tax in prior year	**(68)**	–
Decrease in opening deferred tax liabilities resulting from a decrease in applicable tax rate	**–**	(343)
Tax charge for the year	**977**	820

10. 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 RMB'000	Salaries and other benefits RMB'000	Performance related incentive payments RMB'000	Retirement benefit costs RMB'000	Share-based payment expenses RMB'000	2008 Total RMB'000	2007 Total RMB'000
Mr. Vincent H.S. LO		–	–	–	–	–	–	–
Mr. Louis H.W. WONG	(a)	–	3,276	9,308	285	3,512	16,381	–
Mr. Aloysius T.S. LEE	(a)	–	3,276	7,725	–	2,814	13,815	–
Mr. William T. ADDISON	(b)	–	2,952	9,623	–	(1,793)	10,782	16,627
Mr. Wilfred Y.W. WONG	(c)	–	–	–	–	–	–	2,868
Sir John R.H. BOND	(d)	271	–	–	–	–	271	1,182
The Honourable LEUNG Chun Ying	(e)	271	–	–	–	–	271	1,182
Dr. Edgar W.K. CHENG	(d)	361	–	–	–	–	361	1,279
Dr. William K.L. FUNG	(d)	361	–	–	–	–	361	1,279
Professor Gary C. BIDDLE	(d)	451	–	–	–	–	451	1,376
Dr. Roger L. McCARTHY	(d)	361	–	–	–	–	361	1,279
Mr. David J. SHAW	(d)	271	–	–	–	–	271	1,182
Total for 2008		2,347	9,504	26,656	285	4,533	43,325	28,254
Total for 2007		2,522	9,808	7,798	96	8,030	28,254	

notes:
(a) Executive directors appointed during the year
(b) Executive director resigned during the year
(c) Executive director resigned in year 2007
(d) Independent non-executive directors
(e) Non-executive director

Of the five highest paid individuals in the Group, three (2007: one) are executive directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2007: four) individuals are as follows:

	2008 RMB'million	2007 RMB'million
Salaries and other benefits	7	17
Performance related incentive payments	3	9
Retirement benefit costs	1	1
Share-based payment expenses	5	3
	16	30

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

	2008 Number of employees	2007 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
HK$8,500,001 – HK$9,000,000	2	–
HK$9,000,001 – HK$9,500,000	–	1
	2	4

No directors waived any emoluments in the years ended 31 December 2008 and 31 December 2007.

11. DIVIDENDS

	2008 RMB'million	2007 RMB'million
Interim dividend paid in respect of 2008 of HK$0.07 per share (2007: HK$0.05 per share)	**257**	203
Final dividend proposed in respect of 2008 of HK$0.01 per share (2007: HK$0.10 per share)	**37**	373
	294	576

The Directors recommend the payment of a final dividend for the year ended 31 December 2008 of HK$0.01 (equivalent to RMB0.0088) per share. In addition, the Directors propose a bonus issue of shares to the shareholders of the Company, on the basis of one new share for every ten shares held. Such final dividend and bonus issue are subject to shareholders' approval at the forthcoming Annual General Meeting.

In October 2008, an interim dividend in respect of 2008 of HK$0.07 (equivalent to RMB0.061) per share was paid to the shareholders.

In June 2008, a final dividend in respect of 2007 of HK$0.10 (equivalent to RMB0.089) per share was paid to the shareholders.

In October 2007, an interim dividend in respect of 2007 of HK$0.05 (equivalent to RMB0.048) per share was paid to the shareholders.

In June 2007, a final dividend in respect of 2006 of HK$0.06 (equivalent to RMB0.059) per share was paid to the shareholders.

12. 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

	2008 RMB'million	2007 RMB'million
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to shareholders of the Company	**2,480**	2,462

Number of shares

	2008 'million	2007 'million
Weighted average number of shares for the purpose of basic earnings per share	**4,186**	4,185
Effect of dilutive potential shares:		
Share options issued by the Company	**18**	15
Weighted average number of shares for the purpose of diluted earnings per share	**4,204**	4,200

12. EARNINGS PER SHARE (Continued)

Number of shares (Continued)

	2008	2007
Basic earnings per share	**RMB0.59**	RMB0.59
	HK$0.65	HK$0.61
Diluted earnings per share (note (a))	**RMB0.59**	RMB0.59
	HK$0.65	HK$0.61

Notes:

(a) Other than the share options granted on 3 November 2008, there are no dilution effects for other share options granted as the exercise price of these share options granted were higher than the average market price for 2008 (2007: There were 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 granted were higher than the average market price for 2007).

(b) 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$1.108 for 2008 and RMB1.000 to HK$1.026 for 2007, being the average exchange rates that prevailed during the respective years.

13. INVESTMENT PROPERTIES

	2008 RMB'million	2007 RMB'million
At fair value		
At beginning of the year	**7,994**	6,205
Acquisition of subsidiaries (note 34)	**48**	–
Additions	**8**	9
Transfer from prepaid lease payments and properties under development (notes 15 and 16)	**34**	1,203
Increase in fair value recognised in the consolidated income statement	**382**	577
At end of the year	**8,466**	7,994

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 2008 and 31 December 2007 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.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings RMB'million	Furniture, fixtures, equipment and motor vehicles RMB'million	Total RMB'million
At cost			
At 1 January 2007	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
Acquisitions of subsidiaries (note 34)	**59**	**1**	**60**
Transfer from properties under development	**35**	**–**	**35**
Additions	**–**	**56**	**56**
Disposals	**(9)**	**(16)**	**(25)**
At 31 December 2008	**284**	**177**	**461**
Accumulated depreciation			
At 1 January 2007	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
Charge for the year	**10**	**41**	**51**
Eliminated on disposals	**(6)**	**(2)**	**(8)**
At 31 December 2008	**34**	**84**	**118**
Carrying values			
At 31 December 2008	**250**	**93**	**343**
At 31 December 2007	169	91	260

The owner-occupied leasehold land and buildings amounted to RMB57 million as the balance sheet date is included in property, plant and equipment, as in the opinion of the directors, allocations between the land and buildings elements could not be made reliably.

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.

15. PREPAID LEASE PAYMENTS

	2008 RMB'million	2007 RMB'million
At beginning of the year	**4,325**	3,710
Additions	**2,105**	1,100
Transfer to investment properties (note 13)	**(10)**	(385)
Release for the year (note 7)	**(130)**	(100)
At end of the year	**6,290**	4,325

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.

16. PROPERTIES UNDER DEVELOPMENT

	Non-current		Current	
	2008 RMB'million	2007 RMB'million	2008 RMB'million	2007 RMB'million
At cost				
At beginning of the year	**1,734**	1,760	**6,281**	4,749
Additions	**572**	693	**4,535**	1,887
Release of prepaid lease payments capitalised to properties under development (note 7)	**129**	99	**–**	–
Transfer to investment properties (note 13)	**(24)**	(818)	**–**	–
Transfer to properties held for sale	**–**	–	**(2,995)**	(291)
Transfer to property, plant and equipment	**–**	–	**(35)**	(64)
At end of the year	**2,411**	1,734	**7,786**	6,281

The properties under development are all situated in the PRC.

Included in the current portion of properties under development as of 31 December 2008 is carrying value of RMB7,099 million (2007: RMB4,542 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.

17. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES

	2008 RMB'million	2007 RMB'million
Cost of investments, unlisted	**227**	59
Share of post-acquisition profits	**69**	26
	296	85
Loans to associates	**1,331**	981
Amounts due from associates	**450**	12

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

	2008 RMB'million	2007 RMB'million
Total assets	**4,875**	2,445
Total liabilities	**(3,972)**	(2,126)
Net assets	**903**	319
Group's share of net assets of associates	**296**	85
Revenue	**–**	6
Profit for the year	**71**	42
Group's share of results of associates for the year	**44**	26

17. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES (Continued)

Particulars of the Group's principal associates at 31 December 2008 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
Richcoast Group Limited ("Richcoast") (note)	Sino-Foreign Joint Venture	61.54%	British Virgin Islands ("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

Note:
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, a property development project in Dalian, the PRC. Pursuant to the Joint Venture Agreement dated 25 May 2007 referred to in note 43(a), 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 9.6% (2007: 5.4%) per annum.

The amounts due from associates are unsecured, interest bearing at 5.8% (2007: nil) per annum and repayable on demand.

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

	2008 RMB'million	2007 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 2008 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.

19. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	2008 RMB'million	2007 RMB'million
Non-current accounts receivable comprise:		
Receivables from sales of properties (note a)	283	272
Deferred rental receivables	46	40
	329	312
Current accounts receivable comprise:		
Trade receivables	263	340
Less: allowance for bad and doubtful debts	–	(9)
	263	331
Consideration receivable on partial disposals of equity interests in subsidiaries (note b)	339	1,136
Prepayments of relocation costs (note c)	474	558
Deposit for land acquisition (note 41(a)(v))	–	1,200
Other deposits, prepayments and receivables	94	252
	1,170	3,477

19. 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:

	2008 RMB'million	2007 RMB'million
Not yet due	**129**	284
Within 30 days	**6**	4
31 – 60 days	**6**	23
61 – 90 days	**–**	1
Over 90 days	**122**	19
	263	331

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB134 million (2007: RMB47 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:

	2008 RMB'million	2007 RMB'million
Within 30 days	**6**	4
31 – 60 days	**6**	23
61 – 90 days	**–**	1
Over 90 days	**122**	19
	134	47

The Group has provided fully for all receivables when evidence indicates that they are not recoverable.

Movement in the allowance for bad and doubtful debts:

	2008 RMB'million	2007 RMB'million
Balance at beginning of the year	**9**	2
Impairment losses recognised on trade receivables	**–**	7
Amounts written off as uncollectible	**(9)**	–
Balance at end of the year	**–**	9

19. 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 as of 31 December 2007 were individually impaired trade receivables with an aggregate balance of RMB9 million which had either been placed under liquidation or in severe financial difficulties. The Group did not hold any collateral over these balances.

Notes:

(a) The amounts are unsecured and repayable on or before 31 December 2010. RMB162 million (2007: RMB152 million) of the entire amount outstanding at 31 December 2008 is interest free whereas the remaining balance of RMB121 million (2007: RMB120 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 2008 represents the consideration receivable on partial disposals of equity interests in Foresight Profits Limited and Rightchina Limited. These amounts are unsecured, interest bearing at People's Bank of China one-year borrowing rate and repayable in accordance with the terms set out in notes 36(a) & (b).

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

(c) The balance represents the amounts that will be capitalised to properties under development in accordance with the Group's normal operating cycle, and not expected to be realised within twelve months from the balance sheet date.

20. 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 RMB694 million (2007: RMB237 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 0.4% to 1.7% (2007: 0.7% to 1.7%) per annum. The pledged bank deposits carry fixed interest rate range from 0.4% to 4.7% (2007: 0.7% to 1.7%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowing.

21. 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.

22. LOANS RECEIVABLE

The loans are denominated in RMB, unsecured, fixed interest bearing ranging from 5.9% to 7.5% (2007: 5.9%) per annum and repayable on or before 24 June 2009.

23. AMOUNTS DUE FROM/TO RELATED PARTIES

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

	2008 RMB'million	2007 RMB'million
Amounts due from:		
– shareholders	**–**	1
– fellow subsidiaries	**62**	40
– a company in which a director of the Company has a beneficial interest (note)	**–**	3
Amounts due from related parties	**62**	44
Amounts due to:		
– shareholders	**1**	17
– fellow subsidiaries	**32**	22
Amounts due to related parties	**33**	39

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

The amounts are unsecured, interest free and repayable on demand.

24. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

Particulars of the amounts due from/to minority shareholders of subsidiaries are as follows:

	2008 RMB'million	2007 RMB'million
Amounts due from minority shareholders of subsidiaries		
Interest free	**176**	6
Amounts due to minority shareholders of subsidiaries		
Interest free	**172**	792
Interest bearing at 5% per annum	**84**	84
Interest bearing at 8% per annum	**502**	–
	758	876

The amounts due from/to minority shareholders of subsidiaries are unsecured and repayable on demand.

25. 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.

25. NOTES AND WARRANTS (Continued)

The principal terms of the notes

The notes were:

(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 bore interest at the rate of 8.5% per annum, payable semi-annually in arrears and was matured and redeemed at par on 12 October 2008.

The Note Issuer might, 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) would 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 would be exercisable at any time on or after the date of the Qualifying IPO;

(b) when exercised prior to a Qualifying IPO would 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 would 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 was equal to or greater than the par value per ordinary share, the Company might 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 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) Notes represented 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 was calculated by applying an effective interest rate of approximately 12% to the notes for the year since the Units were issued.

25. NOTES AND WARRANTS (Continued)

The principal terms of the warrants (Continued)

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

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

	Notes RMB'million	Early redemption rights RMB'million	Total RMB'million
As at 1 January 2007	2,762	(29)	2,733
Exchange realignment	(182)	1	(181)
Interest charged during the year	329	–	329
Interest paid during the year	(242)	–	(242)
Loss on change in fair value	–	17	17
As at 31 December 2007	2,667	(11)	2,656
Exchange realignment	**(130)**	**(2)**	**(132)**
Interest charged during the year	**246**	**–**	**246**
Interest paid during the year	**(221)**	**–**	**(221)**
Loss on change in fair value	**–**	**13**	**13**
Redeemed during the year	**(2,562)**	**–**	**(2,562)**
As at 31 December 2008	**–**	**–**	**–**

26. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2008 RMB'million	2007 RMB'million
Trade payables aged analysis:		
Not yet due	**691**	495
Within 30 days	**85**	288
31 – 60 days	**9**	–
61 – 90 days	**1**	1
Over 90 days	**4**	1
	790	785
Retention payables (note)	**120**	78
Deed tax, business tax and other tax payables	**815**	555
Deposits received and receipt in advance from property sales	**7**	39
Deposits received and receipt in advance in respect of rental of investment properties	**156**	142
Accrued charges	**194**	169
	2,082	1,768

Note:

Retention payables are expected to pay upon the expiry of the retention periods according to the respective contracts.

27. BANK BORROWINGS

	2008 RMB'million	2007 RMB'million
Repayable within a period of		
– Not more than 1 year or on demand	**1,953**	1,514
– More than 1 year, but not exceeding 2 years	**1,550**	586
– More than 2 years, but not exceeding 5 years	**4,346**	2,149
– More than 5 years	**349**	156
	8,198	4,405
Less: Amount due within one year shown under current liabilities	**(1,953)**	(1,514)
Amount due after one year	**6,245**	2,891

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

Denominated in	Interest rate	2008 RMB'million	2007 RMB'million
RMB	90% to 110% (2007: 90% to 100%) of People's Bank of China ("PBOC") Prescribed Interest Rate	**1,794**	1,135
	Fixed rate of 5.59%	**–**	100
		1,794	1,235
Hong Kong dollars	Hong Kong Interbank Offered Rates ("HIBOR") plus 0.85% to 4.5% (2007: HIBOR plus 0.8% to 2.75%)	**5,654**	3,170
United States dollars	London Interbank Offered Rates plus 6% – 10%	**750**	–
		8,198	4,405

As of 31 December 2008, the weighted average effective interest rate on the bank loans was 6.0% (2007: 5.5%), and are further analysed as follows:

	2008	2007
Denominated in RMB	**5.5%**	7.0%
Denominated in Hong Kong dollars	**5.5%**	4.9%
Denominated in United States dollars	**10.8%**	–

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

28. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS

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

(a) Cross currency interest rate swap

At 31 December 2007, the Group had an outstanding cross currency interest rate swap to receive interest at a fixed rate of 8.5% per annum based on a notional amount of US$375 million, pay interest at a fixed rate of 5.2% per annum based on the notional amount of RMB2,931 million and to exchange the principal at maturity to receive US$375 million and pay RMB2,931 million. The Group had designated the cross currency interest rate 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 rate swap had been negotiated to match the terms of the notes.

In April 2008, the cross currency interest rate swap was early terminated. The fair value loss arising from the cross currency interest rate swap of RMB158 million (2007: RMB316 million) had been initially dealt with in the hedge reserve; an amount of RMB104 million (2007: RMB237 million) was 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 residual balance of the hedge reserve amounting to RMB138 million was recognised in the consolidated income statement upon the maturity of the notes in October 2008.

(b) Interest rate swaps

During the year ended 31 December 2008, the Group entered into interest rate swaps to hedge against the variability of cash flows arising from the interest rate fluctuations. Under these swaps, the Group would receive interests at variable rates at Hong Kong Interbank Offered Rate ("HIBOR") and pay interest at fixed rates ranging from 3.32% to 3.58% based on the notional amounts of HK$4,581 million in aggregate. The Group designated the interest rate swaps as hedges against the variability of interest payments of certain bank borrowings of the Group amounting to HK$4,581 million which bear variable interest rates at HIBOR plus spread ranging from 2.75% to 2.90% and mature on or before March 2013. The principal terms of the interest rate swaps have been negotiated to match the terms of the related bank borrowings.

During the year ended 31 December 2008, fair value change arising from the interest rate swaps of RMB136 million was deferred in equity as hedge reserve, which is expected to be recognised in the consolidated income statement at various dates upon the interests payments of the related bank borrowings are expected to settle.

29. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	US$'000	Number of shares	US$'000
Ordinary shares of US$0.0025 each				
At 1 January 2007	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 and 2008	**12,000,000,000**	**30,000**	**4,185,597,171**	**10,464**

	2008 RMB'million	2007 RMB'million
Shown in the consolidated balance sheet as	**84**	84

30. OTHER RESERVES

(a) Merger reserve represents the aggregate of:

(i) the difference between the nominal value of the share capital and share premium on the shares 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 2008, an amount of RMB63 million (2007: RMB12 million) was released to the consolidated income statement upon the disposal by the subsidiaries of the assets to which it relates, and an amount of RMB17 million (2007: nil) was released to the consolidated income statement upon the partial disposal of equity interests in subsidiaries (Note 36(b)).

(c) Other reserve comprises:

(i) An 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 31(a).

(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.

31. LOANS FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

The carrying amount of the loans from minority shareholders of subsidiaries are analysed as follows:

Denominated in	Interest rate per annum	2008 RMB'million	2007 RMB'million
RMB	Interest free (Note a)	**199**	193
United States dollars	8.42% (Note b)	**670**	–
		869	193
Analysed for reporting purposes as:			
Non-current		**670**	93
Current		**199**	100
		869	193

(a) The amount at 31 December 2008 is unsecured and repayable on demand. The amount is carried at amortised cost at effective rate of 5.3% per annum.

The balance at 31 December 2007 was unsecured and carried at amortised cost at effective rate of 5.3% per annum. RMB100 million of the balance at 31 December 2007 was repayable on demand whereas the remaining balance of RMB93 million was not repayable in the next twelve months from the balance sheet date.

(b) The loan is unsecured and not repayable in the next twelve months from the balance sheet date.

32. LOAN FROM A DIRECTOR

The loan is denominated in United States dollars, unsecured, interest bearing at London Interbank Offered Rate plus 8% and has no fixed terms of repayment.

The director has confirmed that he will not demand repayment of the loan within twelve months from the balance sheet date and the loan is therefore classified as non-current liabilities.

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	Withholding tax on income derived in the PRC RMB'million	Others RMB'million	Total RMB'million
At 1 January 2007	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 consolidated income statement	52	144	9	89	–	(5)	289
At 31 December 2007	142	1,034	(24)	67	–	53	1,272
Overprovision in prior year	**(68)**	**–**	**–**	**–**	**–**	**–**	**(68)**
Transfer from current tax liabilities	**744**	**–**	**–**	**–**	**–**	**–**	**744**
Charge (credit) to consolidated income statement	**(147)**	**96**	**(7)**	**182**	**56**	**10**	**190**
At 31 December 2008	**671**	**1,130**	**(31)**	**249**	**56**	**63**	**2,138**

33. DEFERRED TAX ASSETS/LIABILITIES (Continued)

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:

	2008 RMB'million	2007 RMB'million
Deferred tax assets	**(113)**	(89)
Deferred tax liabilities	**2,251**	1,361
	2,138	1,272

As at the balance sheet date, the Group had unused tax losses of RMB554 million (2007: RMB231 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB126 million (2007: RMB98 million). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB428 million (2007: RMB133 million) due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

	2008 RMB'million	2007 RMB'million
2008	**–**	5
2009	**15**	15
2010	**50**	39
2011	**35**	38
2012	**68**	36
2013	**260**	–
	428	133

34. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of entire equity interest in Silomax Limited

Pursuant to a sale and purchase agreement dated 26 February 2008 entered into between Foresight Profits Limited ("Foresight"), an indirect then wholly-owned subsidiary of the Company, as purchaser and Smithton Limited ("Smithton"), an indirect wholly-owned subsidiary of Shui On Company Limited, as seller, Foresight agreed to acquire from Smithton its entire investment in the issued capital of Silomax Limited ("Silomax") and the loan owing by Silomax to Smithton in the amount of approximately HK$147 million (equivalent to RMB138 million) for a consideration of approximately HK$154 million (equivalent to RMB145 million). Silomax is the indirect owner of the project company holding Shanghai Rui Hong Xin Cheng Phase I.

The transaction was accounted for as purchase of assets and liabilities rather than as business combination as the subsidiaries acquired are investment and property holding companies with no business concerns.

(b) Acquisition of 50% equity interest in Feng Cheng Property Management Service Limited

Pursuant to a sale and purchase agreement dated 2 October 2008 entered into between Billion World Limited ("Billion World"), an indirect then wholly-owned subsidiary of the Company, as purchaser and Synergis Property & Facility Management (China) Limited ("Synergis") as seller, Billion World agreed to acquire from Synergis its entire investment in the issued capital of Feng Cheng Property Management Service Limited ("Feng Cheng", previously known as Synergis Shui On Management Services (Shanghai) Limited), together with a loan due by Feng Cheng to Synergis of RMB2 million, for an aggregate consideration of HK$6 million (equivalent to RMB5 million). Since then, Feng Cheng has become an indirect wholly-owned subsidiary of the Company.

Prior to the aforesaid acquisition, Feng Cheng was an associate of the Group, as the Group held a 50% equity interest in Feng Cheng and was able to exercise significant influence over Feng Cheng because the Group had the power to appoint 2 out of the 5 directors of Feng Cheng.

34. ACQUISITION OF SUBSIDIARIES (Continued)

The net assets acquired in the above transactions were as follows:

Net assets acquired:	Acquisition of Silomax RMB'million	Acquisition of Feng Cheng RMB'million	Total RMB'million
Investment properties	48	–	48
Property, plant and equipment	60	–	60
Properties held for sale	1	–	1
Amounts due from related companies	23	–	23
Accounts receivable, deposits and prepayments	2	2	4
Bank balances and cash	14	5	19
Loan from Smithton	(138)	–	(138)
Amount due to related companies	–	(3)	(3)
Other payables and accrued charges	(3)	(1)	(4)
	7	3	10
Assignment of loan from Silomax	138	–	138
Assignment of loan from Synergis	–	2	2
Net assets acquired	145	5	150
Total consideration satisfied by:			
Cash	114	5	119
Other payable (note)	31	–	31
	145	5	150

Net cash outflow arising on acquisition:	Acquisition of Silomax RMB'million	Acquisition of Feng Cheng RMB'million	Total RMB'million
Bank balances and cash acquired	14	5	19
Cash consideration paid	(114)	(5)	(119)
	(100)	–	(100)

Note: The amount is unsecured, interest free and repayable on demand.

Pursuant to the sales and purchase agreement, all profits or losses of Silomax and its subsidiaries arising on or after 31 December 2007 shall be attributable to the Group. During the year ended 31 December 2008, Silomax and its subsidiaries contributed turnover and profit of RMB7 million and RMB5 million to the Group, respectively.

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), was 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.

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

	2008 RMB'million	2007 RMB'million
Gain on partial disposals equity interests whilst retaining control of subsidiaries:		
– 25% of the issued share capital of Rightchina Limited (note a)	**1,021**	–
– 25% of the issued share capital of Foresight Profits Limited (note b)	**862**	–
– 25% of the issued share capital of Fieldcity Investments Limited (note c)	**–**	480
– 49% of the issued share capital of Portspin Limited (note d)	**–**	364
	1,883	844
Gain on disposal of equity interests in subsidiaries:		
– Entire equity interest in Bestwealth Holdings Limited (note e)	**–**	1
	1,883	845

36. DISPOSALS OF EQUITY INTERESTS IN SUBSIDIARIES (Continued)

(a) Disposal of a 25% issued share capital of Rightchina Limited

Pursuant to a sale and purchase agreement dated 21 August 2008, as amended by a supplemental agreement dated 29 August 2008, entered into between Score High Limited ("Score High"), an indirectly held subsidiary in which the Group has an 80.2% equity interest, as seller and Winnington Capital Limited ("WCL", a minority shareholder who holds a 19.8% equity interest in Score High) as purchaser, Score High agreed to sell to WCL a 25% of the issued share capital of Rightchina Limited ("Rightchina"), a then wholly-owned subsidiary of Score High, at a consideration of RMB1,021 million in cash.

The first and second instalments with aggregate sum of RMB817 million were received by the Group during the year ended 31 December 2008. The third instalment in the sum of RMB204 million, which bore interest at the PBOC Prescribed Interest Rate, was received on 31 March 2009.

A gain of RMB1,021 million which arose from the above partial disposal has been recognised in the consolidated income statement for the year ended 31 December 2008.

Pursuant to this sale and purchase agreement, Score High also granted a call option to WCL for the acquisition of a further 25% of the issued share capital of Rightchina and the assignment to WCL the related shareholders' loans, at an exercise price of RMB1,072 million plus an amount equivalent to the shareholders' loans. This call option was exercisable during the period commencing from 1 December 2008 to 31 December 2008 and the call option was not exercised during that period. Subsequent to the balance sheet date, Score High entered into a supplemental deed dated 6 January 2009 with WCL and extended the exercisable period to 30 April 2009.

(b) Disposal of a 25% issued share capital of Foresight Profits Limited

Pursuant to a sale and purchase agreement dated 19 May 2008 entered into between Shui On Development (Holding) Limited ("SOD"), a wholly owned subsidiary of the Company, as seller and WCL as purchaser, SOD agreed to sell to WCL a 25% of the issued share capital of Foresight, a then wholly owned subsidiary of SOD, at a consideration of RMB1,125 million in cash. The first instalment in the sum of RMB990 million was received by the Group in June 2008 upon the completion of the transaction. The second instalment in the sum of RMB135 million, which bore interest at the PBOC Prescribed Interest Rate, was received in March 2009.

A gain of RMB862 million which arose from the above partial disposal has been recognised in the consolidated income statement for the year ended 31 December 2008.

Pursuant to this sale and purchase agreement, SOD also granted a call option to WCL for the acquisition of a further 24% of the issued share capital of Foresight at an exercise price of RMB1,134 million. This call option was exercisable during the period commencing from 1 December 2008 to 31 December 2008 and the call option was not exercised during that period. Subsequent to the balance sheet date, SOD entered into a supplemental deed dated 6 January 2009 with WCL and extended the exercisable period to 30 April 2009.

36. DISPOSALS OF EQUITY INTERESTS IN SUBSIDIARIES (Continued)

(c) 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 Trophy Property Development L.P. ("Trophy", a collective investment scheme managed by WCL) as purchaser, SOD agreed to sell to Trophy a 25% of the issued share capital of Fieldcity Investments Limited ("Fieldcity"), a then wholly owned subsidiary of the Company. In addition, Trophy 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 partial disposal of the equity interest and the benefit of the shareholder's loans, which amounted to RMB1,245 million, was received in 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 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 bore interest at PBOC Prescribed Interest Rate, were 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.

(d) 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 Trophy as purchaser, SOD agreed to sell to Trophy a 49% of the issued share capital of Portspin Limited, a then wholly owned subsidiary of the Company. The consideration for the partial disposal of the equity interest, which amounted to RMB364 million, was received in 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. DISPOSALS OF EQUITY INTERESTS IN SUBSIDIARIES (Continued)

(e) Disposal of entire equity interests in Bestwealth Holdings Limited

On 14 February 2007, the Group disposed of the entire equity interests in Bestwealth Holdings Limited to an independent third party 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 year of disposal was insignificant.

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.

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

At 31 December 2008, 262,727,583 share options (2007: 150,409,189 share options) had been granted and remained outstanding under the Scheme, representing 6.3% (2007: 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. Details of the share options granted during the year are as follows:

Date of grant	Exercise price HK$	Closing share price at date of grant HK$	Weighted average estimated fair value at date of grant HK$	Number of share options granted
20 June 2007	7.00	6.98	2.90	146,888,190
1 August 2007	8.18	7.99	3.15	1,636,903
2 October 2007	10.00	10.00	3.96	5,222,500
1 November 2007	11.78	11.78	4.58	4,550,064
3 December 2007	9.88	9.88	3.73	1,601,700
				159,899,357
2 January 2008	**8.97**	**8.90**	**3.35**	**3,725,183**
1 February 2008	**8.05**	**8.05**	**2.93**	**2,419,238**
3 March 2008	**7.68**	**7.68**	**2.80**	**813,794**
2 May 2008	**7.93**	**7.93**	**2.91**	**9,722,499**
2 June 2008	**7.34**	**7.34**	**2.75**	**15,905,938**
2 July 2008	**6.46**	**6.30**	**2.39**	**1,784,027**
3 November 2008	**1.60**	**1.60**	**0.65**	**100,250,000**
				134,620,679

These fair values were calculated using the Binominal model. The inputs into the model were as follows:

	2008	2007
Expected volatility	**40% to 45%**	40% to 45%
Expected life	**4.57 to 8.79 years**	3.42 to 8.76 years
Risk-free rate	**1.90% to 3.51%**	2.62% to 4.68%
Expected dividend yield	**2.0%**	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)

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 directors 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.

The Group recognised the total expense of RMB54 million (2007: RMB36 million) in the consolidated income statement in relation to share options granted by the Company.

In 2008, none of the share options are exercised. In respect of the share options exercised during the year 2007, the share price at the date of exercise was HK$7.95.

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

	Number of options				
Date of grant	**At 1 January 2008**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**At 31 December 2008**
20 June 2007	**137,666,798**	**–**	**–**	**(18,919,254)**	**118,747,544**
1 August 2007	**1,435,193**	**–**	**–**	**(64,180)**	**1,371,013**
2 October 2007	**5,200,000**	**–**	**–**	**(355,000)**	**4,845,000**
1 November 2007	**4,505,498**	**–**	**–**	**(233,444)**	**4,272,054**
3 December 2007	**1,601,700**	**–**	**–**	**(101,212)**	**1,500,488**
2 January 2008	**–**	**3,725,183**	**–**	**(275,917)**	**3,449,266**
1 February 2008	**–**	**2,419,238**	**–**	**(319,872)**	**2,099,366**
3 March 2008	**–**	**813,794**	**–**	**(39,062)**	**774,732**
2 May 2008	**–**	**9,722,499**	**–**	**(1,926,225)**	**7,796,274**
2 June 2008	**–**	**15,905,938**	**–**	**(68,119)**	**15,837,819**
2 July 2008	**–**	**1,784,027**	**–**	**–**	**1,784,027**
3 November 2008	**–**	**100,250,000**	**–**	**–**	**100,250,000**
	150,409,189	**134,620,679**	**–**	**(22,302,285)**	**262,727,583**
Number of options exercisable	**3,700,000**				**3,900,000**

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	3,700,000				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.

38. PROVIDENT AND RETIREMENT FUND SCHEMES (Continued)

Hong Kong (Continued)

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 services 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 2008 were less than RMB1 million.

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.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out at 31 December 2008 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:

	2008	2007
Discount rate	**1.20%**	3.50%
Expected rate of salary increase		2008 : 14%
	2009 : 2%	2009 : 11%
	2010+ : 5%	2010 : 8%
		2011+: 5%
Expected rate of return on plan assets	**8%**	8.25%

The actuarial valuation showed that the fair value of the plan assets attributable to the Group at 31 December 2008 was RMB44 million (2007: RMB75 million), representing 44% (2007: 84%) of the benefits that had accrued to members.

Amounts recognised in the consolidated income statement for the year ended 31 December 2008 and 31 December 2007 in respect of the defined benefit plan are as follows:

	2008 RMB'million	2007 RMB'million
Current service cost	**4**	3
Interest cost	**3**	2
Expected return on plan assets	**(6)**	(5)
Net actuarial losses recognised during the year	**1**	–
Net amount charged to consolidated income statement as staff costs	**2**	–

38. PROVIDENT AND RETIREMENT FUND SCHEMES (Continued)

Hong Kong (Continued)

The Plan (Continued)

The actual returns on plan assets allocated to the Group for the year ended 31 December 2008 were losses of RMB25 million (2007: gains of RMB14 million).

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

	2008 RMB'million	2007 RMB'million
Present value of funded defined benefit obligations	**99**	89
Unrecognised actuarial losses	**(59)**	(20)
Fair value of plan assets	**(44)**	(75)
Defined benefit assets	**(4)**	(6)

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

	2008 RMB'million	2007 RMB'million
At 1 January	**89**	59
Exchange realignment	**(5)**	(4)
Current service cost	**4**	3
Interest cost	**3**	2
Contributions from plan participants	**1**	1
Actuarial losses	**11**	31
Transfer-out liabilities	**(1)**	–
Benefits paid	**(3)**	(3)
At 31 December	**99**	89

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

	2008 RMB'million	2007 RMB'million
At 1 January	**(75)**	(66)
Exchange realignment	**4**	4
Expected return on plan assets	**(6)**	(5)
Actuarial losses (gains)	**31**	(9)
Contributions from the employer	**(1)**	(1)
Contributions from plan participants	**(1)**	(1)
Benefits paid	**3**	3
Transfer-in assets	**1**	–
At 31 December	**(44)**	(75)

38. PROVIDENT AND RETIREMENT FUND SCHEMES (Continued)

Hong Kong (Continued)

The Plan (Continued)

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

	2008 RMB'million	2007 RMB'million
Equities	**20**	42
Hedge funds	**13**	16
Bonds and cash	**11**	17
	44	75

The Group expects to make a contribution of RMB1 million (2007: RMB1 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 specific 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:

	2008 RMB'million	2007 RMB'million
Investment properties	**8,308**	7,937
Property, plant and equipment	**129**	134
Prepaid lease payments	**599**	187
Properties under development and properties under development for sale	**2,018**	2,339
Properties held for sale	**1,072**	212
Accounts receivable	**180**	–
Bank deposits	**1,709**	854
	14,015	11,663

Included in pledged bank deposits above is an amount of RMB443 million (2007: RMB285 million) 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 2008 was RMB488 million (2007: RMB339 million). The investment properties held have committed tenants for the next one to twelve years at fixed rentals. Certain leases contain contingent rental income recognised during the year ended 31 December 2008 amounting to RMB9 million (2007: RMB5 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:

	2008 RMB'million	2007 RMB'million
Within one year	**527**	417
In the second to fifth years inclusive	**827**	701
Over five years	**113**	145
	1,467	1,263

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:

	2008 RMB'million	2007 RMB'million
Within one year	**45**	47
In the second to fifth years inclusive	**105**	50
Over five years	**90**	83
	240	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 sixteen years.

41. COMMITMENTS AND CONTINGENCIES

(a) Capital and other commitments

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

	2008 RMB'million	2007 RMB'million
Contracted but not provided for:		
Capital expenditure in respect of the acquisition of property, plant and equipment	**2**	19
Development costs for properties under development	**2,623**	2,444
Development costs for properties under development held for sale	**2,793**	2,602
	5,418	5,065

41. COMMITMENTS AND CONTINGENCIES (Continued)

(a) Capital and other commitments (Continued)

(ii) 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.

No capital had been contributed by the Group to this company as of 31 December 2008 and 31 December 2007.

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 this company.

(iii) 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 of 31 December 2008, 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.

(iv) 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 of 31 December 2008, no construction contracts related to the educational facilities were entered into.

(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, total consideration for acquiring the land use rights is RMB7,510 million, against which RMB2,864 million has been paid to the Land Exchange Centre up to 31 December 2008, of which RMB1,232 million has been recognised as prepaid lease payments and the remaining RMB1,632 million as property under development for sale. The remaining balance of RMB4,646 million will be paid in stages in line with the relocation progress of the land (2007: the Group has made a refundable deposit amounting to RMB1,200 million).

(vi) On 28 April 2008, the Group agreed to provide further funding or financial assistance of RMB1,128 million to the associates formed for the development of DALIAN TIANDI.software hub project, whereby the Group ultimately holds a 48% effective interest. Details of the transactions are set out in the announcement dated 28 April 2008 and the circular dated 19 May 2008.

At 31 December 2008, the Group had commitment in respect of investments in associates contracted but not provided for in the consolidated financial statements amounting to approximately RMB121 million (2007: nil).

41. COMMITMENTS AND CONTINGENCIES (Continued)

(b) 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 (2007: 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 of 31 December 2008, no amount had been drawn down under this arrangement (2007: nil).

(ii) As of 31 December 2008, the Group has issued guarantees amounting to RMB528 million (2007: RMB285 million) to banks in respect of banking facilities granted to an associate, in which the associate has drawn down bank loans amounting to RMB480 million (2007: RMB250 million).

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 of 31 December 2008 and 31 December 2007.

42. MAJOR NON-CASH TRANSACTIONS

Details of the non-cash transactions entered into during the years ended 31 December 2008 and 2007 in relation to the acquisitions and disposal of interests in subsidiaries are set out in notes 34 and 36(e), respectively.

43. RELATED PARTY TRANSACTIONS

Apart from the related party transactions and balances as stated in notes 17, 18, 23, 24, 31, 32, 34 and 41, the Group had the following transactions with certain subsidiaries of Shui On Company Limited.

(a) Pursuant to the Joint Venture Agreement dated 25 May 2007 entered into among 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 is owned 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)

(b) 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:

	2008 RMB'million	2007 RMB'million
Fellow subsidiaries		
Project construction costs	**248**	117
Rental and building management fee expenses	**28**	22
Project management fee income	**4**	10
Interest income	**1**	–
Associates		
Building management fee expenses	**3**	3
Imputed interest income	**89**	–
Interest income	**11**	–
Shareholders		
Rental and building management fee income	**4**	3
Minority shareholders of subsidiaries		
Imputed interest income	**–**	7
Interest income	**30**	52
Imputed interest expenses	**6**	10
Interest expenses	**92**	4
Project management fee expenses	**4**	3
Jointly controlled entity		
Rental and building management fee income	**3**	4
A director		
Interest expenses	**9**	–
Senior management		
Property sales	**12**	7
Close family members of senior management		
Property sales	**13**	–

44. 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 25 and 27 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.

44. CAPITAL RISK MANAGEMENT (Continued)

The gearing ratio at the year end was as follows:

	2008 RMB'million	2007 RMB'million
Notes	**–**	2,667
Bank borrowings	**8,198**	4,405
Pledged bank deposits	**(1,709)**	(854)
Bank balances and cash	**(1,671)**	(2,843)
Net debt	**4,818**	3,375
Total equity	**19,164**	16,706
Net debt to total equity	**25%**	20%

45. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2008 RMB'million	2007 RMB'million
Financial assets		
Fair value through profit or loss	**–**	11
Loans and receivables (including bank balances and cash)	**7,312**	8,769
Financial liabilities		
Derivative instruments designated under hedge accounting	**(256)**	(323)
Amortised cost	**(12,507)**	(9,598)

b. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, loans receivable, loans to associates, amounts due from associates, 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 loans from minority shareholders of subsidiaries, notes 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. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

45. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Currency risk (Continued)

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

	2008 RMB'million	2007 RMB'million
HK dollar		
Assets	**1,640**	401
Liabilities	**(6,046)**	(3,296)
US dollar		
Assets	**562**	689
Liabilities	**(2,046)**	(3,063)

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 currency. 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 at the balance sheet date 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.

	Note	2008 RMB'million	2007 RMB'million
HK dollar			
Profit or loss	(i)	**210**	138
US dollar			
Profit or loss	(ii)	**71**	98
Other equity	(iii)	**–**	15

Note:
(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 note denominated in US dollar.

The Group's sensitivity to foreign currency has increased in profit and other equity 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.

45. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

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. In order to mitigate the cash flow interest rate risk, the Group has entered into several interest rate swaps (which have been designated as hedging instruments) whereby the Group will receive interest at variable rates at HIBOR and pay interests at fixed rates. Details of the interest rate swaps are set out in note 28(b).

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 100 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 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2008 would decrease/increase by RMB42 million (2007: decrease/ increase by RMB22 million for a 50 basis point change). 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.

Credit risk

The Group's principal financial assets are bank balances and cash, pledged bank deposits, accounts receivable, loans 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 loans to associates, accounts receivable and loans 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 of 31 December 2008 where the largest debtor amounting to approximately RMB162 million (2007: RMB152 million) arising from sales of properties, loans to associates of RMB1,331 million (2007: RMB981 million) and loans receivable of RMB414 million (2007: RMB240 milllion).

The credit risk on liquid funds is limited because the funds were deposited with various creditworthy financial institutions located in Hong Kong and in the PRC.

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.

45. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the maturities of the Group's 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 that 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 31.12.2008 RMB'million
2008							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	2,082	–	–	–	2,082	2,082
Bank borrowings at variable rates	6.0%	2,408	1,879	4,762	416	9,465	8,198
Amounts due to related parties	–	33	–	–	–	33	33
Amounts due to minority shareholders of subsidiaries	6.0%	802	–	–	–	802	758
Loans from minority shareholders of subsidiaries							
– variable rate	8.4%	56	55	112	726	949	670
– interest-free	–	200	–	–	–	200	199
Loan from a director	8.0%	45	612	–	–	657	567
		5,626	2,546	4,874	1,142	14,188	12,507
Derivatives – net settlement							
Cash flow hedge instruments		98	98	98	–	294	256

	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							
Accounts payable, deposits received and accrued charges	–	1,418	–	–	–	1,418	1,418
Bank borrowings at variable rates	5.4%	1,561	634	2,678	303	5,176	4,405
Notes	8.5%	2,972	–	–	–	2,972	2,667
Amounts due to related parties	–	39	–	–	–	39	39
Amounts due to minority shareholders of subsidiaries	0.5%	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

45. FINANCIAL INSTRUMENTS (Continued)

c. Fair value

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

- the fair values 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 as inputs; and
- the fair values 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 consolidated financial statements approximate their fair values.

46. SUMMARISED BALANCE SHEET OF THE COMPANY

	2008 RMB'million	2007 RMB'million
Investments in subsidiaries	**1,237**	1,237
Amounts due from subsidiaries	**8,206**	8,121
Bank balances	**22**	26
Total assets	**9,465**	9,384
Amounts due to a minority shareholder	**502**	–
Total liability	**502**	–
Net assets	**8,963**	9,384
Share capital	**84**	84
Reserves	**8,879**	9,300
Total equity	**8,963**	9,384

47. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2008 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
Ally Victory Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Atlantic Best Limited	Hong Kong 5 January 2001	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Best View Development Limited	Hong Kong 5 March 2008	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Billion China Investments Limited	BVI 18 October 2007	10 ordinary shares of US$1 each	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	10 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
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$190,000,000	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 Capital Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	Hong Kong	Investment holding

47. 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
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
Fast China Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Feng Cheng Property Management Services Limited	Hong Kong 14 November 2003	100 ordinary shares of HK$1 each	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	100 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Fo Shan An Ying Property Development Co., Ltd.	PRC 8 January 2008	Registered capital RMB700,000,000 Paid up capital RMB654,386,790	100%	PRC	Property development
Fo Shan Rui Dong Property Development Co., Ltd.	PRC 25 April 2008	Registered capital RMB690,000,000 Paid up capital RMB104,794,604	100%	PRC	Property development
Fo Shan Rui Kang Tian Di Property Development Co., Ltd.	PRC 21 May 2008	Registered capital RMB690,000,000 Paid up capital RMB104,029,965	100%	PRC	Property development
Fo Shan Shui On Property Development Co., Ltd.	PRC 8 January 2008	Registered capital RMB700,000,000 Paid up capital RMB681,146,580	100%	PRC	Property development
Fo Shan Yi Kang Property Development Co., Ltd.	PRC 8 January 2008	Registered capital RMB700,000,000 Paid up capital RMB674,698,168	100%	PRC	Property development
Fo Shan Yong Rui Tian Di Property Development Co., Ltd.	PRC 21 March 2008	Registered capital RMB690,000,000 Paid up capital RMB103,742,060	100%	PRC	Property development
Fo Shan Yuan Kang Property Development Co., Ltd.	PRC 29 February 2008	Registered capital RMB700,000,000 Paid up capital RMB600,714,100	100%	PRC	Property development
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
Globe State Properties Limited	BVI 12 October 2005	100 ordinary shares of US$1 each	70%	Hong Kong	Investment holding

47. 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
Glory Advance Investments Limited	BVI 18 August 2006	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Glory Wing Holdings Limited	BVI 15 January 2008	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Grand Hope Limited (Note 4)	Hong Kong 14 March 2003	2 A shares of HK$1 each and 2 B shares of HK$1 each	A shares: 80.2% B shares: 60.15%	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 Property Co., Ltd.	PRC 12 June 2003	Registered capital US$51,800,000 Paid up capital US$40,612,333	100%	PRC	Property development
Hing Tin Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Hollyfield Holdings Limited	Mauritius 19 April 2001	2 ordinary shares of US$1 each	75%	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	10 ordinary shares of US$1 each	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
Joyous Bond Limited	BVI 18 April 2008	1 ordinary share of US$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
Kunming Shui Fang Management Consultation Co., Ltd.	PRC 28 May 2008	Registered and paid up capital US$500,000	100%	PRC	Provision of management services
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
Lucky Gain Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding

47. 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
Magic Best Investments Limited	BVI 19 July 2007	10 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Magic Bright Investments Limited	BVI 18 September 2007	10 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Marble Way Limited	BVI 28 August 1996	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Merry Wave Limited	BVI 23 April 2008	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
Mount Eastern Limited	BVI 18 April 2008	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	10 ordinary shares of US$1 each	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 shares 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
Rightchina Limited	BVI 2 July 2008	100 ordinary shares of US$1 each	60.15%	Hong Kong	Investment holding
Rightidea Limited	BVI 2 July 2008	1 ordinary share of US$1	80.2%	Hong Kong	Investment holding
Rise Lake Investments Limited	BVI 23 August 2007	10 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Score High Limited	BVI 12 February 2003	1,000 ordinary shares of US$1 each	80.2%	Hong Kong	Investment holding
Shanghai Bai-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB151,300,000	97%	PRC	Property development

47. 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 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 and paid up capital US$82,500,000	99%	PRC	Property development
Shanghai IPO Food & Beverage Co., Ltd.	PRC 6 September 2006	Registered and paid up capital US$1,890,000	100%	PRC	Food and beverage services
Shanghai Rui Chen Property Co., Ltd.	PRC 6 May 1996	Registered and paid up captial RMB189,000,000	75%	PRC	Property development
Shanghai Rui Hong Xin Cheng Co., Ltd.	PRC 2 July 2001	Registered and paid up capital RMB1,400,000,000	74.25%	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 Synergis Shui On Yang Pu Property Management Co., Ltd.	PRC 27 January 2006	Registered and paid up capital RMB500,000	90%	PRC	Property management
Shanghai Tai Ping Qiao 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
Shanghai Xing-Qi Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB274,900,000	97%	PRC	Property development

47. 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 Qiao Properties Co., Ltd.	PRC 18 January 2004	Registered capital US$115,000,000 Paid up capital US$67,000,000	99%	PRC	Property development
Shanghai Yang Pu Centre Development Co., Ltd. (Note 5)	PRC 26 August 2003	Registered and paid up capital US$60,500,000	70%	PRC	Property development
Selfers Limited	BVI 29 November 1995	1 ordinary share of US$1	75%	Hong Kong	Investment holding
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 (Dali) Holding Limited	BVI 6 May 2008	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Shui On Resort Community (Dali) Limited	Hong Kong 13 May 2008	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Shui On Resort Community (Lijiang) Holding Limited	BVI 28 April 2008	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Shui On Resort Community (Lijiang) Limited	Hong Kong 5 May 2008	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Shui On Resort Community (Shangri-La) Holding Limited	BVI 6 May 2008	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Shui On Resort Community (Shangri-La) Limited	Hong Kong 13 May 2008	1 ordinary share of HK$1	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 Resort Community (Yunnan) Development Limited	Cayman Islands 17 July 2006	1 ordinary share of US$0.01	100%	Hong Kong	Investment holding
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
Shui On Secretaries & Nominees Limited	Hong Kong 30 November 2006	1 ordinary share of HK$1	100%	Hong Kong	Provision of secretarial services
Silomax Limited	BVI 25 March 1996	1 ordinary share of US$1	75%	Hong Kong	Investment holding
Sino Realty Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	Hong Kong	Investment holding

47. 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
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
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
Synergis Shui On Property Management (Shanghai) Co., Ltd.	PRC 18 January 2004	Registered and paid up capital US$375,000	100%	PRC	Property management
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
Top Faith Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Top Victory Development Limited	Hong Kong 5 March 2008	1 ordinary share of HK$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
Victory Win Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Wuhan Shui On Tiandi Property Development Co., Ltd.	PRC 2 August 2005	Registered and paid up capital US$238,000,000	75%	PRC	Property development
Wuhan Shui On Tian Di Trading Co., Ltd.	PRC 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	Provision of management services

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 2008 or at any time during the year.
4. The holders of Class B ordinary shares of Grand Hope Limited have attributable interests in the Chongqing Super High Rise Project whereas the holders of Class A ordinary shares of Grand Hope Limited have attributable interests in the Chongqing Shui On Tiandi Property Development Company Limited other than the Chongqing Super High Rise Project.
5. The registered capital in Shanghai Yang Pu Centre Development Co., Ltd. ("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 2008 (the "Amendment Agreement") entered into between Bright Continental Limited ("BCL", an indirect wholly owned subsidiary) and Shanghai Yuangpu 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%.