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 addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new and revised International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") and Interpretations ("IFRIC") (hereinafter collectively referred to as "new and revised IFRSs") issued by the International Accounting Standards Board ("IASB"), which are effective for the Group's financial year beginning 1 January 2009.

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

New and revised IFRSs affecting presentation and disclosure only

IAS 1 (Revised) Presentation of Financial Statements

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

In addition, the adoption of IAS 1 (Revised) has resulted in the change of presentation of the consolidated statement of financial position as at 1 January 2008 as the Group has applied accounting policies retrospectively during the current year (see below).

IFRS 8 Operating Segments

IFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of IFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14, and has had no impact on the reported results or financial position of the Group.

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

New and revised IFRSs affecting the reported results and/or financial position

IFRIC 15 Agreements for the Construction of Real Estate

In previous years, when properties were sold under pre-sale arrangements prior to the completion of the development, revenue and profit were recognised on the execution of sales agreements or when the relevant completion certificates were issued by the respective government authorities, whichever was the later. With the issuance of IFRIC 15, which contains more detailed guidance on the accounting treatment for such real estate transactions, property sales are now required to be recognised upon delivery of properties to the purchasers pursuant to the sales agreements.

The change in accounting policy on revenue recognition for sales of properties has been adopted retrospectively and hence the comparative figures of the consolidated income statement for the year ended 31 December 2009 have been restated to adjust for the revenue together with the related cost of sales and taxation which arose from the sales of properties.

The effects of change in the accounting policy described above on the financial results for the current and prior periods by line items presented in the consolidated income statement are as follows:

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
Increase (decrease) in turnover	**2,034**	(1,490)
(Increase) decrease in cost of sales	**(802)**	496
(Increase) decrease in taxation	**(413)**	320
Increase (decrease) in profit for the year	**819**	(674)
Attributable to:		
Shareholders of the Company	**789**	(682)
Non-controlling interests	**30**	8
	819	(674)

The cumulative effects of the change in accounting policy described above on the financial positions of the Group at 31 December 2008 and 1 January 2008 are summarised below:

	At 31 December 2008	At 1 January 2008
	RMB'million	RMB'million
Increase in properties held for sale	1,061	581
Decrease in accounts receivable, deposits and prepayments	(229)	(262)
Increase in accounts payable, deposit received and accrued charges	(2,336)	(813)
Decrease in tax liabilities	133	27
Decrease in deferred tax liabilities	382	165
	(989)	(302)
Decrease in reserves	(945)	(250)
Decrease in non-controlling interests	(44)	(52)
	(989)	(302)

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

New and revised IFRSs affecting the reported results and/or financial position (Continued)

IFRIC 15 Agreements for the Construction of Real Estate (Continued)

The effects of the change in accounting policy on the Group's basic and diluted earnings per share are as follows:

	Year ended 31 December	
	2009	2008
Impact on basic and diluted earnings per share	**RMB**	RMB
Reported figure before adjustments	**0.39**	0.59
Adjustments arising from issuance of bonus shares (note 11)	**–**	(0.05)
Adjustments arising from change in accounting policy	**0.16**	(0.15)
As restated	**0.55**	0.39

IFRSs (Amendments) Improvements to IFRSs issued in 2008

The application of the amendment to IAS 40 Investment Property as part of the Improvements to IFRSs issued in 2008 has affected the accounting for properties under construction or development for future use as investment properties of the Group. The amendment to IAS 40 brings such properties within the scope of IAS 40 which, therefore, shall be accounted for under the fair value model (where the fair value is reliably determinable) in accordance with the Group's accounting policy.

In the past, the leasehold land and building elements of properties under construction or development were accounted for separately. The leasehold land element was accounted for as an operating lease and the building element was carried at cost less accumulated impairment losses. The Group has applied the amendment to IAS 40 prospectively from 1 January 2009 in accordance with the relevant transitional provision. As a result of the application of the amendment, the Group's properties under construction or development for future use as investment properties that include the leasehold land and building elements with carrying amount of RMB6,246 million and RMB2,411 million, respectively have been classified as investment properties as of 1 January 2009. Investment properties under construction or development of which the fair value can be determined reliably have been measured at their fair values as of 31 December 2009. The fair value of those properties as of 31 December 2009 amounted to RMB6,129 million, with the increase in fair value of RMB277 million being recognised in consolidated income statement for the year ended 31 December 2009. Other investment properties under construction or development of which the fair value cannot be determined reliably have been measured at cost less impairment. The carrying amount of those properties as of 31 December 2009 amounted to RMB5,693 million.

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

New and revised IFRSs affecting the reported results and/or financial position (Continued)

IFRSs (Amendments) Improvements to IFRSs issued in 2008 (Continued)
In addition, certain associates of the Group are principally engaged in property development. The associates have investment properties under construction or development. The application of the amendment to IAS 40 has resulted in an increase in the Group's share of results of those associates by RMB496 million. The increase is attributable to an increase in fair value of the associates' investment properties under construction or development (net of related tax), of which the Group's share amounting to RMB496 million that has been recognised in the Group's consolidated income statement for the year ended 31 December 2009.

The effects of the changes in accounting policy described above on the financial results for the current year by line items presented in the consolidated income statement are as follows:

	Year ended 31 December 2009 RMB' million
Increase in fair value of investment properties	277
Increase in share of results of associates	496
Profit before taxation	773
Increase in taxation	(69)
Increase in profit for the year	704
Attributable to:	
Shareholders of the Company	797
Non-controlling interests	(93)
	704

Other than the above, the adoption of these new and revised IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

Standards and Interpretations in issue but not yet effective

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued by the IASB but yet to be effective.

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

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

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.

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

The Directors of the Company anticipate that the application of the other new and revised IFRSs, IASs and IFRICs will have no material impact on the consolidated financial statements.

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 IASB. 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 significant 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 and 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, incomes and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the shareholders of the Company. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

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 end of previous reporting period or when they first came under common control, whichever is shorter.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Acquisition of additional interest in a subsidiary

When the Group increases its interest in an entity 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 statement of financial position. 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 of the assets, disposal of the subsidiary of the assets, which the assets relate, or when the related assets affect profit or loss.

At the date of acquisition, the Group reassesses the identification and measurement of the entity'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

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value 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 period in which they arise.

From 1 January 2009, investment properties under construction or development have been accounted for in the same way as completed investment properties. Specifically, construction costs incurred for investment properties under construction or development are capitalised as part of the carrying amount of the investment properties under construction or development. Investment properties under construction or development are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction or development and their carrying amounts is recognised in consolidated income statement in the period in which they arise. Prior to 1 January 2009, the leasehold land and building elements of investment properties under construction or development were accounted separately; the leasehold land element was accounted for as an operating lease and the building element was measured at cost less impairment losses, if any.

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

Property, plant and equipment

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

Depreciation is provided to write off the cost of buildings over their estimated useful lives or where shorter, the terms of leasehold land where the buildings are 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Prior to 1 January 2009, property that was being constructed or developed for future use as an investment property was included in construction in progress until construction or development was completed, at which time it was reclassified to and subsequently accounted for as an investment property. Any difference between the fair value of the property at that date and its previous carrying amount was recognised in consolidated income statement. Upon the adoption of amendment to IAS 40, that property has been reclassified as an investment property at 1 January 2009 (see note 2).

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 statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which excludes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

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 statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

At the end of each reporting period, 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 an income immediately.

Properties held for sale

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

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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 the end of each reporting period 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 non-controlling 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 the end of each reporting period 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 becomes probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

Financial liabilities and equity

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

Effective interest method

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Other financial liabilities

The Group's other financial liabilities (including accounts payable, amounts due to related parties, amounts due to associates, amount due to non-controlling shareholders of subsidiaries, loans from non-controlling 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 when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in consolidated income statement depends on the nature of the hedge relationship. The Group designates certain derivatives as cash flow hedges.

Embedded derivatives

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

Hedge accounting

The Group designates certain derivatives as hedging instruments 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".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in the consolidated 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 other comprehensive income and accumulated in equity and will be reclassified from equity to the consolidated income statement on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

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 end of each reporting period. 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 the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity-settled share-based payment transactions (Continued)

Share options granted to consultants

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

Retirement benefit costs

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

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's defined benefit obligations and the fair value of plan assets at the end of the previous reporting period 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 statement of financial position 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 are recognised in the consolidated income statement over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable for expenses or losses already incurred are recognised in the consolidated income statement in the period 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.

Revenue from properties developed for sale in the ordinary business is recognised upon delivery of properties to the purchasers pursuant to the sales agreements.

Rental income from operating leases is recognised in the consolidated income statement 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 in the consolidated income statement upon the provision of the services.

Property management, project management and service fees are recognised as revenue in the consolidated income statement on an appropriate basis over the relevant period in which the services are rendered.

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 throughout 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 end of each reporting period. 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 conditions. 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:

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million (Restated)
Property development:		
Property sales	**6,078**	1,449
Property investment:		
Rental income received from investment properties	**542**	497
Income from serviced apartments	**18**	25
Property management fees	**28**	32
Rental related income	**55**	39
	643	593
Others	**37**	24
	6,758	2,066

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers that are the Directors of the Company, in order to allocate resources to segments and to assess their performance. The application of IFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14, and has had no impact on the reported results or financial position of the Group.

For management purposes, the Group's business activities are broadly categorised under two major reportable segments – property development and property investment.

5. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

Principal activities of the two major reportable segments are as follows:

Property development – development and sale of properties

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

For the year ended 31 December 2009

	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Turnover				
Segment revenue	6,078	643	37	6,758
Results				
Segment results	2,757	962	8	3,727
Interest income				149
Gain on acquisition of additional equity interests in subsidiaries				6
Share of results of associates				436
Finance costs, net of exchange gain				(89)
Net unallocated expenses				(335)
Profit before taxation				3,894
Taxation				(1,301)
Profit for the year				2,593
Other Information				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital additions of completed investment proportites and property, plant and equipment	10	8	32	50
Development costs for properties under construction or development	–	3,548	–	3,548
Development costs for properties under development held for sale	4,205	–	–	4,205
Depreciation of property, plant and equipment	10	27	16	53
Release of prepaid lease payments charged to consolidated income statement	–	1	–	1
Increase in fair value of investment properties	–	536	–	536
Financial Position				
Assets				
Segment assets	13,430	21,639	59	35,128
Interests in associates				862
Loans to associates				1,273
Amounts due from associates				147
Unallocated corporate assets				5,182
Consolidated total assets				42,592
Liabilities				
Segment liabilities	(3,618)	(643)	(1)	(4,262)
Amounts due to associates				(45)
Unallocated corporate liabilities				(15,711)
Consolidated total liabilities				(20,018)

5. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

For the year ended 31 December 2008 (Restated)

	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Turnover				
Segment revenue	1,449	593	24	2,066
Results				
Segment results	337	824	14	1,175
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				2,725
Taxation				(657)
Profit for the year				2,068
Other information				
Amount included in the measure of segment profit or loss or segment assets:				
Capital additions of completed investment proportites and property, plant and equipment	13	148	11	172
Development costs for properties under development and prepaid lease payments	–	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
Increase in fair value of investment properties	–	382	–	382
Financial position				
Assets				
Segment assets	21,222	9,298	67	30,587
Interests in associates				296
Loans to associates				1,331
Amounts due from associates				450
Unallocated corporate assets				3,251
Consolidated total assets				35,915
Liabilities				
Segment liabilities	(4,431)	(263)	(1)	(4,695)
Unallocated corporate liabilities				(13,045)
Consolidated total liabilities				(17,740)

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, share of results of associates and finance costs. This is the measure reported to the chief operating decision makers for the purpose of resource allocation and performance assessment.

5. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

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

– all assets are allocated to reportable segments other than interests in associates, loans to associates, amounts due from associates, amounts due from non-controlling shareholders of subsidiaries, deferred tax assets, amounts due from related parties, pledged bank deposits, bank balances and cash and other unallocated corporate assets; and

– all liabilities are allocated to reportable segments other than amounts due to associates, amounts due to related parties, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries, bank borrowings, tax liabilities, deferred tax liabilities, derivative financial instruments designated as hedging instrument and other unallocated corporate liabilities.

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

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
Interest income	**56**	81
Interest income on non-current accounts receivable from sales of properties	**7**	–
Imputed interest income on non-current accounts receivable from sales of properties	**17**	15
Interest income on consideration receivable on partial disposals of equity interests in subsidiaries	**2**	30
Interest income from amounts due from associates	**11**	11
Imputed interest income from loans to associates	**55**	89
Interest income from a fellow subsidiary	**1**	1
Sundry income	**1**	6
Tax refunds from reinvestment of dividends and grants received from local government	**20**	109
	170	342

7. OPERATING PROFIT

	Year ended 31 December 2009 RMB'million	2008 RMB'million (Restated)
Operating profit has been arrived at after charging (crediting):		
Auditor's remuneration	**5**	6
Depreciation of property, plant and equipment	**54**	51
Less: Amount capitalised to properties under development	**(1)**	–
	53	51
Release of prepaid lease payments	**1**	130
Less: Amount capitalised to properties under development	**–**	(129)
	1	1
Loss on disposal of property, plant and equipment	**–**	14
Employee benefits expenses		
Directors' emoluments		
Fees	**2**	2
Salaries, bonuses and allowances	**14**	37
Retirement benefit costs	**1**	–
Share-based payment expenses	**(2)**	5
	15	44
Other staff costs		
Salaries, bonuses and allowances	**261**	291
Retirement benefit costs	**34**	25
Share-based payment expenses	**49**	49
	344	365
Total employee benefits expenses	**359**	409
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(78)**	(107)
	281	302
Cost of properties sold recognised as an expense	**3,080**	881
Rental charges under operating leases	**45**	40

8. FINANCE COSTS, NET OF EXCHANGE GAIN

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
Interest on bank loans and overdrafts wholly repayable within five years	**507**	468
Interest on amounts due to non-controlling shareholders of subsidiaries wholly repayable within five years (notes 24 and 43(b))	**46**	4
Interest on loan from a non-controlling shareholder of a subsidiary wholly repayable within five years (notes 30 and 43(b))	**56**	88
Interest on loan from a director wholly repayable within five years (notes 31 and 43(b))	**35**	9
Imputed interest on loan from a non-controlling shareholder of a subsidiary wholly repayable within five years (notes 30 and 43(b))	**1**	6
Interest on notes (note 38)	**–**	246
Add: Net interest expenses from interest rate swaps designated as cash flow hedge (note 27(a))	**116**	28
Less: Net interest income from cross currency interest rate swaps designated as cash flow hedge	**–**	(25)
Total interest costs	**761**	824
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(634)**	(618)
	127	206
Loss on change in fair value of early redemption right on notes (note 38)	**–**	13
Fair value change on cross currency interest rate swaps (note 27(b))	**–**	242
Net exchange gain on bank borrowings and other financing activities	**(44)**	(343)
Other finance costs	**6**	15
	89	133

Borrowing costs capitalised during the year ended 31 December 2009 arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of approximately 8.4% (2008: 9.6%) per annum to expenditure on the qualifying assets.

9. TAXATION

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million (Restated)
PRC Enterprise Income Tax		
Current taxation	**537**	135
Deferred taxation (note 32)		
– Provision for the year	**297**	173
– Overprovision in prior year	**–**	(87)
	297	86
PRC Land Appreciation Tax		
– Provision for the year	**467**	90
– Underprovision in prior year	**–**	346
	467	436
	1,301	657

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% (2008: 25%) on the assessable profits of the companies in the Group during the year.

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 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 RMB346 million (restated) 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 RMB87 million has been made and credited to the consolidated income statement for the same year.

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

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million (Restated)
Profit before taxation	**3,894**	2,725
PRC Enterprise Income Tax at 25% (2008: 25%)	**974**	681
PRC Land Appreciation Tax	**467**	90
Tax effect of PRC Land Appreciation Tax	**(117)**	(23)
Deferred tax provided for withholding tax on income derived in the PRC	**33**	19
Tax effect of share of results of associates	**(109)**	(11)
Tax effect of expenses not deductible for tax purposes	**74**	230
Tax effect of income not taxable for tax purposes	**(29)**	(662)
Tax effect of tax losses not recognised	**10**	74
Tax effect of of utilisation of tax losses previously not recognised	**(2)**	–
Underprovision of PRC Land Appreciation Tax in prior year	**–**	346
Overprovision of deferred tax in prior year	**–**	(87)
Tax charge for the year	**1,301**	657

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	2009 Total RMB'000	2008 Total RMB'000
Mr. Vincent H.S. Lo		–	–	–	–	–	–	–
Mr. Louis H.W. Wong		–	3,198	911	896	1,564	6,569	16,381
Mr. Daniel Y.K. Wan	(a)	–	2,516	3,312	–	–	5,828	–
Mr. Aloysius T.S. Lee	(b)	–	3,060	822	–	(3,306)	576	13,815
Mr. William T. Addison	(c)	–	–	–	–	–	–	10,782
Sir John R.H. Bond	(d)	308	–	–	–	–	308	271
The Honourable Leung Chun Ying	(e)	264	–	–	–	–	264	271
Dr. Edgar W.K. Cheng	(d)	353	–	–	–	–	353	361
Dr. William K.L. Fung	(d)	374	–	–	–	–	374	361
Professor Gary C. Biddle	(d)	485	–	–	–	–	485	451
Dr. Roger L. McCarthy	(d)	353	–	–	–	–	353	361
Mr. David J. Shaw	(d)	264	–	–	–	–	264	271
Total for 2009		2,401	8,774	5,045	896	(1,742)	15,374	43,325
Total for 2008		2,347	9,504	26,656	285	4,533	43,325	

Notes:
(a) Executive directors appointed during the year
(b) Executive director resigned during the year
(c) Executive director resigned in year 2008
(d) Independent non-executive directors
(e) Non-executive director

Of the five highest paid individuals in the Group, two (2008: three) are executive directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2008: two) individuals are as follows:

	Year ended 31 December 2009 RMB'million	Year ended 31 December 2008 RMB'million
Salaries and other benefits	7	7
Performance related incentive payments	4	3
Retirement benefit costs	2	1
Share-based payment expenses	3	5
	16	16

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

	Year ended 31 December 2009 Number of employees	Year ended 31 December 2008 Number of employees
Emolument bands		
HK$5,500,001 – HK$6,000,000	1	–
HK$6,000,001 – HK$6,500,000	1	–
HK$7,000,001 – HK$7,500,000	1	–
HK$8,500,001 – HK$9,000,000	–	2
	3	2

No directors waived any emoluments in the years ended 31 December 2009 and 31 December 2008.

11. DIVIDENDS

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
Interim dividend paid in respect of 2009 of HK$0.01 per share (2008: HK$0.07 per share)	**44**	257
Final dividend proposed in respect of 2009 of HK$0.12 per share (2008: HK$0.01 per share)	**530**	37
	574	294

A final dividend for the year ended 31 December 2009 of HK$0.12 (equivalent to RMB0.11) per share, amounting to HK$603 million (equivalent to RMB530 million) in aggregate, was proposed by the Directors and is subject to the approval of the shareholders in the forthcoming annual general meeting. Subject to the approval of the shareholders and the Stock Exchange of Hong Kong Limited, the proposed final dividend will be payable in cash and shareholders will be given the option to elect to receive their final dividend in new, fully paid shares in lieu of all or part of cash.

In October 2009, an interim dividend in respect of 2009 of HK$0.01 (equivalent to RMB0.0088) per share was paid to the shareholders.

In June 2009, a final dividend in respect of 2008 of HK$0.01 (equivalent to RMB0.0088) per share was paid to the shareholders of the Company. In addition, a bonus issue of shares, which represented a total of 418,559,717 ordinary shares, were issued to the shareholders of the Company on the basis of one new share for every ten shares then held. The bonus shares ranked pari passu to the existing ordinary shares.

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.

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

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million (Restated)
Earnings for the purposes of basic earnings per share and diluted earnings per share, being profit for the year attributable to shareholders of the Company	**2,673**	1,798

12. EARNINGS PER SHARE (CONTINUED)

Number of shares

	Year ended 31 December	
	2009	2008
	'million	'million (Restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,823**	4,605
Effect of dilutive potential shares:		
Share options issued by the Company (note a)	**–**	18
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,823**	4,623

	Year ended 31 December	
	2009	2008 (Restated)
Basic earnings per share (note b)	**RMB0.55**	RMB0.39
	HK$0.63	HK$0.43
Diluted earnings per share (note b)	**RMB0.55**	RMB0.39
	HK$0.63	HK$0.43

Notes:

(a) There are no dilution effects for share options granted as the exercise price of these share options granted were higher than the average market price for 2009 (2008: Other than the share options granted on 3 November 2008, there were 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).

(b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.135 for 2009 and RMB1.000 to HK$1.108 for 2008, being the average exchange rates that prevailed during the respective years.

13. INVESTMENT PROPERTIES

	2009			2008
	Completed investment properties	**Investment properties under construction or development**	**Total**	Completed investment properties
	RMB'million	**RMB'million**	**RMB'million**	RMB'million
At beginning of the year	**8,466**	**–**	**8,466**	7,994
Reclassified from prepaid lease payments and properties under development (notes 15 and 16)	**–**	**8,657**	**8,657**	–
Acquisition of subsidiaries (note 34)	**–**	**–**	**–**	48
Additions	**3**	**3,548**	**3,551**	8
Transfer upon completion	**660**	**(660)**	**–**	–
Transfer from prepaid lease payments and properties under development upon completion (notes 15 and 16)	**–**	**–**	**–**	34
Transfer from property, plant and equipment	**13**	**–**	**13**	–
Transfer to property, plant and equipment	**(17)**	**–**	**(17)**	–
Increase in fair value recognised in the consolidated income statement	**259**	**277**	**536**	382
At end of the year	**9,384**	**11,822**	**21,206**	8,466
Stated at fair value	**9,384**	**6,129**	**15,513**	8,466
Stated at cost	**–**	**5,693**	**5,693**	–

13. INVESTMENT PROPERTIES (CONTINUED)

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

In circumstances where the fair value of an investment property under construction or development is not reliably determinable but the fair value of the property is expected to be reliably determinable when construction is completed, such investment properties under construction or development are measured at cost using the cost model in IAS 16 until either its fair value becomes reliably determinable or construction is completed, whichever is the earlier.

The fair values of the Group's investment properties at 31 December 2009 and 31 December 2008 have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuer not connected to the Group.

For completed investment properties, 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.

For investment properties under construction or development, the valuations have been arrived at adopting direct comparison approach with reference to comparable transactions in the locality and assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The valuations have also taken into account the relevant future cost of development, including construction costs, finance costs, professional fees and developer's profit, which duly reflect the risks associated with the development of the properties.

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 2008	199	136	335
Acquisition 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
Transfer from properties under development	**16**	**–**	**16**
Transfer from investment properties	**17**	**–**	**17**
Transfer to investment properties	**(13)**	**–**	**(13)**
Additions	**–**	**47**	**47**
Disposals	**–**	**(3)**	**(3)**
At 31 December 2009	**304**	**221**	**525**
Accumulated depreciation			
At 1 January 2008	30	45	75
Charge for the year	10	41	51
Eliminated on disposals	(6)	(2)	(8)
At 31 December 2008	34	84	118
Charge for the year	**7**	**47**	**54**
Eliminated on disposals	**–**	**(3)**	**(3)**
At 31 December 2009	**41**	**128**	**169**
Carrying values			
At 31 December 2009	**263**	**93**	**356**
At 31 December 2008	250	93	343
At 1 January 2008	169	91	260

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The owner-occupied leasehold land and buildings amounted to RMB55 million (2008: RMB57 million) at the end of reporting period are 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 land and 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

	31 December 2009 RMB'million	31 December 2008 RMB'million
At beginning of the year	**6,290**	4,325
Reclassified to investment properties (note 13)	**(6,246)**	–
Additions	**–**	2,105
Transfer to investment properties (note 13)	**–**	(10)
Release for the year (note 7)	**(1)**	(130)
At end of the year	**43**	6,290

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	
	2009 RMB'million	2008 RMB'million	**2009 RMB'million**	2008 RMB'million
At cost				
At beginning of the year	**2,411**	1,734	**7,786**	6,281
Reclassified to investment properties (note 13)	**(2,411)**	–	**–**	–
Additions	**–**	572	**4,205**	4,535
Release of prepaid lease payments capitalised to properties under development (note 7)	**–**	129	**–**	–
Transfer to investment properties (note 13)	**–**	(24)	**–**	–
Transfer to properties held for sale	**–**	–	**(443)**	(2,995)
Transfer to property, plant and equipment	**–**	–	**(16)**	(35)
At end of the year	**–**	2,411	**11,532**	7,786

The properties under development are all situated in the PRC.

Included in the current portion of properties under development as at 31 December 2009 is carrying value of RMB9,322 million (2008: RMB7,099 million) which represents the carrying value of the properties expected to be completed and available for sale after more than twelve months from the end of the reporting period.

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

	31 December 2009 RMB'million	31 December 2008 RMB'million	1 January 2008 RMB'million
Cost of investments, unlisted	357	227	59
Share of post-acquisition profits	505	69	26
	862	296	85
Loans to associates	1,273	1,331	981
Amounts due from associates	147	450	12
Amounts due to associates	45	–	–

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

	31 December 2009 RMB'million	31 December 2008 RMB'million
Total assets	6,716	4,875
Total liabilities	(4,568)	(3,972)
Net assets	2,148	903
Group's share of net assets of associates	862	296

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million
Revenue	–	–
Profit for the year	708	71
Group's share of results of associates for the year	436	44

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

Particulars of the Group's principal associates at 31 December 2009 and 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.

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 Shui On Construction and Materials Limited (an associate of Shui On Company Limited "SOCL", a substantial shareholder of the Company) and Many Gain International Limited ("Many Gain"), and 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 project in Dalin, the PRC.

Loans to associates represent the loans to subsidiaries of Richcoast for financing the development of Dalian Tiandi project. Pursuant to the Joint Venture Agreement,the loans are unsecured, interest free and with no fixed terms of repayment until Many Gain has contributed its share of the shareholder's loan to the subsidiaries of Richcoast. Thereafter, the loans will bear interest at a rate of 5% per annum, subject to shareholders' approval. The loans are carried at amortised cost using the effective interest rate of 7.3% (2008: 9.6%) per annum.

The amounts due from associates are unsecured, interest bearing at 5.8% (2008: 5.8%) per annum and repayable on demand.

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

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

	31 December 2009 RMB'million	31 December 2008 RMB'million	1 January 2008 RMB'million
Cost of investment, unlisted	**–**	–	–
Share of post-acquisition losses	**–**	–	–
	–	–	–
Amount due from a jointly controlled entity	**11**	11	11
Less: Allowance	**(11)**	(11)	(11)
	–	–	–

Particulars of the Group's jointly controlled entity at 31 December 2009 and 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

	31 December 2009 RMB'million	31 December 2008 RMB'million	1 January 2008 RMB'million
Non-current accounts receivable comprise:			
Receivables from sales of properties (note a)	**–**	283	272
Deferred rental receivables	**59**	46	40
	59	329	312

	31 December 2009 RMB'million	31 December 2008 RMB'million (Restated)	1 January 2008 RMB'million (Restated)
Current accounts receivable comprise:			
Trade receivables (note a)	**186**	34	78
Less: allowance for bad and doubtful debts	**–**	–	(9)
	186	34	69
Consideration receivable on partial disposals of equity interests in subsidiaries (note b)	**–**	339	1,136
Prepayments of relocation costs (note c)	**483**	474	558
Deposit for land acquisition	**–**	–	1,200
Other deposits, prepayments and receivables	**264**	94	252
	933	941	3,215

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 relevant 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 end of each reporting period:

	31 December 2009 RMB'million	31 December 2008 RMB'million (Restated)	1 January 2008 RMB'million (Restated)
Not yet due	**172**	25	22
Within 30 days	**5**	6	4
31 – 60 days	**3**	–	23
61 – 90 days	**2**	–	1
Over 90 days	**4**	3	19
	186	34	69

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB14 million (2008 restated: RMB9 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss.

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

	31 December 2009 RMB'million	31 December 2008 RMB'million (Restated)
Within 30 days	**5**	6
31 – 60 days	**3**	–
61 – 90 days	**2**	–
Over 90 days	**4**	3
	14	9

The Group's management has considered that no allowance for bad and doubtful debts is required as the Group has collected rental deposits from the tenants to secure any potential loss from uncollectible debts.

19. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (CONTINUED)

Movement in the allowance for bad and doubtful debts:

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
Balance at beginning of the year	**–**	9
Impairment losses recognised on trade receivables	**–**	–
Amounts written off as uncollectible	**–**	(9)
Balance at end of the year	**–**	–

Notes:

(a) The amounts are unsecured and repayable on or before 31 December 2010.

	31 December 2009	31 December 2008
	RMB' million	RMB' million
Non-current accounts receivables		
Interest free (note (i))	–	162
Interest bearing (note (ii))	–	121
	–	283
Current accounts receivables		
Interest free	63	34
Interest bearing (note (ii))	123	–
	186	34

(i) These receivables were carried at amortised cost at effective interest rate of 8% per annum and were early settled in full during the year 2009.

(ii) These receivables are interest bearing as followings:

- the whole amount is interest free from 1 January 2007 to 31 December 2007;
- 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;
- the whole amount bears interest at simple interest rate of 6% per annum from 1 January 2009 to 31 December 2009;
- the full amount bears interest at simple interest rate of 8% per annum from 1 January 2010 to 31 December 2010

These receivable are carried at amortised cost at effective interest rate of 8% (2008: 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 were unsecured, interest bearing at People's Bank of China one-year borrowing rate and were fully settled during the year ended 31 December 2009.

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

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 RMB1,222 million (2008: RMB694 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 1.4% (2008: 0.4% to 1.7%) per annum. The pledged bank deposits carry interest at fixed rates ranging from 0.4% to 1.4% (2008: 0.4% to 4.7%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

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 % (2008: 5.9% to 7.5%) per annum and repayable on or before 24 June 2010.

23. AMOUNTS DUE FROM/TO RELATED PARTIES

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

	31 December 2009 RMB'million	31 December 2008 RMB'million	1 January 2008 RMB'million
Amounts due from:			
– shareholders	–	–	1
– fellow subsidiaries	–	62	40
– related companies (note)	73	–	3
Amounts due from related parties	73	62	44
Amounts due to:			
– shareholders	–	1	17
– fellow subsidiaries	–	32	22
– related companies (note)	69	–	–
Amounts due to related parties	69	33	39

Note:
Related companies are subsidiaries or associates of SOCL.

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

24. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS OF SUBSIDIARIES

Particulars of the amounts due from/to non-controlling shareholders of subsidiaries are as follows:

	31 December 2009 RMB'million	31 December 2008 RMB'million	1 January 2008 RMB'million
Amounts due from non-controlling shareholders of subsidiaries			
Interest free	17	176	6
Amounts due to non-controlling shareholders of subsidiaries			
Interest free	191	172	792
Interest bearing at 5 % per annum	84	84	84
Interest bearing at 7.6 % per annum	200	–	–
Interest bearing at 8 % per annum	–	502	–
	475	758	876

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

25. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	31 December 2009 RMB'million	31 December 2008 RMB'million (Restated)	1 January 2008 RMB'million (Restated)
Trade payables aged analysis:			
Not yet due	**1,138**	691	495
Within 30 days	**5**	85	288
31 – 60 days	**6**	9	–
61 – 90 days	**2**	1	1
Over 90 days	**–**	4	1
	1,151	790	785
Retention payables (note)	**128**	120	78
Deed tax, business tax and other tax payables	**442**	678	498
Deposits received and receipt in advance from property sales	**2,235**	2,480	909
Deposits received and receipt in advance in respect of rental of investment properties	**174**	156	142
Accrued charges	**175**	194	169
	4,305	4,418	2,581

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

26. BANK BORROWINGS

	31 December 2009 RMB'million	31 December 2008 RMB'million	1 January 2008 RMB'million
Repayable within a period of			
– Not more than 1 year or on demand	**2,098**	1,953	1,514
– More than 1 year, but not exceeding 2 years	**934**	1,550	586
– More than 2 years, but not exceeding 5 years	**6,684**	4,346	2,149
– More than 5 years	**487**	349	156
	10,203	8,198	4,405
Less: Amount due within one year shown under current liabilities	**(2,098)**	(1,953)	(1,514)
Amount due after one year	**8,105**	6,245	2,891

26. BANK BORROWINGS (CONTINUED)

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

Denominated in	Interest rate	31 December 2009 RMB'million	31 December 2008 RMB'million
RMB	95% to 115 % (2008: 90% to 110%) of People's Bank of China ("PBOC") Prescribed Interest Rate	**3,595**	1,794
Hong Kong dollars	Hong Kong Interbank Offered Rates ("HIBOR") plus 2 % to 4.5 % (2008: HIBOR plus 0.85% to 4.5%)	**6,349**	5,654
United States dollars	London Interbank Offered Rates ("LIBOR") plus 0 % to 2.5 % (2008: LIBOR plus 6% to 10%)	**259**	750
		10,203	8,198

As of 31 December 2009, the weighted average effective interest rate on the bank loans was 4.1% (2008: 6.0%), and is further analysed as follows:

	31 December 2009	31 December 2008
Denominated in RMB	**5.7%**	5.5%
Denominated in Hong Kong dollars	**3.3%**	5.5%
Denominated in United States dollars	**2.8%**	10.8%

The bank loans as at the end of the reporting period were secured by the pledge of assets as set out in note 39.

27. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS

The derivative financial instruments are measured at fair value at the end of the reporting period. The fair value is determined based on valuation provided by the counterparty financial institution.

(a) Interest rate swaps

At 31 December 2009 and 2008, the Group has outstanding 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 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 2009, fair value gain arising from the interest rate swaps of RMB45 million (2008: 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 interest payments of the related bank borrowings are expected to settle.

27. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS (CONTINUED)

(b) Cross currency interest rate swaps

At 1 January 2008, the Group had outstanding cross currency interest rate swaps 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 swaps as hedging instruments 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 swaps had been negotiated to match the terms of the notes.

In April 2008, the cross currency interest rate swaps were early terminated. The fair value loss arising from the cross currency interest rate swaps of RMB158 million had been initially dealt with in the hedge reserve; an amount of RMB104 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.

28. 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 2008 and 31 December 2008	12,000,000,000	30,000	4,185,597,171	10,464
Issue of bonus shares (note 11)	–	–	**418,559,717**	**1,046**
Issue of new shares	–	–	**418,500,000**	**1,046**
At 31 December 2009	**12,000,000,000**	**30,000**	**5,022,656,888**	**12,556**

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million	RMB'million
Shown in the consolidated statement of financial position as	**99**	84	84

In June 2009, 418,500,000 new ordinary shares were issued to independent third parties at the price of HK$4.87 per share. The gross proceeds from the new issue were approximately HK$2,038 million (equivalent to RMB1,797 million). The new ordinary shares rank pari passu to the existing ordinary shares.

The issue price of HK$4.87 per share, representing a discount of approximately 7% to the closing price of HK$5.24 per share of the Company on 10 June 2009. The Directors consider that the terms of the new issue are on normal commercial terms and are fair and reasonable based on the then market conditions and the new issue is in the interests of the Company and the Shareholders as a whole.

29. 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 non-controlling 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 non-controlling shareholder upon the group reorganisation in 2004.

(b) Special reserve

Special reserve represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interests in the subsidiaries being acquired from non-controlling shareholders, which will be recognised in the consolidated income statement upon the earlier of the disposal of the assets, disposal of the subsidiary of the assets which the assets relate, or when the related assets affect profit or loss.

During the year ended 31 December 2009, an amount of RMB205 million (2008 restated: RMB50 million) was released to the consolidated income statement upon the disposal by the subsidiaries of the assets to which it relates. In addition, an amount of RMB91 million (2008: nil) was released to the consolidated income statement upon recognition of fair value changes of the related assets.

During the year ended 31 December 2008, an amount of RMB17 million was released to the consolidated income statement upon the partial disposal of equity interests in subsidiaries (Note 35(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 SOCL, 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 non-controlling shareholder of a subsidiary in 2005, as set out in note 30(a); and

(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.

30. LOANS FROM NON-CONTROLLING INTERESTS OF SUBSIDIARIES

	31 December 2009 RMB'million	31 December 2008 RMB'million	1 January 2008 RMB'million
Non-current	**670**	670	93
Current	**442**	199	100
	1,112	869	193

The carrying amount of the loans from non-controlling shareholders of subsidiaries is analysed as follows:

Denominated in	Interest rate per annum	31 December 2009 RMB'million	31 December 2008 RMB'million
RMB	Interest free (Note a)	**–**	199
United States dollars	Interest free (Note b)	**442**	–
United States dollars	8.4% (2008: 8.4%) (Note c)	**670**	670
		1,112	869

Notes:

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

(b) The loan is unsecured and repayable on demand.

(c) The loan is unsecured and not repayable in the next twelve months from the end of the reporting period.

31. LOAN FROM A DIRECTOR

The loan was denominated in United States dollars, unsecured, interest bearing at London Interbank Offered Rate plus 8% and had no fixed terms of repayment. The loan was fully repaid during the year 2009.

32. 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 investment 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 2008	142	1,034	(24)	146	–	(26)	1,272
Effect of retrospective adoption of IFRIC 15	–	–	–	(165)	–	–	(165)
At 1 January 2008 as restated	142	1,034	(24)	(19)	–	(26)	1,107
Overprovision in prior year	–	–	–	–	–	(87)	(87)
Transfer from current tax liabilities	563	–	–	–	–	–	563
Charge (credit) to consolidated income statement	78	96	(7)	(21)	19	8	173
At 31 December 2008	783	1,130	(31)	(40)	19	(105)	1,756
Charge (credit) to consolidated income statement	**130**	**134**	**(9)**	**(29)**	**33**	**38**	**297**
At 31 December 2009	**913**	**1,264**	**(40)**	**(69)**	**52**	**(67)**	**2,053**

32. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

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

	31 December 2009 RMB'million	31 December 2008 RMB'million (Restated)	1 January 2008 RMB'million (Restated)
Deferred tax assets	**(139)**	(146)	(124)
Deferred tax liabilities	**2,192**	1,902	1,231
	2,053	1,756	1,107

At the end of the reporting period, the Group had unused tax losses of RMB633 million (2008: RMB554 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB160 million (2008: RMB126 million). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB473 million (2008: RMB428 million) due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

	31 December 2009 RMB'million	31 December 2008 RMB'million
2009	**–**	15
2010	**46**	50
2011	**45**	35
2012	**73**	68
2013	**268**	260
2014	**41**	–
	473	428

33. ACQUISITION OF ADDITIONAL EQUITY INTERESTS IN SUBSIDIARIES

On 29 July 2009, the Group entered into a sale and purchase agreement with the non-controlling shareholders of Globe State Properties Limited ("Globe State"), an indirect 70% owned subsidiary of the Company, to acquire their entire interests in Globe State, being 30% equity interests in the issued share capital of Globe State, together with an amount due by Globe State to the non-controlling shareholders of RMB56 million, for a total cash consideration of RMB100 million. One third of the consideration was paid in July 2009, and the remaining two-thirds of the consideration was paid in December 2009 upon the completion of the sale and purchase agreement.

A gain of RMB6 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 Globe State attributable to the acquisition over the cost of the acquisition, has been recognised in the consolidated income for the year ended 31 December 2009.

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 SOCL, as seller, Foresight agreed to acquire from Smithton its entire investment in the issued capital of Silomax Limited ("Silomax") and the loan owed 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:

	Acquisition of Silomax RMB'million	Acquisition of Feng Cheng RMB'million	Total RMB'million
Net assets acquired:			
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)
Amounts 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:			
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. PARTIAL DISPOSALS OF EQUITY INTERESTS IN SUBSIDIARIES

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
Gain on partial disposals of 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
	–	1,883

(a) Disposal of 25% of the 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 non-controlling shareholder who holds a 19.8% equity interest in Score High) as purchaser, Score High agreed to sell to WCL 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. On 6 January 2009, Score High entered into a supplemental deed with WCL and extended the exercisable period to 30 April 2009. The call option was not exercised during these periods.

(b) Disposal of 25% of the 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 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. On 6 January 2009, SOD entered into a supplemental deed with WCL and extended the exercisable period to 30 April 2009. The call option was not exercised during these periods.

36. SHARE-BASED PAYMENT TRANSACTIONS

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

At 31 December 2009, 166,375,605 share options (2008: 262,727,583 share options) remained outstanding under the Scheme, representing 3.3% (2008: 6.3%) 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.

On 4 September 2009, an aggregate of 79,937,500 options granted on 3 November 2008 with exercise price of HK$1.60 were being replaced with an aggregate of 23,728,888 options at exercise price of HK$4.90. Other than the increase in exercise price and reduction in the number of options, the vesting period and other terms of these options remained unchanged.

The increase in exercise price and reduction in number of options did not increase the fair value of the share-based payment arrangement. Details of the replacement options are as follows:

Date of grant of replacement options	Exercise price HK$	Closing share price at date of replacement HK$	Weighted average estimated fair value at date of replacement HK$	Number of share options granted
4 September 2009	4.90	4.90	2.04	23,728,888

The options granted on 4 September 2009 were identified, on the date they were granted, as replacement options for the cancelled original options with exercise price of HK$1.60. The grant of replacement options would not have occured without the cancellation of the original options with exercise price of HK$1.60 and vice versa. Accordingly, the replacement is accounted for as a modification to the terms and conditions on which the original options were granted.

These fair values of the share options of the Company immediately before and after modification on 4 September 2009 were calculated using the Binomial model. The inputs into the model were as follows:

	Before modification	After modification
Expected volatility	50%	50%
Expected life	6.16 to 8.16 years	6.16 to 8.16 years
Risk-free rate	1.86%	1.86%
Expected dividend yield	2.0%	2.0%

The risk-free interest rates are taken to be the linearly interpolated yields of the Hong Kong Exchange Fund Notes at the grant date. Expected volatility for the replacement grant during the year ended 31 December 2009 was determined with reference to the movement of the Company's and comparators' share prices over the last 6 years before the date of grant.

36. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Other than the replacement of options as mentioned above, no share options were granted during the year ended 31 December 2009. Details of the share options granted during the year end 31 December 2008 were 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
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 Binomial model. The inputs into the model were as follows:

	2008
Expected volatility	40% to 45%
Expected life	4.57 to 8.79 years
Risk-free rate	1.90% to 3.51%
Expected dividend yield	2.0%

The risk-free interest rates are taken to be the linearly interpolated yields of the Hong Kong Exchange Fund Notes at the grant date. Expected volatility for the share options granted grant during the year ended 31 December 2008 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 behavioural considerations.

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

36. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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 RMB47 million (2008: RMB54 million) in the consolidated income statement in relation to share options granted by the Company.

During the years ended 31 December 2009 and 2008, none of the share options were exercised.

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

		Number of options				
Date of grant	**Exercise price HK$**	**At 1 January 2009**	**Granted during the year**	**Replacement during the year**	**Lapsed during the year**	**At 31 December 2009**
20 June 2007	7.00	118,747,544	–	–	(12,115,446)	106,632,098
1 August 2007	8.18	1,371,013	–	–	(101,211)	1,269,802
2 October 2007	10.00	4,845,000	–	–	(2,376,232)	2,468,768
1 November 2007	11.78	4,272,054	–	–	(2,970,439)	1,301,615
3 December 2007	9.88	1,500,488	–	–	(266,159)	1,234,329
2 January 2008	8.97	3,449,266	–	–	(90,857)	3,358,409
1 February 2008	8.05	2,099,366	–	–	(381,984)	1,717,382
3 March 2008	7.68	774,732	–	–	(39,062)	735,670
2 May 2008	7.93	7,796,274	–	–	(558,001)	7,238,273
2 June 2008	7.34	15,837,819	–	–	(606,259)	15,231,560
2 July 2008	6.46	1,784,027	–	–	(301,852)	1,482,175
3 November 2008	1.60	100,250,000	–	(79,937,500)	(20,312,500)	–
4 September 2009	4.90	–	–	23,728,888	(23,364)	23,705,524
		262,727,583	–	(56,208,612)	(40,143,366)	166,375,605
Number of options exercisable		3,900,000				19,586,617

36. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

		Number of options				
Date of grant	Exercise price HK$	At 1 January 2008	Granted during the year	Replacement during the year	Lapsed during the year	At 31 December 2008
20 June 2007	7.00	137,666,798	–	–	(18,919,254)	118,747,544
1 August 2007	8.18	1,435,193	–	–	(64,180)	1,371,013
2 October 2007	10.00	5,200,000	–	–	(355,000)	4,845,000
1 November 2007	11.78	4,505,498	–	–	(233,444)	4,272,054
3 December 2007	9.88	1,601,700	–	–	(101,212)	1,500,488
2 January 2008	8.97	–	3,725,183	–	(275,917)	3,449,266
1 February 2008	8.05	–	2,419,238	–	(319,872)	2,099,366
3 March 2008	7.68	–	813,794	–	(39,062)	774,732
2 May 2008	7.93	–	9,722,499	–	(1,926,225)	7,796,274
2 June 2008	7.34	–	15,905,938	–	(68,119)	15,837,819
2 July 2008	6.46	–	1,784,027	–	–	1,784,027
3 November 2008	1.60	–	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

37. PROVIDENT AND RETIREMENT FUND SCHEMES

Hong Kong

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

The MPF Scheme

For members of the MPF Scheme, contributions made by the employees at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employees' salaries, depending on the employees' length of 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 2009 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.

37. PROVIDENT AND RETIREMENT FUND SCHEMES (CONTINUED)

Hong Kong (Continued)

The Plan (Continued)

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out at 31 December 2009 and 31 December 2008 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 end of the reporting period are as follows:

	31 December 2009	31 December 2008
Discount rate	2.6%	1.2%
Expected rate of salary increase	2010 : 4%	2009 : 2%
	2011+ : 5%	2010+ : 5%
Expected rate of return on plan assets	7.25%	8%

The actuarial valuation showed that the fair value of the plan assets attributable to the Group at 31 December 2009 was RMB57 million (2008: RMB44 million), representing 61% (2008: 44%) of the benefits that had accrued to members.

Amounts recognised in the consolidated income statement for the year ended 31 December 2009 and 31 December 2008 in respect of the defined benefit plan are as follows:

	31 December 2009 RMB'million	31 December 2008 RMB'million
Current service cost	4	4
Interest cost	1	3
Expected return on plan assets	(3)	(6)
Net actuarial losses recognised during the year	5	1
Net amount charged to consolidated income statement as staff costs	7	2

The actual returns on plan assets allocated to the Group for the year ended 31 December 2009 were gains of RMB15 million (2008: losses of RMB25 million).

The amounts included in the consolidated statement of financial position arising from the Group's obligations in respect of the Plan are as follows:

	31 December 2009 RMB'million	31 December 2008 RMB'million	1 January 2008 RMB'million
Present value of funded defined benefit obligations	94	99	89
Unrecognised actuarial losses	(35)	(59)	(20)
Fair value of plan assets	(57)	(44)	(75)
Defined benefit liabilities (assets)	2	(4)	(6)

37. PROVIDENT AND RETIREMENT FUND SCHEMES (CONTINUED)

Hong Kong (Continued)

The Plan (Continued)

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

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
At 1 January	**99**	89
Exchange realignment	**–**	(5)
Current service cost	**4**	4
Interest cost	**1**	3
Contributions from plan participants	**1**	1
Actuarial (gains) losses	**(8)**	11
Transfer-out liabilities	**(2)**	(1)
Benefits paid	**(1)**	(3)
At 31 December	**94**	99

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

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
At 1 January	**(44)**	(75)
Exchange realignment	**–**	4
Expected return on plan assets	**(3)**	(6)
Actuarial losses (gains)	**(11)**	31
Contributions from the employer	**(1)**	(1)
Contributions from plan participants	**(1)**	(1)
Benefits paid	**1**	3
Transfer-in assets	**2**	1
At 31 December	**(57)**	(44)

The major categories of plan assets at the end of the reporting period are as follows:

	31 December 2009	31 December 2008
	RMB'million	RMB'million
Equities	**30**	20
Hedge funds	**15**	13
Bonds and cash	**12**	11
	57	44

The Group expects to make a contribution of RMB1 million (2008: 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.

38. NOTES AND WARRANTS

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

The principal terms of the notes

The notes 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.

38. NOTES AND WARRANTS (CONTINUED)

The principal terms of the warrants (Continued)

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.

(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	Early redemption rights	Total
	RMB'million	RMB'million	RMB'million
As of 1 January 2008	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 of 31 December 2008 and 2009	–	–	–

39. PLEDGE OF ASSETS

The following assets were pledged to banks as securities to obtain certain banking facilities at the end of the reporting period:

	31 December 2009	31 December 2008
	RMB'million	RMB'million (Restated)
Investment properties	13,243	8,308
Property, plant and equipment	128	129
Prepaid lease payments	43	599
Properties under development	–	197
Properties under development for sale	4,948	1,821
Properties held for sale	406	1,236
Accounts receivable	90	72
Bank deposits	2,019	1,709
	20,877	14,071

39. PLEDGE OF ASSETS (CONTINUED)

Included in pledged bank deposits above is an amount of RMB265 million (2008: RMB443 million) which has been pledged to a bank to secure the banking facilities granted to an associate. All the other assets were pledged to secure banking facilities granted to the Group.

In addition, the equity interests in certain subsidiaries were also pledged to banks as securities to obtain banking facilities granted to the Group at the end of the reporting period.

40. LEASE ARRANGEMENTS

As lessor

Property rental income in respect of the investment properties earned, net of outgoings of RMB10 million (2008: RMB9 million), was RMB532 million (2008: RMB488 million). The investment properties held have committed tenants for the next one to eleven years at fixed rentals. Certain leases contain contingent rental income recognised during the year ended 31 December 2009 amounting to RMB7 million (2008: RMB9 million). These contingent rentals are generally based on specified percentage of turnover of the tenants.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	31 December 2009	31 December 2008
	RMB'million	RMB'million
Within one year	**526**	527
In the second to fifth years inclusive	**780**	827
Over five years	**100**	113
	1,406	1,467

As lessee

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

	31 December 2009	31 December 2008
	RMB'million	RMB'million
Within one year	**46**	45
In the second to fifth years inclusive	**71**	105
Over five years	**81**	90
	198	240

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 fifteen years.

41. COMMITMENTS AND CONTINGENCIES

(a) Capital and other commitments

(i) At the end of the reporting period, the Group had the following commitments:

	31 December 2009 RMB'million	31 December 2008 RMB'million
Contracted but not provided for:		
Capital expenditure in respect of the acquisition of property, plant and equipment	–	2
Development costs for investment properties under construction or development	3,801	2,623
Development costs for properties under development held for sale	6,293	2,793
	10,094	5,418

(ii) Pursuant to an agreement entered into with the 上海市虹口區衛生局 of the Hongkou District, Shanghai, the PRC on 20 June 2006, the Group has committed to build a hospital to be located in the Rui Hong Xin Cheng area of the Hongkou District as compensation for the removal of those medical and health care services originally located in that area. As at 31 December 2009, no construction contracts related to the hospital were entered into. No provision for the construction costs has been made in the consolidated financial statements as the amount cannot be measured reliably.

(iii) Pursuant to an agreement entered into with the district government (the "Luwan Government") of the Luwan District, Shanghai, the PRC, the Group has committed to build certain educational facilities to be located in the Taipingqiao area of the Luwan District as compensation for the removal of those educational facilities originally located in that area. As at 31 December 2008, no construction contracts related to the educational facilities were entered into. As at 31 December 2009, the committed relocation costs related to the educational facilities were included in the commitment of development costs for properties under development held for sale.

(iv) 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 RMB3,186 million has been paid to the Land Exchange Centre up to 31 December 2009 (2008: RMB2,864 million), of which RMB994 million has been recognised as investment properties under construction or development (2008: RMB1,232 million recognised as prepaid leave payment) under non-current assets and the remaining RMB2,192 million (2008: RMB1,632 million) as property under development for sale under current assets. The remaining balance of RMB4,324 million (2008: RMB4,646 million) will be paid in stages in line with the relocation progress of the land.

41. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(a) Capital and other commitments (Continued)

(v) 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 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 2009, 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 (2008: RMB121 million).

(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 (2008: RMB324 million) will be granted by the Group to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 December 2009, no amount had been drawn down under this arrangement (2008: nil).

(ii) As at 31 December 2009, the Group has issued guarantees amounting to RMB528 million (2008: RMB528 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 (2008: RMB480 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 statement of financial positions as at 31 December 2009 and 31 December 2008.

42. MAJOR NON-CASH TRANSACTIONS

Details of the non-cash transactions entered into during the years ended 31 December 2009 and 2008 in relation to the acquisitions of interests in subsidiaries are set out in note 34.

43. RELATED PARTY TRANSACTIONS

Apart from the related party transactions and balances as stated in notes 17, 18, 23, 24, 30, 31, 34 and 41, the Group had the following transactions with related parties during the year:

(a) SOCL and its subsidiaries and associates other than those of the Group

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
Project construction costs	**196**	248
Rental and building management fee expenses	**36**	28
Project management fee income	**1**	4
Rental and building management fee income	**2**	4
Interest income	**1**	1

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other related parties

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million (Restated)
Associates		
Project management fee income	**8**	–
Building management fee expenses	**–**	3
Imputed interest income	**55**	89
Interest income	**11**	11
Non-controlling shareholders of subsidiaries		
Interest income	**2**	30
Imputed interest expenses	**1**	6
Interest expenses	**102**	92
Project management fee expenses	**7**	4
Jointly controlled entity		
Rental and building management fee income	**4**	3
A director		
Interest expenses	**35**	9
Senior management		
Property sales	**43**	12
Close family members of senior management		
Property sales	**20**	5

44. EVENT AFTER THE REPORTING PERIOD

On 5 March 2010, the Group successsfully bid for a land parcel in the Yangpu district, Shanghai with developable area of 159,600 sq.m. at a consideration of RMB1,264 million.

45. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 26 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 non-controlling 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 bank borrowings 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.

45. CAPITAL RISK MANAGEMENT (CONTINUED)

The gearing ratio at the end of the reporting date was as follows:

	31 December 2009 RMB'million	31 December 2008 RMB'million (Restated)
Bank borrowings	**10,203**	8,198
Pledged bank deposits	**(2,019)**	(1,709)
Bank balances and cash	**(2,928)**	(1,671)
Net debt	**5,256**	4,818
Total equity	**22,574**	18,175
Net debt to total equity	**23%**	27%

46. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	31 December 2009 RMB'million	31 December 2008 RMB'million (Restated)
Financial assets		
Loans and receivables (including bank balances and cash)	**7,827**	7,083
Financial liabilities		
Derivative instruments designated on the hedge accounting	**211**	256
Amortised cost	**13,974**	12,363

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, amounts due from non-controlling shareholders of subsidiaries, pledged bank deposits, accounts payable, amounts due to related parties, amounts due to associates, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries 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 to policies for managing each of these risks and they are summarised below.

46. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

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.

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

	31 December 2009 RMB'million	31 December 2008 RMB'million
Hong Kong dollar ("HKD")		
Assets	**2,006**	1,640
Liabilities	**6,458**	6,046
United States dollar ("USD")		
Assets	**313**	562
Liabilities	**1,285**	2,046

Sensitivity analysis

The Group is mainly exposed to the currency of HKD and USD.

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 end of the reporting period 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 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 the balances below would be negative.

		Year ended 31 December	
	Notes	2009 RMB'million	2008 RMB'million
HK dollar			
Profit or loss	(i)	**212**	210
US dollar			
Profit or loss	(ii)	**46**	71

Notes:

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

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

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

46. 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 HKD 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 27(a).

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period 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 2009 would have decreased/increased by RMB17 million (2008: RMB21 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk

The Group's principal financial assets are bank balances and cash, pledged bank deposits, accounts receivable, loans receivable, loans to associates, amounts due from associates, amounts due from non-controlling shareholders of subsidiaries 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 statement of financial position 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.

46. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, except for as at 31 December 2009 where the largest debtor amounting to approximately RMB123 million (2008: RMB162 million) arising from sales of properties, loans to associates of RMB1,273 million (2008: RMB1,331 million) and loans receivable of RMB378 million (2008: RMB414 million).

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.

The following tables detail the maturities of the Group's financial liabilities. The tables have 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 tables include 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	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2009
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
2009							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	2,070	–	–	–	2,070	2,070
Bank borrowings at variable rates	4.1%	2,482	1,249	7,141	543	11,415	10,203
Amounts due to related parties	–	69	–	–	–	69	69
Amounts due to associates	–	45	–	–	–	45	45
Amounts due to non-controlling shareholders of subsidiaries	4.1%	494	–	–	–	494	475
Loans from non-controlling shareholders of subsidiaries							
– variable rate	8.4%	56	56	168	670	950	670
– interest free	–	442	–	–	–	442	442
Financial guarantee contracts	–	528	–	–	–	528	–
		6,186	1,305	7,309	1,213	16,013	13,974
Derivatives – net settlement							
Cash flow hedge instruments		130	130	–	–	260	211

46. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2008
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
2008 (Restated)							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	1,938	–	–	–	1,938	1,938
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 non-controlling shareholders of subsidiaries	6.0%	802	–	–	–	802	758
Loans from non-controlling shareholders of subsidiaries							
– variable rate	8.4%	56	55	168	726	1,005	670
– interest free	–	200	–	–	–	200	199
Loan from a director	8.0%	45	612	–	–	657	567
Financial guarantee contracts	–	528	–	–	–	528	–
		6,010	2,546	4,930	1,142	14,628	12,363
Derivatives – net settlement							
Cash flow hedge instruments		98	98	98	–	294	256

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

46. 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 to their fair values.

d. Fair value measurements recognised in the consolidated statement of financial position

Included in other comprehensive income is a gain of RMB45 million (2008: RMB136 million) related to interest rate swaps designated in cash flow hedge held at the end of the reporting period.

47. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2009	31 December 2008
	RMB'million	RMB'million
Investments in subsidiaries	**2,413**	1,237
Loan to a subsidiary	**6,365**	–
Amounts due from subsidiaries	**2,203**	8,206
Other prepayments	**22**	–
Bank balances	**–**	22
Total assets	**11,003**	9,465
Amounts due to a non-controlling shareholder	**–**	502
Total liabilities	**–**	502
Net assets	**11,003**	8,963
Share capital	**99**	84
Reserves	**10,904**	8,879
Total equity	**11,003**	8,963

48. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2009 and 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) 2009	2008	Place of operation	Principal activities
Ally Victory Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Atlantic Best Limited	Hong Kong 5 January 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Best View Development Limited	Hong Kong 5 March 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Billion China Investments Limited	BVI 18 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Billion Glory Limited	Hong Kong 14 March 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Billion World Limited	Hong Kong 19 November 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Bondwise Profits Limited	BVI 28 December 2000	1 ordinary share of US$1	100%	70%	Hong Kong	Investment holding
Bright Continental Limited	Hong Kong 5 March 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Bright Power Enterprises Limited	BVI 1 July 2004	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Bright Winner Limited	Hong Kong 27 December 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Brixworth International Limited	BVI 3 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Central Fit Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Century Team Limited	Hong Kong 16 January 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Chinalink Capital Limited	BVI 16 July 2003	999 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
China Advance Limited	Hong Kong 13 November 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
China Wealth (H.K.) Limited	Hong Kong 4 January 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Chongqing Shui On Tiandi Property Development Co. Ltd.	PRC 21 November 2003	Registered capital US$230,000,000 Paid up capital US$205,535,050	79.4%	79.4%	PRC	Property development
Citichamp Limited	Hong Kong 19 July 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Cititop Pacific Limited	Hong Kong 1 December 2000	2 ordinary shares of HK$1 each	100%	70%	Hong Kong	Investment holding
Costworth Investments Limited	BVI 12 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Crown Fame Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Cybricity Limited	Hong Kong 28 April 2000	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Dali Shui On Management Consultation Co., Ltd.	PRC 9 September 2008	Registered and paid up capital US$500,000	100%	100%	PRC	Provision of management services

48. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2009	2008	Place of operation	Principal activities
Dailian Yingjia Science and Technology Development Co., Ltd	PRC 3 December 2009	Registered and paid up capital US$230,000,000	100%	–	PRC	Science and Technology development
East Capital Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
East Trend Limited	Hong Kong 14 February 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Eastern View Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Excel Efficient Limited	BVI 19 August 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Fast China Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Feng Cheng Property Management Services Limited	Hong Kong 14 November 2003	100 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Fieldcity Investments Limited	BVI 30 March 2005	100 ordinary shares of US$1 each	75%	75%	Hong Kong	Investment holding
Focus Top Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Foresight Profits Limited	BVI 8 February 2001	100 ordinary shares of US$1 each	75%	75%	Hong Kong	Investment holding
Fo Shan An Ying Property Development Co., Ltd.	PRC 8 January 2008	Registered and paid up capital RMB700,000,000	100%	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%	100%	PRC	Property development
Fo Shan Rui Fang Property Development Co., Ltd.	PRC 21 May 2008	Registered capital RMB690,000,000 Paid up capital RMB105,768,504	100%	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%	100%	PRC	Property development
Fo Shan Shui On Property Development Co., Ltd.	PRC 8 January 2008	Registered and paid up capital RMB700,000,000	100%	100%	PRC	Property development
Fo Shan Yi Kang Property Development Co., Ltd.	PRC 8 January 2008	Registered and paid up capital RMB700,000,000	100%	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%	100%	PRC	Property development
Fo Shan Yuan Kang Property Development Co., Ltd.	PRC 29 February 2008	Registered capital RMB700,000,000 Paid up capital RMB669,397,251	100%	100%	PRC	Property development
Galore Profits Limited	BVI 23 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Global Ocean Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Globaland Limited	Hong Kong 30 October 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding

48. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2009	2008	Place of operation	Principal activities
Globe State Properties Limited	BVI 12 October 2005	100 ordinary shares of US$1 each	100%	70%	Hong Kong	Investment holding
Glory Advance Investments Limited	BVI 18 August 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Glory Wing Holdings Limited	BVI 15 January 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Grand Hope Limited (Note 4)	Hong Kong 14 March 2003	2 A ordinary shares of HK$1 each and 2 B ordinary shares of HK$1 each	A shares: 80.2% B shares: 60.15%	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%	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%	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%	100%	PRC	Property development
Hing Tin Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Hollyfield Holdings Limited	Mauritius 19 April 2001	2 ordinary shares of US$1 each	75%	75%	Hong Kong	Investment holding
Infoshore International Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Info Union Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Innovate Zone Group Limited	BVI 3 January 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Intellect Profit Investments Limited	BVI 10 August 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Interchina International Limited	BVI 12 January 2001	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Join Legend Limited	Hong Kong 2 June 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Joyous Bond Limited	BVI 18 April 2008	1 ordinary share of US$1	75%	100%	Hong Kong	Investment holding
Keen Allied Investments Limited	BVI 18 September 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
King Concord Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Kinmax Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	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%	100%	PRC	Provision of management services
Land Pacific Limited	Hong Kong 2 November 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Legend City Limited	Hong Kong 4 June 1997	2 ordinary shares of HK$1 each	51%	51%	Hong Kong	Investment holding

48. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2009	Attributable equity interest held (Note 1) 2008	Place of operation	Principal activities
Lijiang Shui On Management Consultation Co., Ltd.	PRC 10 November 2008	Registered and paid up capital US$500,000	100%	100%	PRC	Provision of management services
Lucky Gain Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Magic Best Investments Limited	BVI 19 July 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Magic Bright Investments Limited	BVI 18 September 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Marble Way Limited	BVI 28 August 1996	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Merry Wave Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Modern Prosper Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Mount Eastern Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
New Asia Limited	Hong Kong 31 October 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
New Power Profits Limited	BVI 18 October 2005	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Nice In Investments Limited	BVI 18 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Onfair Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Onwin Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Oriental Gain Limited	Hong Kong 2 February 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Oriental Host Limited	Hong Kong 23 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Pacific Gain Limited	Hong Kong 11 September 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Portspin Limited	BVI 22 May 1997	100 ordinary shares of US$1 each	51%	51%	Hong Kong	Investment holding
Princemax Limited	Hong Kong 15 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Profitstock Holdings Limited	BVI 2 June 2005	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Regal Victory Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Rich Prime Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Rightchina Limited	BVI 2 July 2008	100 ordinary shares of US$1 each	60.15%	60.15%	Hong Kong	Investment holding
Rightidea Limited	BVI 2 July 2008	1 ordinary share of US$1	80.2%	80.2%	Hong Kong	Investment holding
Rise Lake Investments Limited	BVI 23 August 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Score High Limited	BVI 12 February 2003	1,000 ordinary shares of US$1 each	80.2%	80.2%	Hong Kong	Investment holding
Selfers Limited	BVI 29 November 1995	1 ordinary share of US$1	75%	75%	Hong Kong	Investment holding

48. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2009	2008	Place of operation	Principal activities
Shanghai Bai-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB151,300,000	97%	97%	PRC	Property development
Shanghai Feng Cheng Property Management Co., Ltd (previously known as Synergis Shui On Property Management (Shanghai))	PRC 18 January 2004	Registered and paid up capital US$375,000	100%	100%	PRC	Property management
Shanghai Fu Ji Properties Co., Ltd.	PRC 18 January 2004	Registered capital US$35,773,000 Paid up capital US$9,376,343	99%	99%	PRC	Property development
Shanghai Fu Xiang Properties Co., Ltd.	PRC 19 December 2001	Registered and paid up capital RMB645,000,000	99%	99%	PRC	Property development
Shanghai Ji-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB71,600,000	97%	97%	PRC	Property development
Shanghai Jing Fu Property Co., Ltd.	PRC 26 December 2001	Registered and paid up capital RMB400,000,000	99%	99%	PRC	Property development
Shanghai Jun Xing Property Co., Ltd. (Note 5)	PRC 5 March 2009	Registered capital RMB920,000,000 Paid up capital RMB477,312,089	49.98%	–	PRC	Property development
Shanghai Lakeville Properties Co., Ltd.	PRC 23 May 2001	Registered and paid up capital RMB165,000,000	99%	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%	99%	PRC	Property development
Shanghai IPO Food & Beverage Co., Ltd.	PRC 6 September 2006	Registered and paid up capital US$1,890,000	100%	100%	PRC	Food and beverage services
Shanghai Rui Chen Property Co., Ltd.	PRC 6 May 1996	Registered and paid up capital RMB189,000,000	75%	75%	PRC	Property development
Shanghai Rui Qiao Enterprise Management Co., Ltd.	PRC 23 April 2009	Registered and paid up capital RMB1,000,000	70%	–	PRC	Property development
Shanghai Rui Hong Xin Cheng Co., Ltd.	PRC 2 July 2001	Registered capital RMB2,000,000,000 Paid up capital RMB1,622,415,680	74.25%	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%	99%	PRC	Food and beverage services
Shanghai Synergies Shui On Yang Pu Property Management Co., Ltd.	PRC 27 January 2006	Registered and paid up capital RMB500,000	90%	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%	99%	PRC	Property management

48. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2009	2008	Place of operation	Principal activities
Shanghai Xin-tian-di Plaza Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB101,300,000	97%	97%	PRC	Property development
Shanghai Xing Bang Properties Co., Ltd.	PRC 21 June 2001	Registered and paid up capital RMB290,500,000	99%	99%	PRC	Property development
Shanghai Xing-Qi Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB274,900,000	97%	97%	PRC	Property development
Shanghai Xing Qiao Properties Co., Ltd.	PRC 18 January 2004	Registered capital US$115,000,000 Paid up capital US$95,868,834	99%	99%	PRC	Property development
Shanghai Yang Pu Centre Development Co., Ltd. (Note 6)	PRC 26 August 2003	Registered capital US$137,500,000 Paid up capital US$85,500,000	70%	70%	PRC	Property development
Shui On Development (Holding) Limited	Cayman Islands 27 July 2005	22 ordinary shares of US$0.01 each	100%	100%	PRC	Investment holding
Shui On Land Management Limited	Hong Kong 12 May 2004	1 ordinary share of HK$1	100%	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%	100%	Hong Kong	Investment holding
Shui On Resort Community (Dali) Limited	Hong Kong 13 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Lijiang) Holding Limited	BVI 28 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Lijiang) Limited	Hong Kong 5 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Shangri-La) Holding Limited	BVI 6 May 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Shangri-La) Limited	Hong Kong 13 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Kunming) Holding Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Kunming) Limited	Hong Kong 25 July 2006	1 ordinary share of HK$1	100%	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%	100%	Hong Kong	Investment holding
Shine First Limited	BVI 25 October 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shine Prime Investments Limited	BVI 2 November 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Secretaries & Nominees Limited	Hong Kong 30 November 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Provision of secretarial services

48. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2009	2008	Place of operation	Principal activities
Silomax Limited	BVI 25 March 1996	1 ordinary share of US$1	75%	75%	Hong Kong	Investment holding
Sino Realty Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Sino Wisdom Investments Limited	BVI 12 May 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Sinoco Limited	Hong Kong 28 October 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Sinothink Holdings Limited	BVI 15 September 2000	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Smart Century Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Smart Silver Limited	BVI 18 December 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Super Field Limited	Hong Kong 25 February 2005	1 ordinary share of HK$1	75%	75%	Hong Kong	Investment holding
Timezone Management Limited	BVI 28 February 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Tip Profit Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Top Faith Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	75%	100%	Hong Kong	Investment holding
Top Victory Development Limited	Hong Kong 5 March 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Triumph Sky Group Limited	BVI 23 October 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Union Grow Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Victory Win Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	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%	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%	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%	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 Property Co., Ltd. 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 2009 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 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 Co., Ltd. other than the Chongqing Super High Rise Project.
5. The Group holds 51% equity interest in Portspin, which holds 98% equity interest in Shanghai Jun Xing Property Co., Ltd. The Group's effective interest in Shanghai Jun Xing Property Co., Ltd is therefore 49.98%.
6. 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 of 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 70.0% to 86.8% by 16.8% and SYKIZ's interest will be diluted from 30% to 13.2% by 16.8%.