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2009
Annual Report

SHIMAO PROPERTY HOLDINGS LIMITED
世茂房地產控股有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 813

Yantai Shimao No. 1 The Harbour

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Hui Wing Mau *(Chairman)*

Hui Sai Tan, Jason *(Vice Chairman)*

Yao Li

Ip Wai Shing, Andy

Tung Chi Shing

Liu Sai Fei

Independent Non-executive Directors

Kan Lai Kuen, Alice

Lu Hong Bing

Gu Yunchang

Lam Ching Kam

AUDIT COMMITTEE

Kan Lai Kuen, Alice *(Committee Chairman)*

Lu Hong Bing

Gu Yunchang

Lam Ching Kam

REMUNERATION COMMITTEE

Hui Wing Mau *(Committee Chairman)*

Kan Lai Kuen, Alice

Lu Hong Bing

Gu Yunchang

Lam Ching Kam

NOMINATION COMMITTEE

Hui Wing Mau *(Committee Chairman)*

Kan Lai Kuen, Alice

Lu Hong Bing

Gu Yunchang

Lam Ching Kam

CHIEF FINANCIAL OFFICER

Hui Wai Man, Lawrence

COMPANY SECRETARY

Lam Yee Mei, Katherine

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKERS

Agricultural Bank of China Limited

China Construction Bank Corporation

Industrial and Commercial Bank of China (Asia) Limited

Standard Chartered Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
Grand Cayman
KY1-1106
Cayman Islands

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 4307-12, 43rd Floor
Office Tower
Convention Plaza
1 Harbour Road, Wanchai
Hong Kong

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock code: 813

INVESTOR AND MEDIA RELATIONS

Investor Relations Department
Email: ir@shimaoproperty.com
Tel: (852) 2511 9968
Fax: (852) 2511 0278

The Location of Our Current Projects

Land bank (Total Planned GFA) of 32.4 million sq.m.

Yangtze River Delta	54.9%
Bohai Rim	22.7%
Western China	7.0%
Other	15.3%

01. **Shanghai** ○
Shanghai Shimao Riviera Garden ○
Shanghai Shimao International Plaza ○
Le Royal Meridien Shanghai ○
Shanghai Le Meridien Sheshan ○
Shanghai Shimao Sheshan Villas ○
Hyatt On The Bund Shanghai ○
Shanghai Shimao Wonderland ◎
Shanghai Shimao Emme County ○
02. **Beijing** ○
Beijing Shimao Olive Garden ○
Beijing Shimao Tower ◎
Beijing Shimao Gongsan Plaza ◎
03. **Nanjing** Shimao Bund New City ◎
04. **Kunshan** ○
Kunshan Shimao Butterfly Bay ○
Kunshan Shimao East No. 1 New City ○
05. **Changshu** Shimao The Center ●
06. **Suzhou** Shimao Canal Scene ●
07. **Wuxi** Transport Shimao Project (temp) ●
08. **Changzhou** Shimao Champagne Lakeside Garden ●
09. **Xuzhou** Shimao Dongdu ●
10. **Taizhou** Shimao Riverside Garden ●
11. **Hangzhou** ○
Hangzhou Shimao Riviera Garden ○
Hangzhou Shimao Jiangbin I & II Project ○
Hangzhou Shimao Yuhang Project ○
Hangzhou Shimao Xiasha Commercial Project ○
12. **Shaoxing** Shimao Dear Town ●
13. **Jiaxing** Shimao Century Garden ●
14. **Ningbo** Shimao World Gulf ○
15. **Yantai** Shimao No. 1 The Harbour ○
16. **Qingdao** Shi'ao Tower ◎
17. **Tianjin** Shimao Ecology City Project ○
18. **Dalian** ○
Dalian Lvshunkou Shimao Project ○
Dalian Jinzhou Shimao Carnival Project (temp) ●
19. **Wuhan** ○
Wuhan Shimao Splendid River ○
Wuhan Shimao Caidian Project ○
20. **Wuhu** Shimao Riviera Garden ●
21. **Xianyang** Shimao Urban Complex (temp) ○
22. **Harbin** Shimao Riviera New City ○
23. **Shenyang** ○
Shenyang Shimao Wulihe ○
Shenyang Shimao Qipanshan Project ●
24. **Chengdu** Longquanyi Project ○
25. **Mudanjiang** ○
Mudanjiang Shimao Beishan Project ○
Mudanjiang Shimao Jiangnan Project ○
26. **Fuzhou** ○
Fuzhou Shimao Skyscrapers ○
Fuzhou Shimao Bund Garden ◎
27. **Xiamen** ○
Xiamen Coastal Shimao Project (temp) ○
Xiamen Shimao Riverside Capital Project (temp) ○

○ **Shimao Property** ◎ **Shanghai Shimao** ● **Integrated Project** **YRD** **Bohai Rim** **Regional Centre**

Harbin 22
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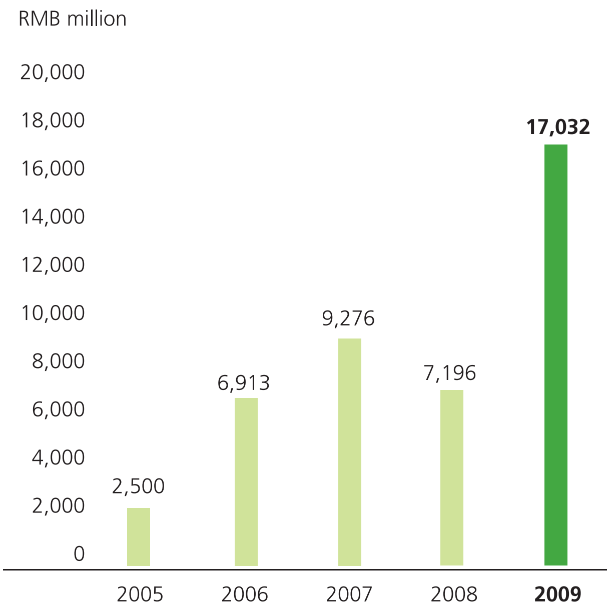
Ningbo

Five Years Financial Summary

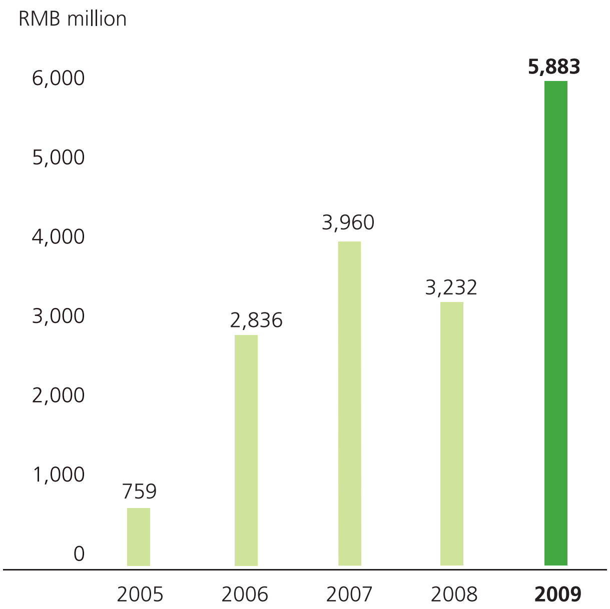
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Revenue	2,500,430	6,913,442	9,275,925	7,196,277	**17,032,063**
Cost of sales	(1,741,188)	(4,077,436)	(5,315,775)	(3,964,242)	**(11,149,395)**
Gross profit	759,242	2,836,006	3,960,150	3,232,035	**5,882,668**
Gains on deemed disposal to minority interests	—	—	—	—	**1,501,093**
Fair value gains/(losses) on investment properties	902,639	1,000,831	1,155,253	(122,749)	**213,834**
Other gains	99,617	73,625	1,614,054	442,118	**158,609**
Selling and marketing costs	(106,388)	(207,576)	(192,433)	(281,756)	**(470,427)**
Administrative expenses	(189,270)	(460,008)	(757,384)	(1,065,837)	**(1,107,286)**
Other operating expenses	(7,343)	(143,853)	(117,412)	(75,053)	**(179,961)**
Operating profit	1,458,497	3,099,025	5,662,228	2,128,758	**5,998,530**
Finance (costs)/income – net	(1,866)	39,034	(167,231)	(349,630)	**(307,187)**
Share of results of:					
– Associated companies	17,741	201,027	112,870	(3,132)	**19,925**
– Jointly controlled entities	—	(13)	175	9,498	**(1,072)**
	17,741	201,014	113,045	6,366	**18,853**
Profit before income tax	1,474,372	3,339,073	5,608,042	1,785,494	**5,710,196**
Income tax expense	(488,064)	(1,060,323)	(1,434,257)	(925,226)	**(2,107,212)**
Profit for the year	986,308	2,278,750	4,173,785	860,268	**3,602,984**
Profit for the year attributable to equity holders of the Company	907,993	2,278,750	4,091,782	841,159	**3,511,201**
Non-current assets	8,244,973	13,883,525	21,728,469	24,782,435	**31,640,613**
Current assets	7,320,010	13,812,602	17,542,133	21,698,906	**34,886,970**
Total assets	15,564,983	27,696,127	39,270,602	46,481,341	**66,527,583**
Non-current liabilities	2,881,386	7,687,482	12,023,481	12,500,198	**18,419,537**
Current liabilities	10,173,379	8,480,276	8,434,913	14,943,724	**22,590,961**
Total liabilities	13,054,765	16,167,758	20,458,394	27,443,922	**41,010,498**
Net assets	2,510,218	11,528,369	18,812,208	19,037,419	**25,517,085**
Equity attributable to equity holders of the Company	2,510,218	11,528,369	18,448,184	18,695,819	**23,347,874**
Minority interests	—	—	364,024	341,600	**2,169,211**
Total equity	2,510,218	11,528,369	18,812,208	19,037,419	**25,517,085**

Note: The figures for 2006, 2007, 2008 and 2009 are extracted from the annual reports of the Company. The figures for 2005 are extracted from the prospectus of the Company dated 22 June 2006. To be consistent with 2009 presentation, certain comparative figures prior to 2007 have been reclassified in the consolidated financial statements: Land appreciation tax expense was reclassified from cost of sales to income tax expense, while finance income was reclassified from other gains to finance (costs)/income-net.

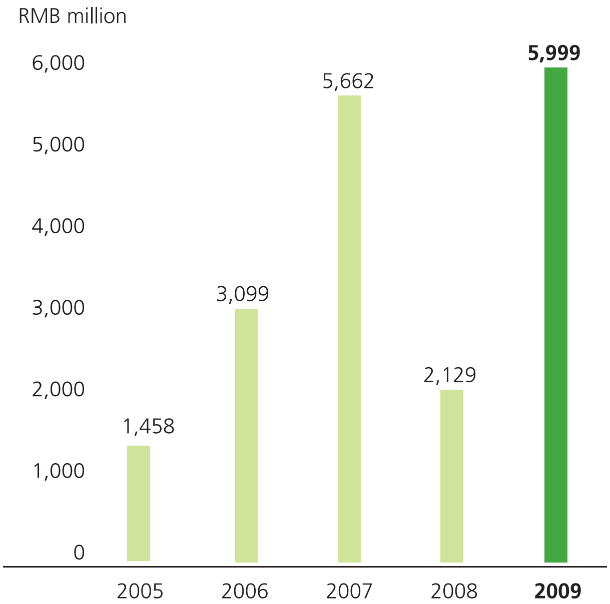
Revenue



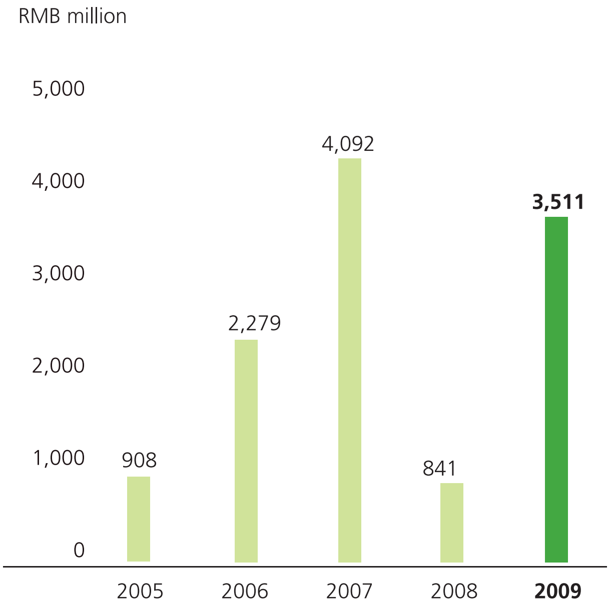
Gross profit



Operating profit



Profit attributable to equity holders



Chairman's Statement

Shaoxing Shimao Dear Town

Chairman's Statement

Dear shareholders,

I am pleased to present the annual results of Shimao Property Holdings Limited ("Shimao Property" or the "Company" and together with its subsidiaries, the "Group") for the year ended 31 December 2009.

2009 Annual Results

Kunshan Shimao Butterfly Bay

Looking back 2009, while the global economy suffered from widespread malaise brought about by the financial crisis, China's economy by contrast continued to deliver solid performance. With RMB4 trillion invested by the government to boost the economy, China's GDP grew 8.7%. China's real estate market even experienced a dramatic recovery in 2009, seeing recovery, rebound and new highs in less than one year's time. 2009 marked the 20th anniversary of Shimao Property's entering China's real estate market and the 3rd anniversary of its listing in Hong Kong. During the unfavourable time, the Company remained prudent and reserved its resources. When signs of recovery were seen, the Company seized the opportunities and achieved excellent results in return. The Company steadily expanded, leveraging our outstanding management and accurate judgment of the market. The annual contracted sales achieved a new high again.

During the year under review, we reported realized revenue of RMB17.03 billion, representing an increase of 137% over 2008. The Group successfully completed the commercial projects reorganization and made a historical move to enter into the A-share market, realizing an one-off after tax exceptional gains of RMB936 million. Operating profit increased by 182% to approximately RMB6.0 billion. Profit attributable to shareholders amounted to RMB3.51 billion, significantly up 317% over that of previous year. Excluding after tax effect of major non cash items: fair value gains on the investment properties, one-off gains of A-Share restructuring of Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), depreciation and amortization, and goodwill of a total of RMB737 million, core profit attributable to shareholders amounted to approximately RMB2.77 billion, representing a year-on-year increase of 150%.

As a token of gratitude to our shareholders' long-term support, the board of directors (the "Board") recommended the payment of a final dividend of HK23 cents (2008: HK13 cents) per share for the year ended 31 December 2009. The dividend payout ratio was approximately 37% of cash profit. The Company will maintain a consistent and stable dividend policy and will fix a reasonable level of percentage for annual dividend distribution. The Board will take into consideration of various factors such as the Group's profit, cash flow, capital requirements and other factors as deemed relevant when deciding the annual dividend proposal.

Market Review and Outlook

2010 signifies the beginning of Shimao Property's third decade in China, and it is also a year full of uncertainties. To rein in soaring land and property prices, the central government has been issuing a series of regulatory measures since end of last year, resulting in tightened overall control over land supply, tax and credits. The People's Bank of China has so far raised the reserve requirement ratio by 0.5%. Rate hike expectations are also getting higher. These all signal tightening credit in 2010, which in turn means another significant challenge to real estate enterprises' capital chain. Wen Jiabao, Premier of the State Council, stated in the 2010 government work report that the government will promote the healthy and stable development of the property market, curb the precipitous rise of housing prices in some cities, improve the methods for managing and using income from land, keep land prices from rising too fast, rein in speculative home purchases, and support self-use house consumption. Such measures set the rational and clear direction for the long-term development of the industry.

China is undergoing an unprecedented urbanization process. At present, China's urbanization ratio is approximately 47%. According to the central government's road map, the urbanization ratio will rise to 60% by 2020, and if so, it is estimated that a rural population of over 100 million will become urban population in the coming 10 years. The huge solid demand resulted from such conversion, coupled with the fact that land supply in China is limited, will be a big boost for the real estate market.

Looking ahead to 2010, we see opportunities as well as challenges. We need to be well prepared for all our work, fully implement our "standardization and refinement" management strategy, enhance the Group's each and every competitiveness, and closely monitor macroeconomic policies and changes in the market. We strongly believe that a strong financial position, prudent land bidding strategy and outstanding management will be the foundation for sustainable development for all real estate enterprises. We will take the opportunity to further enhance our sales to meet our target of achieving RMB30 billion of contracted sales in 2010. In the hotel property and commercial property businesses, the Group believes that the upcoming World Expo 2010 in Shanghai will boost our hotel property and commercial property businesses and thus we are optimistic about their future performance.

In such a rapidly changing global economy, we must have deep insight into and be responsive to the market so that we will not let any opportunities slip through our fingers and be able to manage and deal with any risks. Despite the unpredictable policy conditions and market conditions in 2010, the Group will ensure the achievement of its operational targets by closely watching and analyzing the market trends and responding to them in a timely manner.

A Stronger Sense of Social Responsibility and Higher Involvement in Charitable Activities

The Group always ties its profit-making goals to its social responsibility. While we are achieving the goal of making stable profit and sustainable operations, we are committed to our social responsibility by actively contributing to a harmonious society, maintaining the Group's positive social image and promoting its sustainability.

In 2009, the Group ranked one of the Hurun Corporate Social Responsibility Top Fifty 2009 (胡潤企業社會責任50強) and Beijing Ten Best Social Responsibility Performing Real Estate Enterprises (北京履行社會責任十佳房地產企業) and clinched other awards. In December, Shimao Property was named as a National Star Overseas Chinese Enterprise (全國明星僑資企業) by the Overseas Chinese Affairs Office of the State Council (國務院僑辦) for the third time and was ranked the first, thus fully demonstrating the leading and modeling roles of the Group among the overseas Chinese enterprises.

Over the past many years, Shimao Property has been actively involved in charitable activities in the society. Meanwhile, the construction of the first 60 Shimao Caring Hospitals (世茂愛心醫院) have been completed on the whole and they will commence service in turn. 40 Shimao Caring Hospitals are being constructed. The Group's charity initiatives were recognized by the society and it ranked number six in the China Charity List (中國慈善榜), won the Charity Special Contribution Award (特別貢獻獎) of the China Charity Award (中華慈善獎), the highest charity award in China, and other recognitions.

Shanghai Shimao Wonderland

Explore a New Way of Construction — Go Green Ecological Architecture

Facing the worsening global climate crisis, a low-carbon development strategy and construction of low-carbon communities are not only the social responsibility of the whole real estate industry, but also a must-go way for the sustainable development of the real estate industry.

Adhering to its "harmony in architecture and environment" development philosophy, Shimao Property is actively involved in developing and constructing ecological buildings and will make it our new corporate development direction. Apart from implementing the principles of environmental protection, energy-saving and low carbon emission in our planning and design work, Shimao Property also takes part in the design of Sino-Singapore Tianjin Eco-City (天津中新生態城). With an aim making it a landmark project as our first ecological city and model project, we will apply the most advanced and innovative ecological technologies available to make it the standard and a role model for ecological architecture and zero-carbon life development for China and the world.

Appreciation

On behalf of the Board, I would like to thank our shareholders, partners, local governments and customers for their tremendous support. At the same time, I would like to take this opportunity to express my heartfelt gratitude to our directors, management and staff for their enormous contribution. Their support has enabled the Group to achieve its success and goals.

Hui Wing Mau
Chairman
Hong Kong, 13 April 2010

Management Discussion and Analysis

Hyatt on the Bund Shanghai

Management Discussion and Analysis

Overview

Market Review

During the year under review, the overall operating environment of the China's real estate market improved due to a stable economic growth. A great deal of the pented up purchasing power was released since the second quarter, thus drove prices up. In 2009, the areas sold and the sales of commercial property in China were 937 million sq.m. and RMB4,400 billion respectively, representing a growth 42% and 75% over 2008 respectively. The average selling price was RMB4,695 per sq.m., representing an increase of 21% over 2008. In 2009, the investment in real estate development in China was approximately RMB3,600 billion, representing a growth of 16% over 2008, which was lower than the average growth rate of 25% since 2000 by only 9 percentage points.

According to the information published by the Ministry of Land and Resources on 2 February 2010, the total land grant fees in China in 2009 was RMB1,590 billion, representing a year on year increase of 63% and accounting for 23% of the fiscal income of the central government. In addition, the average price of the top ten residential sites of the highest transaction prices in 2009 was RMB7.5 billion, representing a growth of 45% as compared to 2008. The average price of the top ten of the highest floor prices was over RMB26,000 per sq.m., representing a growth of 60% as compared to 2008. Meanwhile, the major property enterprises speeded up building up their land bank. In 2009, the top twenty enterprises in terms of new land bank built up a new land bank over 45 million sq.m. in the aggregate.

In our opinion, the economic stimulus packages introduced in China at the end of 2008, the real property related policies introduced by the central government and the governments at all levels, and the moderately loose monetary policy significantly contributed to the rapid recovery and rebound of the real property market in 2009.

Suzhou Shimao Canal Scene

Xiamen Shimao Riverside Capital Project

Business Review

Property Development

1) *Recognized sales revenue*

The turnover of the Group mainly included the businesses of property development, property investment and hotel operations. In 2009, the turnover of the Group increased by 137% to RMB17.03 billion from RMB7.20 billion in 2008.

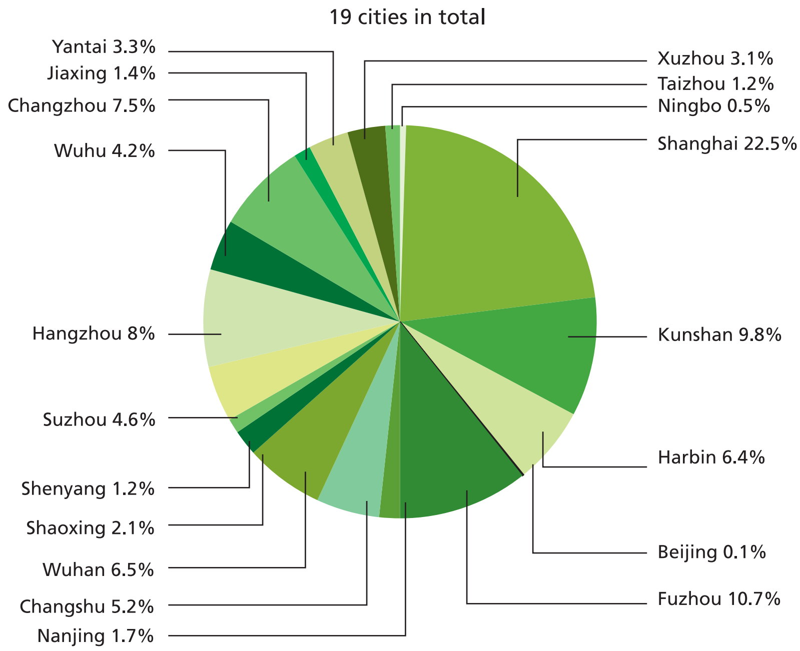
During the year, property sales revenue was RMB16.18 billion, accounting for 95% of total revenue and representing a growth of 159% over 2008. The average recognized selling price (including sales of associated companies) decreased to RMB8,507 per sq.m. in 2009 by 7% from RMB9,119 per sq.m. in 2008. The decrease in the average recognized selling price was due to the sales of the projects of second-tier cities accounting for a much higher proportion in the sales of the Group in 2009, despite the higher unit price year on year in the sales of individual projects.

Wuhan Shimao Splendid River

The recognized delivered GFA and relevant details of each project in 2009 are set out as follows:

Project	Turnover (RMB million)	Saleable GFA Booked (sq.m.)	Average Selling Price (RMB/sq.m)	Group's Interest as at 31 December 2009
Shimao Property				
Shanghai Shimao Riviera Garden	2,636	65,288	40,380	100%
Fuzhou Shimao Skyscrapers	1,713	112,113	15,308	100%
Hangzhou Shimao Riviera Garden	1,311	156,230	8,392	100%
Changzhou Shimao Champagne Lakeside Garden	1,232	163,279	7,544	100%
Wuhan Shimao Splendid River	1,058	138,049	7,663	96%
Harbin Shimao Riviera New City	1,044	234,554	4,446	100%
Kunshan Shimao East No. 1	1,012	194,967	5,189	100%
Suzhou Shimao Canal Scene	760	104,878	7,249	100%
Changshu Shimao The Center	729	131,010	5,562	100%
Kunshan Shimao Butterfly Bay	602	99,127	6,075	100%
Shanghai Shimao Emme County	590	67,030	8,802	100%
Yantai Shimao No.1 The Harbour	547	47,411	11,540	100%
Wuhu Shimao Riviera Garden	530	71,103	7,447	100%
Xuzhou Shimao Dongdu	513	99,656	5,145	100%
Shanghai Shimao Sheshan Villas	456	11,104	41,050	100%
Shaoxing Shimao Dear Town	338	40,201	8,402	100%
Jiaxing Shimao Century Garden	229	58,154	3,940	100%
Taizhou Shimao Riverside Garden	201	51,611	3,899	100%
Ningbo Shimao World Gulf	83	5,856	14,237	100%
Beijing Shimao Olive Garden	12	667	18,845	100%
Sub-Total	15,595	1,854,288	8,410	
Shanghai Shimao				
Nanjing Shimao Bund New City	274	25,547	10,718	82%
Shenyang Shimao Wulihe (commercial property)	194	20,539	9,447	64%
Wuhu Shimao Riviera Garden (commercial property)	164	10,837	15,173	64%
Changshu Shimao The Center (commercial property)	116	10,711	10,864	64%
Fuzhou Shimao Bund Garden	45	4,459	10,107	82%
Sub-Total	793	72,093	11,009	
Total (Shimao Property) + (Shanghai Shimao)	16,388	1,926,382	8,507	

Analysis by City- Sales of Properties in Turnover - RMB 16.39 billion



Hangzhou Shimao Riviera Garden

In 2009, projects recognized by the Group totalled 23, representing an increase over the 15 projects in 2008. Among which, recognized sales revenue from Shanghai Shimao Riviera Garden, Fuzhou Shimao Skyscrapers, Hangzhou Shimao Riviera Garden, Changzhou Shimao Champagne Lakeside Garden, Wuhan Shimao Splendid River, Harbin Shimao Riviera New City and Kunshan Shimao East No. 1 amounted to over RMB1 billion respectively. The total sales revenue of the above 7 projects accounted for approximately 62% of the total sales revenue of the Group.

2) *Robust Sales Growth Surpassing Annual Sales Target*

In 2009, contracted sales of the Group amounted to RMB22.5 billion, representing a growth of 90% year-on-year. Total contracted sales area reached 2.5 million sq.m., representing an increase of 98% year-on-year. Of the 24 projects were available for sale by the Group in 2009, the actual number of sales contracts executed for 18 projects exceeded the respective targets. Among which, sales revenue of 11 projects, including Shanghai Shimao Riviera Garden, Fuzhou Shimao Skyscrapers, Hangzhou Shimao Riviera Garden, Suzhou Shimao Canal Scene, Kunshan Shimao Butterfly Bay, Beijing Shimao Gongsan Plaza, Ningbo Shimao World Gulf, Shaoxing Shimao Dear Town, Wuhan Shimao Splendid River, Harbin Shimao Riviera New City and Changshu Shimao The Center exceeded RMB1 billion respectively. A large number of projects available for sale and the encouraging sales performance served to accelerate the recovery of funds by the Group and bring about a positive cycle for its value chain.

Nanjing Shimao Bund New City

The Group expects to launch 38 projects in 2010, including Kunshan Shimao East No. 1, Wuhan Shimao Splendid River, Harbin Shimao Riviera New City, Ningbo Shimao World Gulf, Hangzhou Shimao Riviera Garden, Kunshan Shimao Butterfly Bay, Xuzhou Shimao Dongdu, Suzhou Shimao Canal Scene, Shaoxing Shimao Dear Town, Dalian Lvshunkou Shimao Project, Changshu Shimao The Center, Beijing Shimao Gongsan Plaza, Yantai Shimao No. 1 The Harbour, Shenyang Shimao Wulihe, Mudanjiang Shimao Project, Tianjin Shimao Ecology City Project, Chengdu Shimao Project, Jiaxing Shimao Century Garden, Hangzhou Shimao JiangBin Project (50%), Nanjing Shimao Bund New City, Wuxi Shimao Project and Shanghai Shimao Emme County. This will increase saleable area by approximately 3.66 million sq.m., which, together with the available for sale inventory carried forward of approximately 658,000 sq.m., will boost the Group's total saleable GFA during 2010 to 4.3 million sq.m..

Shanghai Shimao Riviera Garden

Project available for sale in 2010:

Projects	GFA (Sq.m)	%
Shimao Property		
Kunshan Shimao East No.1	262,100	8.74%
Wuhan Shimao Splendid River	220,945	7.36%
Ningbo Shimao World Gulf	210,000	7.00%
Hangzhou Shimao Riviera Garden	210,000	7.00%
Kunshan Shimao Butterfly Bay	196,260	6.54%
Xuzhou Shimao Dongdu	180,000	6.00%
Suzhou Shimao Canal Scene	173,620	5.79%
Shaoxing Shimao Dear Town	144,000	4.80%
Changzhou Shimao Champagne Lakeside Garden	111,560	3.72%
Hangzhou Shimao JiangBin I & II Project (50%)	100,000	3.33%
Xiamen Shimao Riverside Capital Project	100,000	3.33%
Tianjin Shimao Ecology City Project	100,000	3.33%
Others	991,515	33.06%
Sub - Total	Approx. 3,000,000	100.00%
Shanghai Shimao		
Changshu Shimao The Center (Commercial)	151,568	22.96%
Ningjing Shimao Riviera New City	93,407	14.15%
Shaoxing Shimao Dear Town (Commercial)	58,626	8.90%
Hangzhou Shimao XiaSha Project	53,132	8.88%
Beijing Shimao GongSan Plaza	48,031	8.05%
Kunshan Shimao East No.1 (Commercial)	46,421	7.03%
Shengyang Shimao Wulihe (Commercial)	28,398	4.30%
Others	180,417	27.34%
Sub - Total	Approx. 660,000	100.00%
Total (Shimao Property + Shanghai Shimao)	Approx.3,660,000	
Inventory as at 31 Dec 2009	Approx.658,000	
Total Saleable GFA during 2010	Approx.4,318,000	

There are 31 projects in 26 cities.

3) *Development Projects and Plans Progressing on Schedule*

The total GFA completed by the Group in 2009 amounted to approximately 2 million sq.m., representing an increase of 11% over 2008. During the year, smooth progress was made in the Group's projects across the country, with new floor area under construction amounting to 5.9 million sq.m.. As at 31 December 2009, the Group has a total of 35 projects under development across 22 cities. The increase in the number of projects under construction laid a solid foundation for the future development of the Group.

Completion breakdown in 2009 – A total of 17 projects with 1.98 million sq.m were completed in 2009:

Project	GFA Completed (sq.m.)	Group's interest
Shimao Property		
Changzhou Shimao Champagne Lakeside Garden	248,443	100%
Suzhou Shimao Canal Scene	205,676	100%
Kunshan Shimao East No. 1	191,384	100%
Fuzhou Shimao Skyscrapers	176,476	100%
Changshu Shimao The Centre	176,304	100%
Xuzhou Shimao Dongdu	135,216	100%
Shanghai Shimao Riviera Garden	100,001	100%
Yantai Shimao No. 1 The Harbour	86,610	100%
Taizhou Shimao Riverside Garden	80,000	100%
Hangzhou Shimao Riviera Garden	70,980	100%
Wuhan Shimao Splendid River	51,246	96%
Harbin Shimao Bund New City	49,929	100%
Shenyang Shimao Wulihe	34,609	100%
Kunshan Shimao Butterfly Bay	31,243	100%
Ningbo Shimao World Gulf	15,000	100%
Sub Total	1,653,117	
Shanghai Shimao		
Changshu Shimao The Centre (Commercial)	101,709	64%
Kunshan Shimao East China Mall	88,249	64%
Wuhu Shimao Riviera Garden (Commercial)	75,464	64%
Shenyang Shimao Wulihe (Commercial)	63,355	64%
Sub Total	328,777	
Total (Shimao Property + Shanghai Shimao)	1,981,894	

Looking forward to 2010, the floor area planned to be completed by the Group is approximately 3.1 million sq.m., representing a growth of 55% over 2009. The Group's total area under construction in 2010 amounted to 10 million sq.m.. The planned increase in development projects mainly corresponds to the increase in the floor area due for delivery in 2010, which ultimately serves to sustain the growth momentum in the Group's turnover. Nevertheless, the Group would adjust its target should there be any material changes in the market sentiment.

4) *Steady Expansion of Land Bank Reserve Ensuring Sustainable Development*

Shimao Property as a real estate developer has earned a reputation for its unparalleled expertise in identifying sites with great potential for development. The Group's strategy to acquire high quality and large parcels of lands at reasonable costs has endowed it with competitive advantage over industry counterparts. Against the backdrop of dim market outlook in 2009, the Group was quick to adjust its strategy by actively acquiring lands in the Yangtze River Delta Region, Bohai Bay Region, West Coast of the Straits and other regions/cities with rapid economic growth, thereby securing the development rights of numerous parcels of land.

As at the end of 2009, Shimao Property has a land bank reserve of 32.4 million sq.m., ranked among the leading real estate developers with the largest land reserves in China. In terms of geographical distribution, the land parcels newly acquired by Shimao Property in 2009 are mainly situated in second-tier provincial cities with solid economic foundation and enormous development potential, and where real estate market has not yet reached saturation, such as Hangzhou, Xiamen, Wuxi, Dalian, Qingdao, Wuhan and Chengdu, thereby ensuring room for development and capability to withstand risks for the relevant projects. In terms of gross floor area, the total planned GFA of the eleven parcels of land newly acquired by the Group in 2009 is approximately 6.4 million sq.m.. In terms of land price, the average accommodation value of the new land reserve acquired during the year was approximately RMB2,100 per sq.m.. The above figures highlighted the Group's approach to expand land bank reserve in a discreet manner and adherence to prudent management, thereby enabling it to strike a balance between achieving rapid development and managing risks effectively. The acquisition of large amount of high quality lands at low costs reinforced Shimao's core competitiveness and capability to withstand risks. As at the end of 2009, the Group's average land cost was RMB1,650 per sq.m.. The relatively low cost land helped ensure a higher profit margin in future.

Fuzhou Shimao Skyscrapers

New land acquisitions of the Group in 2009:

Project		Acquisition Date	Uses	Land Cost (RMB million)	Total Planned GFA ('000 sq.m)	Unit Land Cost (RMB/sq.m)	Group's Interest
1.	Qingdao Shi'ao Tower	May	Office/Retail	920	240	3,833	48%
2.	Xiamen Shimao Riverside Capital Project	June	Residential/Retail	3,020	453	6,667	100%
3.	Dalian Jinzhou Shimao Carnival Project	July	Residential/Retail	1,105	1,300	850	100%
4.	Xiamen Coastal Shimao Project	Oct	Residential/Office/ Retail/Hotel	709	270	2,626	82%
5.	Wuxi Transport Shimao Project	Oct	Residential/Office/ Retail/Hotel	4,260	1,400	3,043	95%
6.	Hangzhou Yuhang Shimao	Oct	Residential/Retail	360	180	2,000	100%
7.	Hangzhou Xiasha Commercial Shimao	Nov	Office/Retail	601	250	2,403	64%
8.	Chengdu Longquanyi Project	Nov	Residential/Retail	730	500	1,460	100%
9.	Shanghai Fengxian Shimao II	Nov	Residential	206	232	888	100%
10.	Tianjin Shimao Ecology City Project	Nov	Residential/Hotel	1,559	1,061	1,469	75%
11.	Wuhan Caidian Shimao Project	Dec	Retail/Hotel	168	501	335	64%
Total/Average				13,638	6,387	2,135	

Property Investment

During the year under review, turnover of the Group from leasing of investment properties amounted to RMB211 million, representing an increase of 17% over last year. Commercial properties of the Group continued to report satisfactory results and contribute stable return to the Group, reflecting the success of our property portfolio diversification strategy.

In 2009, Shimao Property has successfully completed the injection of commercial projects and commercial property into Shanghai Shimao, thereby acquiring a 64% equity interest in Shanghai Shimao. Through this reorganization, Shanghai Shimao has become Shimao Property's commercial property development vehicle.

The asset reorganization has provided Shanghai Shimao with the opportunity for profit enhancement and business expansion. At present, Shanghai Shimao has a land bank reserve of approximately 8 million sq.m., ranked top among the listed real estate developers in China with the largest land reserve for commercial usage, and was named among the "Top Ten Most Influential Real Estate Enterprises (Commercial category) in China 2009".

Shanghai Shimao has established long-term and stable co-operation relationship with over 380 quality business partners. Meanwhile, Shimao Department Store and Shimao International Studio, as the perfect complements to the product portfolio of Shanghai Shimao, will serve to further strengthen its industry chain of development and operation, consolidate its competitive advantage from diversification, and bring about new profit generator. Currently, the Shimao Department Stores in Fuzhou and Shenyang have commenced operations, while the Shimao Department Stores in Yantai, Wuhu and Beijing will commence operations in the next two years. As for its cinema development plan, 15 Shimao International Studios will be built within three years with 100 new cinema screens, and will increase to 40 Studios with 300 new cinema screens within five years.

The investment property projects of the Group in 2009:

Retail & Office	Total GFA (sq. m)	Date of Commencing Operation	2009 Revenue (RMB million)	2008 Revenue (RMB million)	Growth (%)
Shanghai Shimao International Plaza	71,239	Dec 2004 – Phase I May 2007 – Phase II	**147**	153	(4)
Beijing Shimao Tower	70,175	Jun 2008 – Retail Mar 2008 – Office	**49**	27	81
Changshu Shimao The Center	43,357	1Q 2009 - Retail	**13**	—	N/A
Others			**2**	—	N/A
Total			**211**	180	17

Hotel Operations

During the year under review, turnover of the Group's hotel business amounted to RMB642 million, representing a drop of 17% year-on-year; earnings before interest, tax, depreciation and amortization amounted to RMB195 million, representing a decrease of RMB70 million from 2008. The drop was attributable to the disappointing revenue of the three hotels operated by Shimao in Shanghai, as the global financial crisis has dealt a blow to Shanghai's luxury hotel industry. Nevertheless, the upcoming World Expo 2010 in Shanghai provides great opportunities for Shanghai's high-end hotel industry with booming potential demand. Meanwhile, we are optimistic about the global economic outlook and the future development of China's travel industry, and remain confident of the prospects of our hotel operations.

The three Shimao hotels currently operating in Shanghai saw a continued enhancement in brand awareness and recognition. As at the end of December 2009, Shimao offered a total of over 1,700 guest rooms and continued to command leading market share in Shanghai's international top-class hotel market. Apart from establishing long-term strategic co-operation relationship with internationally renowned hotel groups, the Group has successfully launched its self-operated "S-Suites" brand serviced apartments in 2009 to provide hotel-style services for strata-titled serviced apartments.

The hotel projects of the Group in 2009:

Hotel	No. of Guest Rooms	Date of Commencing Operation	Average Room Rate (USD/room)		Turnover (RMB million)		EBITDA (RMB million)	
			2009	2008	**2009**	2008	**2009**	(restated) 2008
Shanghai Le Méridien Sheshan	327	Nov 2005	**130**	145	**104**	123	**27**	35
Le Royal Méridien Shanghai	770	Sept 2006	**175**	232	**302**	370	**120**	153
Hyatt on the Bund	631	Jun 2007	**178**	260	**236**	278	**59**	89
Total	1,728				**642**	771	**206**	277

* Exchange Rate : US$1 = RMB 6.8346

Broadened funding sources ensuring sound financial position

Adoption of a loose credit policy by the Central Government in 2009 helped provide a favorable market environment for the financing operation of Shimao Property. In addition to the granting of large credit facilities by China's Big Four state-owned banks, large and medium-sized joint-stock commercial banks and foreign-funded banks were also enthusiastic in extending credit facilities to the Group. The fund thus secured not only met the financing need of the Group's various projects, it also served as the funding pool for the on-going development of new projects and expansion of land bank reserve. Meanwhile, the extension of large credit facilities by banks at the time of global economic restructuring also demonstrated the banking sector's confidence in our long-term stable development.

Apart from striving to broaden its funding sources, the Group also reinforced its financial management by applying a combination of financial instruments, thereby enhancing the efficiency in fund utilization and liquidity to ensure steady and rapid corporate growth. As at the end of 2009, the Group has cash on hand and restricted cash of RMB7.5 billion. Moreover, the Group has adhered to prudent financial strategies by maintaining its net gearing ratio at a reasonable level of 51.9%, with a view to minimize financial risks.

Financial Analysis

Key consolidated income statement figures are set out below:

	2009 RMB million	2008 RMB million
Revenue	**17,032**	7,196
Gross profit	**5,883**	3,232
Operating profit	**5,999**	2,129
Profit attributable to shareholders	**3,511**	841
Earnings per share - Basic (RMB cents)	**101.7**	25.6

Revenue

For the year ended 31 December 2009, the revenue of the Group was approximately RMB17.03 billion (2008: RMB7.20 billion), representing an increase of 137% over 2008. 95% (2008: 87%) of the revenue was generated from the sales of properties and 5% (2008: 13%) from hotel operation and leasing of commercial properties. The components of the revenue are analysed as follows:

	2009 RMB million	2008 RMB million
Sales of properties	**16,179**	6,245
Hotel operating income	**642**	771
Rental income from investment properties	**211**	180
Total	**17,032**	7,196

(i) Sales of properties

Sales of properties for the year ended 31 December 2009 and 2008 are shown below:

	2009		2008	
	Area (Sq.m.)	***RMB million***	Area (Sq.m.)	*RMB million*
Beijing Shimao Olive Garden	**668**	**12**	20,879	572
Wuhan Shimao Splendid River *(note 1)*	**138,049**	**1,058**	34,089	317
Shaoxing Shimao Dear Town	**40,201**	**338**	5,045	51
Harbin Shimao Riviera New City	**236,554**	**1,044**	126,278	557
Changshu Shimao The Center	**141,721**	**845**	119,209	854
Kunshan Shimao Butterfly Bay	**99,127**	**602**	77,060	608
Shanghai Shimao Sheshan Villas	**11,104**	**456**	24,714	1,166
Shanghai Shimao Riviera Garden	**65,288**	**2,636**	439	47
Kushan Shimao East No. 1 New City	**194,967**	**1,011**	61,556	322
Hangzhou Shimao Riviera Garden	**156,230**	**1,311**	61,793	493
Shanghai Shimao Emme County	**67,030**	**590**	5,092	42
Wuhu Shimao Riviera Garden	**81,940**	**694**	86,849	652
Fuzhou Shimao Skyscrapers	**112,113**	**1,713**	6,477	136
Shenyang Shimao Wulihe	**20,539**	**194**	1,681	68
Suzhou Shimao Canal Scene	**104,878**	**760**	57,556	359
Jiaxing Shimao Century Garden	**58,154**	**229**	—	—
Changzhou Shimao Champagne Lakeside Garden	**163,279**	**1,232**	—	—
Nanjing Shimao Bund New City *(note 2)*	**5,094**	**69**	—	—
Fuzhou Shimao Bund Garden *(note 2)*	**4,158**	**41**	—	—
Yantai Shimao No.1 The Harbour	**47,411**	**547**	—	—
Xuzhou Shimao Dongdu	**99,656**	**513**	—	—
Taizhou Shimao Riverside Garden	**51,611**	**201**	—	—
Ningbo Shimao World Gulf	**5,856**	**83**	—	—
Sub-total (a)	**1,905,628**	**16,179**	688,717	6,244
Nanjing Shimao Bund New City *(note 2)*	**20,453**	**205**	6,999	91
Fuzhou Shimao Bund Garden *(note 2)*	**301**	**4**	1,516	23
Sub-total (b)	**20,754**	**209**	8,515	114
Sub-total (c) — attributable	**10,377**	**105**	4,258	57
Total (a) + (b)	**1,926,382**	**16,388**	697,232	6,358
Total (a) + (c)	**1,916,005**	**16,284**	692,975	6,301

Note 1:

The attributable interests was 70.01% for the period ended 30 November 2009 and 96.05% for the remaining period of 2009 after acquisition of additional shares in the project company from minority interests.

Note 2:

For the five months ended 31 May 2009, revenue attributable to the Group generated from associated companies holding Nanjing Shimao Bund New City and Fuzhou Shimao Bund Garden has not been consolidated in the consolidated financial statements. After the completion of acquisition of Shanghai Shimao, these associated companies became our subsidiaries and the revenue for the period from 1 June to 31 December 2009 was consolidated in our consolidated financial statements

(ii) Hotel income

Hotel operating income are analysed below:

	2009 RMB million	2008 RMB million
Shanghai Le Méridien Sheshan	**104**	123
Le Royal Méridien Shanghai	**302**	370
Shanghai Hyatt on the Bund	**236**	278
Total	**642**	771

Hotel operating income decreased approximately 17% to RMB642 million in 2009 from RMB771 million in 2008. Decrease was due to the lower occupancy rate triggered by global economic downturn and the threat of the human H1N1 flu epidemic.

(iii) Rental income

Rental income from investment properties amounted to RMB211 million. The rental income increased by 17% mainly attributable to the growth in number of units rented in Beijing Shimao Tower, as well as commencement of lease of Changshu Shopping mall.

	2009 RMB million	2008 RMB million
Shanghai Shimao International Plaza	**147**	153
Beijing Shimao Tower	**49**	27
Changshu Shopping Mall	**13**	—
Others	**2**	—
Total	**211**	180

Cost of sales

Cost of sales increased by 181% to approximately RMB11,149 million in 2009 from RMB3,964 million in 2008, primarily due to the increase in cost of properties sold in line with the increase in areas of properties delivered. Cost of sales are analysed as follows:

	2009 RMB million	2008 RMB million
Sales taxes	**944**	391
Land costs, construction costs and capitalised borrowing costs	**9,870**	3,191
Direct operating costs for hotels and commercial properties	**335**	382
Total	**11,149**	3,964

Fair value gains/losses on investment properties

During the year under review, the Group recorded aggregate fair value gains of RMB214 million (2008: fair value losses of RMB123 million) mainly contributed by Shanghai Shimao International Plaza and Beijing Shimao Tower. Aggregate net fair value gains after deferred income tax of RMB54 million recognised was RMB160 million (2008: fair value losses after deferred income tax of RMB92 million).

Gains on deemed disposal to minority interests

Upon the completion of acquisition of Shanghai Shimao and other relevant commercial projects in 2009, gain on deemed disposal to minonty interests of RMB1,501 million was recorded in 2009. The total net gain after relevant taxes recognized in income statements amounted to RMB936 million (2008: Nil).

Other gains

Other gains of RMB159 million for the year ended 31 December 2009 (2008: RMB442 million) included mainly government grants rather than net foreign exchange gain in 2008. The drop was due to decrease of foreign exchange gain as a result of a more stable USD to RMB exchange rate in 2009.

Selling and marketing costs and administrative expenses

Selling and marketing costs for the year was RMB470 million (2008: RMB282 million). The increase was mainly due to our efforts to promote new projects. Administrative expenses increased by 4% which was mainly due to the deed tax and other levies on the acquisition of Shanghai Shimao.

Operating profit

Operating profit amounted to approximately RMB6.0 billion for the year ended 31 December 2009, representing a significant increase of 182% over 2008 (2008: RMB2.1 billion).

Finance costs - net

Net finance costs decreased to RMB307 million (2008: RMB350 million) mainly due to more interest expenses capitalised in 2009.

Share of results of associated companies & jointly controlled entities

Share of profits of associated companies amounted to RMB20 million (2008: share of losses of RMB3 million). Share of losses of jointly controlled entities amounted to RMB1 million (2008: share of profits of RMB9 million).

Taxation

The Group's tax provisions amounted to RMB2,107 million, which included land appreciation tax of RMB555 million (2008: RMB925 million, which included land appreciation tax of RMB521 million) for the year.

Ningbo Shimao World Gulf

Profit attributable to shareholders

Profit attributable to shareholders for the year increased significantly by 317% from RMB841 million in 2008 to RMB3,511 million in 2009. Profit from core business attributable to shareholders of the Company excluding aggregate fair value gains on investment properties net of income tax of RMB132 million (2008: fair value losses RMB92 million), net gains on deemed disposal to minority interests of RMB936 million (2008: Nil), depreciation and amortization net of income tax of RMB179 million (2008: RMB173 million) and the amount of goodwill impaired exceeding negative goodwill realised of RMB153 million (2008: RMB2 million), amounted to RMB2.77 billion (2008: RMB1.11 billion), representing a increase of 150% when compared with 2008 profit from core business after excluding same items.

Liquidity and financial resources

As of 31 December 2009, total assets of the Group were RMB66.53 billion, of which current assets reached RMB34.89 billion. Hotel properties are stated at cost less accumulated depreciation and impairment losses rather than at fair market value. In order to provide additional information of the fair market value of the three completed hotels, the Directors have appointed an independent valuers, DTZ, Debenham Tie Leung Limited to perform a fair market valuation of the three hotels as at 31 December 2009. Had the three hotels been stated at fair value, the net assets of the Group would have been increased by RMB4.8 billion (after related income tax). Total liabilities were RMB41.01 billion, whereas non-current liabilities were RMB18.42 billion. Total equity were RMB25.52 billion, of which equity attributable to the shareholders of the Company amounted to RMB23.35 billion.

As of 31 December 2009, the Group had aggregate cash and bank balances (including restricted cash balances for borrowings) of approximately RMB7.28 billion (31 December 2008: RMB1.92 billion), total borrowings amounted to approximately RMB20.53 billion (31 December 2008: RMB14.43 billion). Total net borrowings were RMB13.25 billion (31 December 2008: RMB12.51 billion). Net gearing ratio decreased from 65.7% as at 31 December 2008 to 51.9% as at 31 December 2009.

The maturity of the borrowings of the Group as at 31 December 2009 is set out as follows:

	RMB million
Bank borrowings	
Within 1 year	**3,932**
Between 1 and 2 years	**2,680**
Between 2 and 5 years	**5,886**
Over 5 years	**3,993**
Senior notes	
Between 1 and 2 years	**1,691**
Over 5 years	**2,345**
Total	**20,527**

The borrowings were denominated in different currencies set out below:

	Original currency million	RMB equivalent million
US$	**591**	**4,037**
HK$	**3,005**	**2,646**
RMB	**13,844**	**13,844**

Financing activities

During 2009, the banks agreed in principle to provide banking facilities to the Group in amounts set out as follows.

	RMB billion
Agricultural Bank of China	**15.0**
Industrial and Commercial Bank of China	**10.0**
China Construction Bank	**10.7**
Standard Chartered Bank	**12.0**
Bank of China	**4.6**
	52.3

In April 2009, the Group has made a placement with net proceeds of HK$1.9 billion to early repay the US$328 million syndicated loans.

Foreign exchange risks

Other than financing activities such as foreign currency borrowings which were denominated in foreign currencies, the Group conducts its business almost exclusively in RMB. The Group would be affected mainly by the outstanding foreign currency borrowings which include, US$600 million senior notes and HK$3,005 million bank loans as at 31 December 2009.

Pledge of assets

As of 31 December 2009, the Group had pledged properties and equipment, land use rights, properties under development, investment properties, cash and cash equivalents and available-for-sale financial assets with a total carrying amount of RMB20.7 billion to secure bank facilities granted to the Group. The corresponding bank loans amounted to approximately RMB14.5 billion. The Group had also pledged shares of certain subsidiaries for total bank borrowings of RMB0.26 billion.

Contingent liabilities/financial guarantees

As of 31 December 2009, the Group had provided guarantees for approximately RMB3.6 billion in respect of the mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties.

Capital and property development expenditure commitments

As of 31 December 2009, the Group had contracted capital and property development expenditure but not provided for amounted to RMB22.6 billion.

Shenyang Shimao Wulihe

Employees and remuneration policy

As of 31 December 2009, the Group employed a total of 3,949 employees. Total remuneration for the period amounted to RMB422 million. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses will be offered to those staff with outstanding performance. Share option schemes were adopted to attract and retain talents to contribute to the Group. In relation to staff training, the Group also provides different types of programmes for its staff to improve their skills and develop their respective expertise.

Investor relations

The Group's investor relations team is devoted to enabling the most effective communication between the Company, shareholders, the financial community and other stakeholders. We adhere to the best practice of high transparency and consistency in the disclosure of information whether the market is favourable to the property sector or otherwise. The team is very pleased to have earned the recognition from shareholders, investors and analysts for the Group's integrity in communicating the Company's strategies and performance for the three years since its listing. To help our management and stakeholders better understand the market environment, policy change and company performance, the Group participated in numerous investors conferences to reach a large audience, issued quarterly newsletters and monthly operation data to update stakeholders, designated time to answer shareholders' questions at annual and extraordinary general meetings, and accommodated almost all requests for meetings, calls, and project visits as long as they are in compliance to the Listing Rules. Our management team's quick response to market changes, its robust financial position and strong sales performance have attracted the financial community's attention. Analyst coverage has increased substantially to 22 facilitating better understanding of the Company by a larger investing community.

Report of the Directors

Shanghai Shimao Emme County

Report of the Directors

The directors (the "Directors") of Shimao Property Holdings Limited (the "Company") have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, investment and hotel operation. The principal activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2009 are set out on pages 56 to 151 of this annual report.

The Directors recommended the payment of a final dividend of HK23 cents (2008: HK13 cents) per ordinary share for the year ended 31 December 2009. The proposed final dividend, if approved at the forthcoming annual general meeting of the Company ("AGM") to be held on 31 May 2010, will be payable on 7 June 2010 to the shareholders whose names appear on the register of members of the Company on 31 May 2010.

The register of members of the Company will be closed on Friday, 28 May 2010 and Monday, 31 May 2010. In order to qualify for the proposed final dividend and to determine who are entitled to attend the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 27 May 2010.

RESERVES

Movement in the reserves of the Company and the Group during the year are set out in note 21 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of the Group's total turnover and 30% of the Group's total purchases respectively during the year.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in the major suppliers noted above.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Company and the Group as at 31 December 2009 are set out in note 22 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to RMB5,819,000 (2008: RMB42,649,000).

PROPERTY AND EQUIPMENT

Details of property and equipment of the Group are set out in note 6 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 20 to the consolidated financial statements.

Details of the movements of the share options of the Company during the year are set out on page 110 of this annual report.

FINANCIAL HIGHLIGHTS

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 6 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights over shares of the Company under the Company's articles of association or the laws of Cayman Islands where the Company is incorporated.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors

Mr. Hui Wing Mau *(Chairman)*
Mr. Hui Sai Tan, Jason *(Vice Chairman)*
Ms. Yao Li
Mr. Ip Wai Shing, Andy
Mr. Tung Chi Shing
Mr. Liu Sai Fei (appointed on 1 February 2010)

Independent Non-executive Directors

Ms. Kan Lai Kuen, Alice
Mr. Lu Hong Bing
Mr. Gu Yunchang
Mr. Lam Ching Kam

Non-executive Director

Mr. Tang Ping Fai (resigned on 1 February 2010)

In accordance with article 86(3) of the Company's articles of association, Mr. Liu Sai Fei, who was appointed Director of the Company after the last annual general meeting of the Company, will hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election at the AGM.

In accordance with article 87 of the Company's articles of association, Mr. Hui Wing Mau, Mr. Ip Wai Shing, Andy and Mr. Lu Hong Bing will retire by rotation and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting.

None of the Directors, including Directors being proposed for re-election at the forthcoming annual general meeting, has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

The Company has received, from each of the Independent Non-executive Directors, a confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all the Independent Non-executive Directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this report, no contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INFORMATION ON SHARE OPTIONS

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme") on 9 June 2006.

(1) Pre-IPO Share Option Scheme

(a) Movement of share options under the Pre-IPO Share Option Scheme during the year ended 31 December 2009 was as follows:

			Number of share options					
	Date of grant (DD/MM/YY)	Exercise price per share (HK$)	As at 1 January 2009	Exercised	Lapsed	As at 31 December 2009	Exercise period (DD/MM/YY)	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK$)
Name of Directors								
Hui Sai Tan, Jason	09/06/06	5.625	1,056,000	—	(528,000)	528,000	01/04/07-08/06/12	—
Yao Li	09/06/06	5.625	1,452,000	—	(528,000)	924,000	01/04/07-08/06/12	—
Ip Wai Shing, Andy	09/06/06	5.625	1,734,400	—	(512,000)	1,222,400	01/04/07-08/06/12	—
Tang Ping Fai (resigned on 1 February 2010)	09/06/06	5.625	1,788,600	(500,000)	(528,000)	760,600	01/04/07-08/06/12	13.88
			6,031,000	(500,000)	(2,096,000)	3,435,000		
Senior Management and Employees of the Group	09/06/06	5.625	29,499,850	(11,412,100)	(5,779,800)	12,307,950	01/04/07-08/06/12	13.73
			35,530,850	(11,912,100)	(7,875,800)	15,742,950		

(b) The purpose of the Pre-IPO Share Option Scheme is to give the participants an opportunity to have a personal stake in the Company and help motivate the participants to optimize their performance and efficiency, and also to retain the participants whose contributions are important to the long-term growth and profitability of the Group.

(c) Options to subscribe for a total of 63,920,000 ordinary shares of the Company have been granted to directors and selected employees on 9 June 2006.

(d) Each option has a 6-year exercise period with 30% vesting on 31 March 2007, another 30% vesting on 31 March 2008 and the remaining 40% vesting on 31 March 2009.

(e) The consideration paid by each grantee for each grant of options is HK$1.00.

(f) Performance targets have been imposed as conditions for the grant of options under the Pre-IPO Share Option Scheme.

(g) Upon listing of the Company on 5 July 2006, the Pre-IPO Share Option Scheme was terminated and no further option may be granted under the Pre-IPO Share Option Scheme. However, the options granted but not yet exercised shall continue to be valid and exercisable in accordance with the terms of the Pre-IPO Share Option Scheme.

(2) Share Option Scheme

(a) The purpose of the Share Option Scheme is to provide the participants the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the shares of the Company for the benefit of the Company and shareholders of the Company as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the participants.

(b) The Directors may, at their discretion, invite any directors, employees and officers of any member of the Group and any advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners and service providers of any member of the Group to participate in the Share Option Scheme.

(c) The total number of shares which may be issued upon exercise of all options (the "Share Options") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.

(d) The total number of shares issued and to be issued upon exercise of the Share Options granted to each participant under the Share Option Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue and any further grant of Share Options which would result in the number of shares of the Company issued as aforesaid exceeding the said 1% limit must be approved by the shareholders of the Company.

(e) The exercise price of the Share Options shall be no less than the higher of (i) the closing price of the shares of the Company on the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant.

(f) The consideration paid by each grantee for each grant of options is HK$1.00.

(g) Performance targets have been imposed as conditions for the grant of options under the Share Option Scheme.

(h) The Share Option Scheme will expire on 8 June 2016.

Other details of the Pre-IPO Share Option Scheme and Share Option Scheme are set out in note 20 to the consolidated financial statements.

DISCLOSURE OF INTERESTS IN SECURITIES

Directors' and chief executive's interests and short position in the share capital of the Company

As at 31 December 2009, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")(Cap. 571 of the Laws of Hong Kong) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules were as follows:

(1) Long position in the shares of the Company

Name of Directors	Capacity/ Nature of Interests	Number of ordinary shares held	Approximate percentage of issued share capital
Hui Wing Mau	Interest of controlled corporation	2,048,120,000 (Note)	57.82%
Hui Sai Tan, Jason	Beneficial owner	1,584,000	0.04%
Yao Li	Beneficial owner	1,188,000	0.03%
Ip Wai Shing, Andy	Beneficial owner	338,000	0.01%
Tang Ping Fai (resigned on 1 February 2010)	Beneficial owner	950,000	0.03%

Note: These 2,048,120,000 shares represents the interest in the Company held by Gemfair Investments Limited and Shiying Finance Limited, companies which are directly wholly-owned by Mr. Hui Wing Mau.

(2) Long position in the underlying shares of the Company

Details of the interests of Directors in the share options were stated in the section under the heading "Information on Share Options".

Save as disclosed above, no other interests or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) were recorded in the Register.

Directors' Right to Acquire Shares or Debentures

Save as disclosed above, at no time during the year was the Company, any of its subsidiaries, or its holding company a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests of Substantial Shareholders

As at 31 December 2009, the interests and short position of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long/short position in the shares or underlying shares of the Company

Name	Nature of interest	Number of shares or underlying shares held	Approximate percentage of issued share capital
Long position			
Gemfair Investments Limited ("Gemfair")	(Note 1)	1,947,984,000	54.99%
Overseas Investment Group International (PTC) Limited ("Overseas Investment")	(Note 2)	1,947,984,000	54.99%

Notes:

(1) The interests disclosed represents the interests in the Company which is held by Gemfair, a company which is directly wholly-owned by Mr. Hui Wing Mau.

(2) The interests disclosed represents the right of Overseas Investment to vote on behalf of Gemfair as a shareholder at general meetings of the Company, pursuant to a deed dated 12 June 2006 between Gemfair and Overseas Investment, as long as Mr. Hui Wing Mau or his associates (directly or indirectly) hold not less than a 30% interest in the Company. Overseas Investment is the trustee of W.M. Hui Unit Trust, all the units of which are held by W.M. Hui Family Trust of which Mr. Hui Wing Mau and his immediate family are discretionary objects.

Save as disclosed above, no other interest or short position in the shares and underlying shares of the Company were recorded in the Register.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed below that during the year ended 31 December 2009, the following Directors were considered to have interests in the following businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

Mr. Hui Wing Mau, the Chairman and an Executive Director, currently owns property development interests in the PRC through a number of private companies (collectively the "Private Group").

The Directors, including those interested in the businesses of the Private Group, will, as and when required under the Company's Articles of Association, abstain from voting on any board resolution in respect of any contract, arrangement or proposal in which he/she or any of his/her associates has a material interest.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CONNECTED TRANSACTIONS

Completion of restructuring proposal with Shanghai Shimao Co., Ltd. ("Shanghai Shimao")

In June 2009, the Group completed the injection of a number of retail and commercial properties in the PRC, most of which through equity transfers, into Shanghai Shimao, a company listed on the Shanghai Stock Exchange, satisfied by issuance of 630,000,000 shares of Shanghai Shimao. In addition, the Group also subscribed for new shares of Suifenhe Shimao Enterprises Development Co., Ltd. ("Shimao Enterprises", formerly known as "Shanghai Shimao Enterprises Development Co., Ltd."), which previously held approximately 37% interest in Shanghai Shimao, for RMB749,992,000. Shimao Enterprises then subscribed for 62,240,000 shares of Shanghai Shimao using the proceeds received of RMB749,992,000 (collectively the "Transaction").

After the completion of the Transaction, the Group owns an effective equity interest of 64.21% in Shanghai Shimao and a direct equity interest of 50.9% in Shimao Enterprises. Mr. Hui Wing Mau, Chairman of the Company, is also the Chairman of Shanghai Shimao.

Mr. Xu Shiyong is a nephew of Mr. Hui, the Chairman, an executive director and controlling shareholder of the Company. Accordingly, Mr. Xu Shiyong is a connected person of the Company by virtue of Rule 14A.11 (4)(c) of the Listing Rules. Prior to completion of the Transaction, Mr. Xu Shiyong was the controlling shareholder of Shimao Enterprises holding approximately 93.3% of its issued share capital. Shimao Enterprises in turn held approximately 37.0% in Shanghai Shimao. Mr. Xu Shiyong's investment in Shimao Enterprises was funded by loan from Mr. Hui, and Mr. Xu Shiyong generally consulted Mr. Hui for his opinion before casting his votes as a shareholder of Shimao Enterprises. Hence each of Shimao Enterprises and Shanghai Shimao constituted an associate of Mr. Hui under Rule 1.01(a)(v) of the Listing Rules and was a connected person of the Company.

The Transaction constituted a major transaction and a connected transaction of the Company under Chapters 14 and 14A of the Listing rules. Approval from the independent shareholders of the Company and the China Securities and Regulatory Commission have been obtained respectively on 30 November 2007 and 3 September 2008. Transfer of shareholding interests in nine target companies and target asset from Peak Gain to Shanghai Shimao have been completed in May 2009.

Details of the Transaction were set out in the announcement dated 22 October 2007 and circular of the Company dated 15 November 2007.

In addition, a non-competition undertaking (the "Non-competition Undertaking") dated 19 February 2005 was entered into among the Company, Shanghai Shimao, Shimao Enterprises, Overseas Investment, Mr. Hui, Mr. Xu Shiyong and Shimao International Holdings Limited ("Shimao International"), whereby the parties thereto agree to delineate their respective property business on the terms and conditions set out therein. in light of the relationship among the parties to the Non-competition Undertaking would be changed upon completion of the Transaction, a supplementary agreement to the Non-competition Undertaking ("Revised Undertaking") was entered into among the above parties on 22 October 2007. Furthermore, in order to reflect the new commercial circumstances in relation to the new non-competition arrangements between the Company and its related parties, on 22 October 2007, the Company, Shanghai Shimao and Mr. Hui have also entered into the PRC non-competition agreement ("PRC Non-competition Agreement") to substitute the undertakings previously given by the Company and Shanghai Shimao to each other under the under the Non-competition Undertaking.

Upon completion of the Transaction, the new non-competition arrangements contemplated under the Revised Undertaking and the PRC Non-Competition Agreement have been effected, details of which are set out below:

	The Group	Shanghai Shimao	Mr. Hui
Shareholding Interests		Approximately 64.2% indirectly-owned by the Company	Companies under the Private Group, including Shimao International
Principal Business	Residential property and Hotel projects	Commercial property projects	Continue to hold a number of property development projects in Mainland China undertaken by the Private Group prior to the Non-competition Undertaking
Delineation with the Group		Delineation by the nature of the development projects	No new competing business with the Group
Carve-outs		Shanghai Shimao's existing projects in Mainland China prior to the PRC Non-competition Agreement	Private Group's existing projects in Mainland China and certain personal interests Mr. Hui has the right to engage in property business outside Mainland China in the event that the Company decides not to pursue such business

The Board, including the independent non-executive Directors, has reviewed the property business undertaken by the Group for 2009 and confirmed that the Group complied with the new non-competition arrangement during the year ended 31 December 2009.

Acquisition of interest in Wuhan Shimao Splendid River Real Estate Development Co., Ltd. ("Wuhan Shimao")

On 24 August 2009, Jade VIII, Inc. ("Jade VIII"), Peak Castle Assets Limited ("Peak Castle"), an indirect wholly-owned subsidiary of the Company, and the Company entered into a sale and purchase agreement (the "Agreement") whereby Peak Castle has agreed to acquire from Jade VIII certain number of issued and outstanding shares ("Sales Shares") of Modern Way Holdings Limited ("Modern Way") at the Purchase Price (as defined below) (the "Acquisition").

As at the date of the Agreement, Peak Castle held 70.01% of the equity interest in Wuhan Shimao and the remaining 29.99% of the equity interest in Wuhan Shimao was indirectly held by Jade VIII through its wholly owned subsidiaries. Accordingly, Jade VIII was a connected person of the Company and the Acquisition constituted a connected transaction for the Company under the Listing Rules.

Pursuant to the Agreement, the amount of the Purchase Price payable shall be determined by an amount equal to (a) the aggregate number of Sale Shares divided by (b) the aggregate number of issued and outstanding shares of Modern Way on completion ("the Sale Shares Percentage") and then multiplied by the US$ equivalent of RMB750 million ("Purchase Price"). If the existing investors of Jade VIII do not elect to retain any interest in Modern Way, the Sale Shares will represent the entire issued share capital of Modern Way, in which case the Sale Shares Percentage will be 100% and the Purchase Price will be the US$ equivalent of RMB750 million. If the existing investors of Jade VIII elect to retain the maximum amount which can be retained by them under the Agreement, i.e. 54.99% of the issued share capital of Modern Way, the Sale Shares will represent 45.01% of the issued share capital of Modern Way, in which case the Sale Shares Percentage will be 45.01% and the Purchase Price will be the US$ equivalent of approximately RMB337.6 million.

The payment schedule of the Acquisition was as follows:

(a) as to approximately US$11 million, which is US$ equivalent of RMB75 million, on the date of the Agreement

(b) as to 30% of the Purchase Price, on or prior to 31 October 2009

(c) as to the remaining balance of the Purchase Price, on or prior to 15 December 2009

On 21 September 2009, Jade VIII has irrevocably advised Peak Castle of the aggregate number of shares of Modern Way to be retained by their existing investors and the Sale Shares Percentage pursuant to the terms of the Agreement. The amount of Sale Shares acquired by Peak Castle was 8,684.245 shares of Modern Way and the Purchase Price was US$ equivalent of RMB651,318,375. The Acquisition was completed on 15 December 2009 and the Group indirectly owned approximately 96.054% of the equity interest of Wuhan Shimao.

Details of the Acquisition were disclosed in the announcements dated 24 August 2009 and 22 September 2009.

CONTINUING CONNECTED TRANSACTION

In June 2007, Morgan Stanley Real Estate Fund VI ("MSREF VI"), through an indirect subsidiary, Mount Profit Investments Limited ("Mount Profit"), acquired a 29.99% equity interest, but a voting power of less than 10%, in Wuhan Shimao, a 70.01% indirect subsidiary of the Company. The Stock Exchange exercised its discretion to deem MSREF VI and hence Morgan Stanley Asia Limited ("Morgan Stanley") to be a connected person of the Company by virtue of its considerable influence in Wuhan Shimao.

The Company entered into a mandate agreement ("Mandate Agreement") with Morgan Stanley on 30 June 2008, setting out the terms and conditions pursuant to which the Company can consider and, if thought appropriate, engage Morgan Stanley as a financial adviser, bookrunner, joint global coordinator, sponsor, placement agent, arranger, lender or underwriter in i) fixed income securities transactions, including bond issues, of the Group; ii) equity shares and equity-linked securities transactions, including IPOs, spin-off listings, follow-on offerings, convertible bonds and share buybacks, of the Group; and/or iii) investment banking services, including corporate finance, structuring, syndication financing, mergers and acquisitions advice and services.

The Mandate Agreement is valid for a period from 11 August 2008 (being the date of the relevant resolution approved by the independent shareholders of the Company) to 31 December 2010. Below is the annual cap for the advisory fees or underwriting commission payable by the Company to Morgan Stanley in respect of any engagement of Morgan Stanley for a transaction set out in the Mandate Agreement:

	For the period from 11 August 2008 to 31 December 2008	For the year ended 31 December 2009	For the year ended 31 December 2010
Advisory fees cap	US$20 million	US$20 million	US$20 million
Underwriting commission cap	US$40 million	US$40 million	US$40 million

The indemnity, in accordance with local and international market practice and under normal commercial terms, will be uncapped.

The Company has obtained from the Stock Exchange a waiver from strict compliance with the announcement and independent shareholders' approval requirement under Rule 14A.17 of the Listing Rules for the non-exempt continuing connected transaction.

During the year ended 31 December 2009, the Company has engaged Morgan Stanley & Co. International plc as one of the placing agents for the placing of 282,229,000 shares of the Company on 9 April 2009 and the commission paid by the Company amount to approximately US$1,659,724 which is within the cap.

In respect of the above continuing connected transaction, the Board, including the independent non-executive directors of the Company, has reviewed and confirmed that the Company has taken reasonable steps to select underwriters based on an adequate competition bidding process and the transaction was entered into:

(1) in the ordinary and usual course of the business of the Company;

(2) either on normal commercial terms or on terms no less favourable to the Company than terms available to or obtained from the independent third parties; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, PricewaterhouseCoopers, the auditor of the Company, have also performed certain agreed-upon procedures on the above continuing connected transaction and confirmed that the transaction entered into:

(1) was approved by the Board of Directors of the Company;

(2) had been entered into in accordance with the relevant agreements governing the transaction; and

(3) had not exceeded the cap disclosed above.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2009 and up to the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance which it believes is crucial to the development of the Group and safeguard the interests of the shareholders of the Company. Information on the Company's corporate governance principles and practices is set out in the Corporate Governance Report on page 44 to page 49 of this annual report.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment as auditor of the Company at the forthcoming annual general meeting of the Company.

On behalf of the Board
Hui Wing Mau
Chairman

Hong Kong, 13 April 2010

Corporate Governance Report

Shimao Property Holdings Limited (the "Company") is committed to achieving and maintaining high standards of corporate governance which it believes is crucial to the development of the Company and its subsidiaries (together the "Group") and safeguard the interests of the shareholders of the Company.

The corporate governance standards of the Company are built on the principles of independence, accountability, transparency and fairness. The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the financial year ended 31 December 2009 except for one deviation as set out under the paragraph on "Chairman and Chief Executive Officer" below.

A DIRECTORS

A.1 Board of Directors

The board of directors of the Company (the "Board") consisted of ten directors. The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board is committed to the Company's objective of consistent growth and development and increase in shareholder value. The Board sets strategies for the Company and monitors the performance and activities of the executive management.

The Board has four scheduled meetings a year at quarterly interval and meets as and when required. During the year 2009, the Board held four meetings. The attendance of the directors of the Company (the "Directors") at the Board meetings is set out below:

Directors	Number of attendance
Executive Directors:	
Hui Wing Mau *(Chairman)*	4/4
Hui Sai Tan, Jason *(Vice Chairman)*	4/4
Yao Li	4/4
Ip Wai Shing, Andy	4/4
Tang Ping Fai	4/4
Tung Chi Shing	4/4
Independent Non-executive Directors:	
Kan Lai Kuen, Alice	4/4
Lu Hong Bing	4/4
Gu Yunchang	4/4
Lam Ching Kam	4/4

A.2 Chairman and Chief Executive Officer

The roles of the chairman and chief executive officer of the Company have not been segregated as required by the provision A.2.1 of the Code.

Mr. Hui Wing Mau is the Chairman of the Company and the founder of the Group. With Mr. Hui's extensive experience in property development and investment, he is responsible for the overall strategic planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high calibre individuals. The Board currently comprises six Executive Directors and four Independent Non-executive Directors and therefore has a strong independence element in its composition.

A.3 Board Composition

The Company benefits from the collective experience of its Directors, who come from a variety of different backgrounds. Brief biographical particulars of all the Directors, together with information relating to the relationship among them, are set out in the "Directors and Senior Management Profiles" section under this annual report. Their diverse range of business and professional expertise ensures that the Board has the skills and experience necessary to both promote the Company's success and monitor its affairs.

The Board comprises six Executive Directors and four Non-executive Directors. All of the four Non-executive Directors are Independent Non-executive Directors who represent more than one-third of the Board. All the Independent Non-executive Directors meet the guidelines for assessment of independence, as set out in Rule 3.13 of the Listing Rules.

A.4 Appointments, Re-election and Removal of Directors

The Company has established a nomination committee on 9 June 2006 with written terms of reference. The Nomination Committee consists of five members, comprising Mr. Hui Wing Mau and the four Independent Non-executive Directors. The chairman of the Nomination Committee is Mr. Hui Wing Mau.

The primary function of the Nomination Committee is to identify and nominate suitable candidates for the Board's consideration and recommendation to stand for election by shareholders at annual general meeting, or when necessary, make recommendations to the Board regarding candidates to fill vacancies on the Board.

Attendance of individual members at Nomination Committee meeting during the year is as follows:

Directors	Number of attendance
Hui Wing Mau *(Committee Chairman)*	1/1
Kan Lai Kuen, Alice	1/1
Lu Hong Bing	1/1
Gu Yunchang	1/1
Lam Ching Kam	1/1

Each of the Directors has entered into a service contract with the Company for a specific term. However, such term is subject to his/her re-appointment by the Company at general meeting upon retirement by rotation pursuant to the articles of association of the Company (the "Articles"). The Articles state that each Director shall retire from office by rotation at least once every three years after he/she was last elected or re-elected and Directors holding offices as chairman and managing director are also subject to retirement by rotation. The Articles also provide that any Director appointed by the Board, either to fill a casual vacancy on the Board or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A.5 Responsibilities of Directors

Every newly appointed Director shall receive an information package from the company secretary on the first occasion of his appointment. This information package is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by a Director. In addition, the package includes materials on the operations and business of the Company. The senior management and the company secretary will subsequently conduct such briefing as is necessary, to ensure that the Directors have a proper understanding of the operations and business of the Company and that they are aware of their responsibilities under the laws and applicable regulations.

Management provides appropriate and sufficient information to Directors in a timely manner to keep them appraised of the latest development of the Group and enable them to discharge their responsibilities. Directors also have independent access to senior executives in respect of operating issues.

Every Director is aware that he should give sufficient time and attention to the affairs of the Company. The Directors are continually updated with legal and regulatory developments, business and market changes and strategic development of the Group to facilitate the discharge of their responsibilities.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. All Directors confirmed they had complied with the required standard set out in the Model Code during the year.

A.6 Supply of and Access to Information

In respect of regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying Board papers are sent in full to all Directors in a timely manner.

The Directors enable, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B.1 The Level and Make-up of Remuneration of Directors and Senior Management and Disclosure

The Company has established a remuneration committee on 9 June 2006 with written terms of reference. The Remuneration Committee consists of five members, comprising Mr. Hui Wing Mau and the four Independent Non-executive Directors. The chairman of the Remuneration Committee is Mr. Hui Wing Mau.

The primary functions of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration package of the directors and senior management and evaluate, make recommendations on the Company's share option schemes, retirement scheme and the performance assessment system and bonus and commission policies.

Attendance of individual members at Remuneration Committee meeting during the year is as follows:

Directors	Number of attendance
Hui Wing Mau (Committee Chairman)	1/1
Kan Lai Kuen, Alice	1/1
Lu Hong Bing	1/1
Gu Yunchang	1/1
Lam Ching Kam	1/1

During the year, the Remuneration Committee has reviewed the structure of remunerations for Directors and senior management of the Company. Details of the Directors' remuneration are set out in note 31 to the consolidated financial statements of this annual report.

C ACCOUNTABILITY AND AUDIT

C.1 Financial Reporting

The Directors are responsible for overseeing the preparation of the financial statements for each financial period which give a true and fair view of the Group's state of affairs and the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2009, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate accounting standards; made judgements and estimates that are prudent and reasonable; and ensured the accounts are prepared on the going concern basis.

The Company recognizes that high quality corporate reporting is important in reinforcing the trustworthy relationship with the Company's stakeholders and aims at presenting a balanced, clear and comprehensible assessment of the Company's performance, position and prospects in all corporate communications. The annual and interim results of the Company are announced in a timely manner after the end of the relevant periods.

A statement by the external auditor about their reporting responsibilities is included in the Independent Auditor's Report on pages 54 and 55 of this annual report.

C.2 Internal Controls

The Group has established an internal audit department which plays an important role in the Group's internal control system. The Internal Audit Department provides an independent appraisal of the Group's financial and operational activities and makes recommendations to the relevant management for necessary actions. The results of the internal audit reviews are reported to the Executive Directors and audit committee of the Company periodically. The Directors have reviewed the effectiveness of the Group's internal control system covering financial, operational, compliance and risk management functions, and consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

C.3 Audit Committee

The Company has established an audit committee on 9 June 2006 with written terms of reference pursuant to the rules set out in Chapter 3 of the Listing Rules. The Audit Committee consists of four members, namely Ms. Kan Lai Kuen, Alice, Mr. Lu Hong Bing, Mr. Gu Yunchang and Mr. Lam Ching Kam. All of them are Independent Non-executive Directors. The chairman of the Audit Committee is Ms. Kan Lai Kuen, Alice.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditor and provide advice and comments to the Directors.

Full minutes of Audit Committee meetings are kept by the company secretary. Draft and final versions of minutes of the Audit Committee meetings will be sent to all members of the Audit Committee for their comment and records respectively.

The Audit Committee meets the external auditor at least once a year to discuss any areas of concerns during the audits and considers any matters raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditor. The Audit Committee reviews the interim and annual reports before submission to the Board. The Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

Attendance of individual members at Audit Committee meetings during the year is as follows:

Directors	Number of attendance
Kan Lai Kuen, Alice *(Committee Chairman)*	2/2
Lu Hong Bing	2/2
Gu Yunchang	2/2
Lam Ching Kam	2/2

The major work performed by the Audit Committee during the year included, among other things, reviewing the internal audit report, internal audit plan, annual report, interim report and connected transactions.

The remuneration to the Company's auditor, Messrs. PricewaterhouseCoopers, in respect of the services rendered for the year ended 31 December 2009 is set out as follows:

Services rendered	RMB'000
Audit service	4,200
Other service	
– Review of interim financial information	2,100
	6,300

The Audit Committee is provided with sufficient resources, including the advice of external auditor to discharge its duties.

The consolidated annual results of the Group for the year ended 31 December 2009 have been reviewed by the Audit Committee.

D DELEGATION BY THE BOARD

D.1 Management Functions

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Group whilst managing the Group's business is the responsibility of the management.

Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports, announcements and circulars for Board approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of systems of internal controls and risk management procedures, compliance with relevant statutory requirements and rules and regulations.

D.2 Board Committees

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

The terms of reference of the above-mentioned committees require such committees to report back to the Board on their decisions or recommendations. Material matters will be reported to the Board by the other board committees according to their respective terms of reference.

E COMMUNICATION WITH SHAREHOLDERS

E.1 Effective Communication

The management believes that effective communication with the investment community is essential. During the year, the Executive Directors and Chief Financial Officer held regular briefings, attended investor forums and participated in roadshows with institutional investors and financial analysts in the PRC, Hong Kong and overseas countries to keep them abreast of the Company's business and development.

The annual general meeting provides a useful forum for the shareholders to exchange views with the Board. The Directors and Chief Financial Officer will attend the shareholder's meetings to answer the questions of shareholders. In addition, questions received from the general public and individual shareholders were answered promptly. Published documents together with the latest corporate information and news are made available on the Company's website.

E.2 Voting by Poll

Voting at general meetings of the Company must be taken by poll as set out in Rule 13.39(4) of the Listing Rules so that each share is entitled to one vote. The chairman of general meeting shall at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.

The Board will continue to devote efforts to maintain good corporate governance practices of the Company in future with a view to continuously enhancing shareholder value as a whole.

Directors and Senior Management Profiles

EXECUTIVE DIRECTORS

HUI WING MAU *(CHAIRMAN)*

Mr. Hui Wing Mau, aged 59, the Chairman and Executive Director of Shimao Property Holdings Limited ("the Company") and the founder of the Group. With over 20 years' experience in property development, property investment and hotel operation, he is primarily responsible for the Group's overall strategic planning and business management. Mr. Hui is currently a member of the National Committee of the Eleventh Chinese People's Political Consultative Conference, vice chairman of the China National Federation of Industry and Commerce, vice president of China Overseas Chinese Entrepreneurs Association, chairman of Shanghai Overseas Chinese Chamber of Commerce, vice chairman of China Housing Industry Association, a council member of the China Overseas Friendship Association, an honorary professor of Tong Ji University in Shanghai and vice chairman of the Beijing University of Chemical Technology. Mr. Hui obtained a Masters Degree in Business Administration from the University of South Australia. Mr. Hui is also the non-executive chairman of Shanghai Shimao Co., Ltd. and Shimao International Holdings Limited ("Shimao International"). He is a director of Gemfair Investments Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Future Ordinance. He has been an Executive Director of the Company since 8 November 2004. Mr. Hui is the father of Mr. Hui Sai Tan, Jason, the Vice Chairman and Executive Director of the Company.

HUI SAI TAN, JASON *(VICE CHAIRMAN)*

Mr. Hui Sai Tan, Jason, aged 33, the Vice Chairman and Executive Director of the Company. He has been the Group Sales Controller since he joined the Group in March 2000. Mr. Jason Hui is responsible for the sales, marketing, management and design of the Group's projects. He has more than 11 years' experience in the property development industry and has presided over the sales and marketing of Shanghai Shimao Riviera Garden which boasted top sales proceeds among residential projects in Shanghai for four consecutive years from 2001 to 2004. Mr. Jason Hui obtained a Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001 and a Masters Degree in Business Administration from the University of South Australia in 2004. He is a member of Shanghai Committee of the Chinese People's Political Consultative Conference. He has been an Executive Director of the Company since 17 November 2004 and was an executive director of Shimao International Holdings Limited from July 2002 to June 2006. Mr. Jason Hui is the son of Mr. Hui Wing Mau, the Chairman and Executive Director of the Company.

YAO LI

Ms. Yao Li, aged 55, has been the Group Operations Controller since November 2002. Ms. Yao is responsible for loan finance, management of enterprise operation, human resources, training and administrative support of the Group. Ms. Yao obtained a Masters Degree in Business Administration from the University of South Australia with more than 24 years' experience in office administration, human resources management and staff training. Ms. Yao worked for China Construction Bank from 1984 to 2002 and was posted to Hong Kong and Johannesburg between 1994 and 2002. She held various positions in the bank and was the Head of the Hong Kong Training Centre. She was an executive director of Shimao International Holdings Limited from February 2004 to February 2005. Ms. Yao has been an Executive Director of the Company since 25 January 2006.

IP WAI SHING, ANDY

Mr. Ip Wai Shing, Andy, aged 54, has been the Group Construction Controller since joining the Group in July 2003. Mr. Ip is responsible for overseeing the project constructions developed by the Group, and also the Group Technical Support and Quality Assurance Department. Mr. Ip was also responsible for setting up the Group Hotel Management Department at the beginning of 2004 and successfully had the Le Meridien She Shan Hotel (Shanghai), the Royal Meridien Hotel (Shanghai) and the Hyatt on the Bund Hotel (Shanghai) opened for operation under his supervision. From the beginning of 2008, Mr. Ip has dedicated to the Group Hotel Investment and Management Department responsible for setting up the strategic plan, coordinating pre-IPO activities, overseeing hotel operations and looking after design improvement, construction progress, cost control, quality assurance for the new hotel projects.

Mr. Ip obtained a Higher Certificate in Civil Engineering from Hong Kong Polytechnic in 1978. Mr. Ip has more than 31 years' experience in construction and project management, of which over 21 years are in China where part of it is hotel operation related. Prior to joining the Group, he served as project manager of Shui On (China) Ltd., Goldnice Investments Corp., Tian An (China) Investment Co., Ltd. and the Kerry Group from 1986 to 2002. Mr. Ip had also been involved as project manager in a number of property projects including the Royal Garden Hotel in Hong Kong in the 1980's, Dorchester Tower and Brunswick Garden in Canada from 1989 to 1991 and Wuhan Tian An Holiday Inn Hotel, Wuhan Shangri-La Hotel, Harbin Shangri-La Hotel and Beijing China World Trade Center Phase III from 1993 to 2002 in China. Mr. Ip was registered as a Technician Engineer CEI of the Council of Engineering Institutions in the United Kingdom. He was an executive director of Shimao International Holdings Limited from February 2004 to February 2005. Mr. Ip has been an Executive Director of the Company since 25 January 2006.

TUNG CHI SHING

Mr. Tung Chi Shing, aged 49, was appointed an Executive Director of the Company on 1 January 2008. He is responsible for the monitoring of project management for the Group's development projects and quality assurance. Mr. Tung graduated from The Hong Kong Polytechnic University and has worked in the Public Works Department of the Hong Kong Government, Dragages et Travaux Publics, FJT (HK) Ltd. and HCCM Nuclear Power Construction Joint Venture Company as quantity surveyor and was involved in a number of projects including Island Shangri-La and Conrad Hong Kong in Pacific Place, Hong Kong, Phase 1B of the University of Hong Kong, Stanley Fort Married Quarters, the Pumping Station Areas of the Daya Bay Nuclear Power Station and a five-star hotel in Xian, PRC. He was an executive director of Shimao International Holdings Limited from February 2005 to December 2007.

LIU SAI FEI

Mr. Liu Sai Fei, aged 48, has joined the Group since 2003 and was appointed an Executive Director of the Company on 1 February 2010. He is currently a Vice President and Regional Project Controller of the Group, responsible for project management of the Group's projects. He obtained a Masters Degree in Project Management from the University of Western Sydney, Australia in 2000. Mr. Liu has over 25 years' experience in architectural design and project management. Prior to joining the Group, he worked for CRG Contractors Dte from 1998 to 2001. From 2001 and 2003, he worked for Shanghai Merry Land Co. Ltd. as project manager.

INDEPENDENT NON-EXECUTIVE DIRECTORS

KAN LAI KUEN, ALICE

Ms. Kan Lai Kuen, Alice, aged 55, has been an Independent Non-executive Director of the Company since 16 March 2006 and has more than 18 years' experience in corporate finance. She is a responsible officer of three licensed corporations registered under the Securities and Futures Ordinance, Asia Investment Management Limited, Asia Investment Research Limited and Lotus Asset Management Limited. She is also a shareholder and the managing director of Asia Investment Management Limited and Asia Investment Research Limited. Ms. Kan currently serves as an independent non-executive director on the boards of the following companies which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"): Shougang Concord Technology Holdings Limited, Shougang Concord International Enterprises Company Limited, Regal Hotels International Holdings Limited, G-Vision International (Holdings) Limited, Sunway International Holdings Limited, China Energine International (Holdings) Limited. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors. Ms. Kan held various senior positions in international and local banks and financial institutions.

LU HONG BING

Mr. Lu Hong Bing, aged 43, has been an Independent Non-executive Director of the Company since 17 November 2004. He obtained a Masters Degree in law from the East China University of Politics and Law in 1991 and has more than 17 years' experience in corporate and securities laws in China. Mr. Lu currently serves as an independent non-executive director on the boards of the following companies which are listed on the Shanghai Stock Exchange: Shanghai Pudong Road & Bridge Construction Co., Ltd(上海浦東路橋建設股份有限公司), Shanghai Aerospace Automobile Electromechanical Co., Ltd(上海航天汽車機電股份有限公司), Shanghai Jiaoda Onlly Co., Ltd(上海交大昂立股份有限公司), Shanghai Metersbonwe Fashion & Accessories Co., Ltd.(上海美特斯邦威服飾股份有限公司), Shanghai DaZhong Public Utilities (Group) Co., Ltd(上海大眾公用事業(集團)股份有限公司). Mr. Lu is an executive partner of the Grandall Legal Group, a vice-president of the Executive Council of the All China Lawyers Association, an arbitrator of the China International Economic and Trade Arbitration Commission, an arbitrator of the Shanghai Arbitration Committee, a concurrent professor of the East China University of Policies and Law and the Shanghai Institute of Foreign Trade and a commissioner of the public offering commission of the Shanghai Stock Exchange and the Shenzhen Stock Exchange. He was appointed as an independent non-executive director of the Shimao International Holdings Limited from October 2001 to February 2005.

GU YUNCHANG

Mr. Gu Yunchang, aged 66, has been an Independent Non-executive Director of the Company since 13 April 2006. He joined the Ministry of Construction in 1979 and has over 29 years' experience in market theory and policy research, including research and analysis of the PRC property market. In 1983, he was appointed as the Secretary-General of the China Residential Property Issues Research Institute (中國住宅問題研究會) and held this position for a period of 10 years. Between 1986 and 1998, he participated in the research and formulation of the national housing policy reform and in 1998, served as one of the main draftsmen for the national housing reform program in the PRC. Mr. Gu has participated in state level research projects such as "2000 China" (《2000年中國》) and "National Xiaokang Residential Property Technological Industry Project" (《小康住宅科技產業工程》). Mr. Gu has been awarded the First Class National Science Technology Advance Award (國家科技進步一等獎) in China twice. Mr. Gu was appointed the Vice-President and the Secretary-General of the China Real Estate Association (中國房地產業協會) from August 1998 to March 2006, and since 1998, he has been involved in promoting the development of the China real estate industry as well as undertaking the research and analysis of the China real estate market. He is also the main organizer and writer of the China Real Estate Market Report, an annual analysis report issued by the China Real Estate Association. Mr. Gu is currently the Vice President of China Real Estate and Housing Research Association and an independent non-executive director of Sino-Ocean Land Holdings Limited, a company listed on the Stock Exchange, and independent director of E-House (China) Holdings Limited, a company listed on the New York Stock Exchange in the United States of America.

LAM CHING KAM

Mr. Lam Ching Kam, aged 49, has been an Independent Non-executive Director of the Company since 1 June 2006. He is currently a fellow member and the committee member of the PRC committee (Quantity Surveying Division) of the Hong Kong Institute of Surveyors. Mr. Lam obtained a Masters Degree in Business Administration from the Hong Kong Open University in 2004 and is a fellow member of the Chartered Institute of Building and the Royal Institution of Chartered Surveyors. Mr. Lam was the Vice Chairman of the Royal Institution of Chartered Surveyors China group from 2003 to 2006. He is a member of the China Civil Engineering Society (中國土木工程師學會會員) and also a qualified China Costing Engineer (中國造價工程師執業資格). Mr. Lam has been a consultant to the Beijing Construction Project Management Association (北京市建設監理協會) since 2003 and has engaged in professional training and vocational education in China for more than 8 years. Mr. Lam has been in the property development and construction industry for 26 years, and has worked for construction contractors such as Shui On Building Contractors Limited, China State Construction Engineering Corporation and Hopewell Construction Co. Ltd. Mr. Lam was employed as a quantity surveyor and worked in London from 1990 to 1991. He was employed by certain consultant firms and the Architectural Services Department of the Hong Kong Government before he emigrated to Australia in 1996 and operated a project management firm in Sydney. Mr. Lam was the project controller of Sino Regal Ltd. (HK) for investment projects in China from 1994 to 1996. In 1998, Mr. Lam established a surveying and management consultant firm which has been participating in many large-scale projects in China and Macau, including a Beijing Olympic 2008 project involving the hotels, offices towers and commercial complex in Olympic Park, Beijing.

Independent Auditor's Report

TO THE SHAREHOLDERS OF SHIMAO PROPERTY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Shimao Property Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 56 to 151, which comprise the consolidated and Company balance sheets as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Opinion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 April 2010

Consolidated Balance Sheet

As at 31 December 2009

	Note	As at 31 December 2009 RMB'000	2008 Restated (Note 2(a)(i)) RMB'000	As at 1 January 2008 Restated (Note 2(a)(i)) RMB'000
ASSETS				
Non-current assets				
Property and equipment	6	**5,891,602**	5,403,356	4,990,516
Investment properties	7	**6,372,600**	6,050,000	5,852,000
Land use rights	8	**3,060,382**	6,179,952	6,581,082
Intangible assets	10	**2,348,261**	424,394	415,995
Associated companies	14	**4,899**	255,785	295,142
Available-for-sale financial assets	15	**692,399**	—	—
Jointly controlled entities	16	**2,338,244**	1,721,197	2,662
Deferred income tax assets	23	**750,080**	437,847	441,570
Other non-current assets	9	**10,182,146**	4,309,904	3,149,502
		31,640,613	24,782,435	21,728,469
Current assets				
Properties under development	11	**18,899,789**	11,619,312	9,492,366
Completed properties held for sale	12	**5,198,628**	6,211,370	1,846,936
Trade and other receivables and prepayments	17	**2,998,042**	1,633,727	1,124,079
Prepaid income taxes		**310,472**	148,174	35,082
Amounts due from related companies	18	**698**	84,915	31,477
Amount due from a minority interest		**—**	—	6,262
Restricted cash	19	**560,383**	186,961	409,553
Cash and cash equivalents	19	**6,918,958**	1,814,447	4,596,378
		34,886,970	21,698,906	17,542,133
Total assets		**66,527,583**	46,481,341	39,270,602
OWNERS' EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital	20	**361,938**	336,015	340,382
Reserves				
– Proposed final dividend	21	**717,366**	404,742	494,088
– Others	21	**22,268,570**	17,955,062	17,613,714
		23,347,874	18,695,819	18,448,184
Minority interests in equity		**2,169,211**	341,600	364,024
Total equity		**25,517,085**	19,037,419	18,812,208

	Note	As at 31 December 2009 RMB'000	2008 Restated (Note 2(a)(i)) RMB'000	As at 1 January 2008 Restated (Note 2(a)(i)) RMB'000
LIABILITIES				
Non-current liabilities				
Borrowings	22	**16,594,590**	10,895,097	10,384,037
Deferred income tax liabilities	23	**1,824,947**	1,605,101	1,639,444
		18,419,537	12,500,198	12,023,481
Current liabilities				
Trade and other payables	24	**7,038,928**	6,747,126	3,850,927
Advanced proceeds received from customers		**6,502,855**	1,534,690	499,980
Income tax payable		**4,944,610**	2,958,002	2,831,555
Borrowings	22	**3,932,306**	3,538,906	1,252,451
Amounts due to related parties	25	**31,101**	—	—
Amount due to a minority interest	26	**7,696**	—	—
Deferred income		**133,465**	165,000	—
		22,590,961	14,943,724	8,434,913
Total liabilities		**41,010,498**	27,443,922	20,458,394
Total equity and liabilities		**66,527,583**	46,481,341	39,270,602
Net current assets		**12,296,009**	6,755,182	9,107,220
Total assets less current liabilities		**43,936,622**	31,537,617	30,835,689

Hui Wing Mau
Director

Hui Sai Tan, Jason
Director

The notes on pages 63 to 151 are an integral part of these consolidated financial statements.

Balance Sheet of the Company

As at 31 December 2009

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	13	**18,002,339**	18,901,465
Current assets			
Other receivables and prepayments	17	**313**	66,710
Cash and cash equivalents	19	**140,131**	59,087
		140,444	125,797
Total assets		**18,142,783**	19,027,262
OWNERS' EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	20	**361,938**	336,015
Reserves			
– Proposed final dividend	21	**717,366**	404,742
– Others	21	**11,192,031**	10,161,156
Total equity		**12,271,335**	10,901,913
LIABILITIES			
Non-current liabilities			
Borrowings	22	**4,036,502**	4,023,997
Current liabilities			
Borrowings	22	**—**	2,275,069
Other payables and accruals	24	**24,671**	37,831
Amounts due to subsidiaries	13	**1,810,275**	1,788,452
		1,834,946	4,101,352
Total liabilities		**5,871,448**	8,125,349
Total equity and liabilities		**18,142,783**	19,027,262
Net current liabilities		**(1,694,502)**	(3,975,555)
Total assets less current liabilities		**16,307,837**	14,925,910

Hui Wing Mau
Director

Hui Sai Tan, Jason
Director

The notes on pages 63 to 151 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Revenue	5	**17,032,063**	7,196,277
Cost of sales	29	**(11,149,395)**	(3,964,242)
Gross profit		**5,882,668**	3,232,035
Gains on deemed disposal to minority interests	27	**1,501,093**	—
Fair value gains / (losses) on investment properties	7	**213,834**	(122,749)
Other gains	28	**158,609**	442,118
Selling and marketing costs	29	**(470,427)**	(281,756)
Administrative expenses	29	**(1,107,286)**	(1,065,837)
Other operating expenses	29	**(179,961)**	(75,053)
Operating profit		**5,998,530**	2,128,758
Finance income		**30,466**	28,005
Finance costs		**(337,653)**	(377,635)
Finance costs – net	30	**(307,187)**	(349,630)
Share of results of			
– Associated companies	14	**19,925**	(3,132)
– Jointly controlled entities	16	**(1,072)**	9,498
		18,853	6,366
Profit before income tax		**5,710,196**	1,785,494
Income tax expense	32	**(2,107,212)**	(925,226)
Profit for the year		**3,602,984**	860,268
Other comprehensive income:			
Fair value gains on available-for-sale financial assets, net of tax		**136,386**	—
Total comprehensive income for the year		**3,739,370**	860,268

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Profit for the year attributable to:			
Equity holders of the Company		**3,511,201**	841,159
Minority interests		**91,783**	19,109
		3,602,984	860,268
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**3,598,790**	841,159
Minority interests		**140,580**	19,109
		3,739,370	860,268
Dividends	33	**1,029,016**	404,742
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (RMB cents)	34	**101.7**	25.6
– Diluted (RMB cents)	34	**101.4**	25.4

The notes on pages 63 to 151 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 December 2009

	Note	Attributable to the equity holders of the Company			
		Share capital RMB'000	Reserves RMB'000 *(Note 21)*	Minority interests RMB'000	Total RMB'000
Balance at 1 January 2009		**336,015**	**18,359,804**	**341,600**	**19,037,419**
Total comprehensive income for the year		**—**	**3,598,790**	**140,580**	**3,739,370**
Issue of shares for placement	20(a),(e)	**24,873**	**1,682,890**	**—**	**1,707,763**
Minority interests arising on acquisition of subsidiaries	27,40	**—**	**—**	**1,995,530**	**1,995,530**
Minority interests change on deemed disposal	27	**—**	**—**	**(105,244)**	**(105,244)**
Acquisition of additional interests in subsidiaries		**—**	**—**	**(299,396)**	**(299,396)**
Capital contribution from minority shareholders of subsidiaries		**—**	**—**	**128,850**	**128,850**
Disposal of interests in a subsidiary		**—**	**—**	**5,211**	**5,211**
Employee share option scheme					
– Value of employee services		**—**	**2,808**	**—**	**2,808**
– Proceeds from shares issued	20(b)	**1,050**	**58,002**	**—**	**59,052**
Dividends	33	**—**	**(716,358)**	**(37,920)**	**(754,278)**
Balance at 31 December 2009		**361,938**	**22,985,936**	**2,169,211**	**25,517,085**
Balance at 1 January 2008		340,382	18,107,802	364,024	18,812,208
Total comprehensive income for the year		—	841,159	19,109	860,268
Repurchase and cancellation of shares	20(d)	(4,949)	(182,051)	—	(187,000)
Acquisition of a subsidiary through acquisition of its assets		—	—	10,680	10,680
Acquisition of additional interest in subsidiaries		—	—	(23,750)	(23,750)
Employee share option scheme					
– Value of employee services		—	25,733	—	25,733
– Proceeds from shares issued	20(b)	582	32,097	—	32,679
Dividends	33	—	(464,936)	(28,463)	(493,399)
Balance at 31 December 2008		336,015	18,359,804	341,600	19,037,419

The notes on pages 63 to 151 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Operating activities			
Net cash generated from operations	35	**5,986,294**	2,147,612
Interest received		**30,466**	28,005
Interest paid		**(1,037,620)**	(954,459)
PRC income tax paid		**(1,004,816)**	(942,487)
Net cash generated from operating activities		**3,974,324**	278,671
Investing activities			
Additions of property and equipment and investment properties		**(1,046,594)**	(1,454,785)
Sales of property and equipment		**8,879**	2,580
Repurchase and cancellation of shares		**—**	(187,000)
Additions of land use rights and prepayment of land use rights		**(318,653)**	(2,431,057)
Dividends received from associated companies		**—**	65,200
Decrease in amount due from a minority interest		**—**	6,262
Decrease/(increase) in amounts due from related companies		**3,088**	(80,600)
Acquisition of additional interests of subsidiaries	41	**(666,108)**	(1,998)
Acquisitions of subsidiaries, net of cash acquired		**748,591**	—
Prepayments for acquisition of equity interests		**(2,969,207)**	—
Loans to jointly controlled entities		**(618,119)**	(1,717,525)
Capital injection to associated companies		**(4,900)**	—
Capital contribution from minority shareholders of subsidiaries		**128,850**	—
Partial disposal of equity interests in a subsidiary		**5,211**	—
Net cash used in investing activities		**(4,728,962)**	(5,798,923)
Financing activities			
Proceeds from borrowings		**14,939,690**	5,620,864
Repayments of borrowings		**(9,843,832)**	(2,388,981)
Issue of new shares		**1,766,816**	32,679
Dividends paid to equity holders of the Company		**(716,358)**	(464,936)
Dividend paid to a minority interest		**(37,920)**	(28,463)
Increase in restricted cash		**(245,207)**	—
Net cash generated from financing activities		**5,863,189**	2,771,163
Net increase/ (decrease) in cash and cash equivalents		**5,108,551**	(2,749,089)
Cash and cash equivalents at beginning of the year		**1,814,447**	4,596,378
Effect of foreign exchange rate changes		**(4,040)**	(32,842)
Cash and cash equivalents at end of the year	19	**6,918,958**	1,814,447

The notes on pages 63 to 151 are an integral part of these consolidated financial statements.

1 General information

Shimao Property Holdings Limited (the "Company") was incorporated in the Cayman Islands on 29 October 2004 as an exempted company with limited liability under the Cayman Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY 1-1111 Cayman Islands. The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries (together, the "Group") are property development, property investment and hotel operation in the People's Republic of China (the "PRC").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 July 2006.

In May 2009, the Group completed the injection of a number of retail and commercial properties in the PRC, most of which through equity transfers, into Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a company listed on the Shanghai Stock Exchange, satisfied by issuance of 630,000,000 shares of Shanghai Shimao. In addition, the Group also subscribed for new shares of Shanghai Shimao Enterprises Development Co., Ltd. (later renamed to Suifenhe Shimao Enterprises Development Co., Ltd., "Shimao Enterprises"), which previously held approximately 37% interest in Shanghai Shimao, for RMB749,992,000. Shimao Enterprises then subscribed for 62,240,000 shares of Shanghai Shimao using the proceeds received of RMB749,992,000 (collectively the "Transaction"). After the completion of the Transaction on 31 May 2009, the Group owns an effective equity interest of 64.2% in Shanghai Shimao and a direct equity interest of 50.9% in Shimao Enterprises. Mr. Hui Wing Mau, Chairman of the Company, is also the Chairman of Shanghai Shimao. Shimao Enterprises was 93.33% owned by the nephew of Mr. Hui Wing Mau prior to the Transaction.

In November 2009, another two PRC retail and commercial properties ("Shaoxing Projects") held by two wholly-owned subsidiaries of the Group were injected to Shanghai Shimao at a cash consideration of RMB475,622,000.

The Transaction and injection of Shaoxing Projects to Shanghai Shimao had resulted in a total gain of RMB1,501,093,000 (Note 27) and goodwill of RMB1,709,730,000 (Note 40) to the Group.

These consolidated financial statements are presented in thousands of Renminbi (RMB'000), unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Change in accounting policy for land use rights relating to properties developed for sale

Land use rights relating to properties developed for sale meet the definition of both leasehold land under HKAS 17 "Leases" and inventories under HKAS 2 "Inventories". During the year, the Group changed its accounting policy for land use rights relating to properties developed for sale.

In previous years, upfront payments to obtain land use rights on which properties will be developed for sale were regarded as upfront operating lease payments and were initially recognised as a separate current asset item on the balance sheet. They were subsequently amortised on a straight line basis over the lease period in accordance with HKAS 17. The amortisation during the period of construction of the properties was capitalised as the cost of properties under development. The amortisation during the period before the commencement and after the completion of the construction of the properties were expensed in the consolidated income statement. The unamortised upfront payments were recognised as cost of sales when the relevant properties are sold upon completion of the relevant properties.

Subsequent to the change in accounting policy in 2009, land use rights relating to properties developed for sale are regarded as part of the inventories and are no longer amortised. They are included in properties under development or completed properties held for sale, which are measured at the lower of cost and net realisable value, depending on the development status in accordance with HKAS 2.

Management believes that the new classification of land use rights relating to properties developed for sale results in a more relevant presentation of the financial position of the Group, and of its performance for the year, reflecting the management's intention on the use of the asset. The new accounting policy also results in a presentation consistent with the industry practices.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Change in accounting policy for land use rights relating to properties developed for sale (continued)

The change in accounting policy has no material impact to the profit of the Group in current year or in the prior years. Accordingly no retrospective adjustment has been made to the income statement of the Group for prior years. The only retrospective adjustments made were to include the land use rights relating to properties developed for sale into the respective inventory balances and the reclassification made to the balance sheet of the Group as at 1 January 2008 and 31 December 2008 are as follows:

As at 1 January 2008

Current assets	As previously reported RMB'000	Reclassification RMB'000	Restated RMB'000
Land use rights under development	7,270,973	(7,270,973)	—
Properties under development	2,546,641	6,945,725	9,492,366
Completed properties held for sale	1,521,688	325,248	1,846,936

As at 31 December 2008

Current assets	As previously reported RMB'000	Reclassification RMB'000	Restated RMB'000
Land use rights under development	8,973,518	(8,973,518)	—
Properties under development	4,175,745	7,443,567	11,619,312
Completed properties held for sale	4,681,419	1,529,951	6,211,370

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New/revised standards, amendments to standards and interpretations adopted by the Group in 2009

In 2009, the Group adopted the following new/revised standards, amendments to standards and interpretations of HKFRS, which are effective for the financial year ended 31 December 2009 and are relevant to the Group's operations:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estates
HKFRS 2 Amendment	Share-based Payment
HKFRS 7 Amendment	Financial Instruments: Disclosures

Annual improvements to HKFRS published in October 2008:

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 10 Amendment	Events after the Balance Sheet Date
HKAS 16 Amendment	Property, Plant and Equipment
HKAS 19 Amendment	Employee Benefits
HKAS 23 Amendment	Borrowing Costs
HKAS 27 Amendment	Consolidated and Separate Financial Statements
HKAS 28 Amendment	Investments in Associates
HKAS 31 Amendment	Interests in Joint Ventures
HKAS 34 Amendment	Interim Financial Reporting
HKAS 36 Amendment	Impairment of Assets
HKAS 38 Amendment	Intangible Assets
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKAS 40 Amendment	Investment Property
HKFRS 7 Amendment	Financial Instruments: Disclosures

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New/revised standards, amendments to standards and interpretations adopted by the Group in 2009 (continued)

The adoption of the above new/revised standards, amendments to standards and interpretations in 2009 has no significant impact on the Group's financial statements except for the following presentation changes and added disclosures:

- HKAS 1 (Revised), "Presentation of Financial Statements", introduces a number of changes to the presentation of the financial statements, including the requirement for certain items of income and expenses (that is "non-owner changes in equity") previously presented in the consolidated statement of changes in equity to be presented in a new performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present one performance statement (the consolidated statement of comprehensive income). Comparative information has been re-presented so that it also is in conformity with the revised standard. Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheet at the end of the current period and comparative period.

- HKFRS 8, "Operating Segments", replaces HKAS 14, "Segment Reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM makes strategic decisions.

  The adoption of this standard has resulted in a change of reportable segments. Following the completion of the Transaction, the CODM views Shanghai Shimao as a separate operating segment from the previous property development and investment segment while the hotel operation segment is maintained. Comparatives for 2008 have been restated.

- HKFRS 7 (Amendment), "Financial Instruments – Disclosures", increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no significant impact on the Group's financial statements.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) New/revised standards, amendments to standards and interpretations that are not yet effective for current year financial statements and have not been early adopted by the Group

Certain new/revised standards, amendments to standards and interpretations of HKFRS have been published but are not yet effective for annual period beginning on 1 January 2009 and have not been early adopted by the Group. Those that are relevant to the Group's operations are as follows:

- HKFRS 3 (Revised), "Business Combinations" (effective for business combinations with acquisition date on or after the beginning of the first annual periods beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply the revised standard prospectively to all business combinations from 1 January 2010.

- HKAS 27 (Revised), "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply the revised standard prospectively to transactions with non-controlling interests from 1 January 2010.

2 Summary of significant accounting policies (continued)

(a) **Basis of preparation** (continued)

(iii) New/revised standards, amendments to standards and interpretations that are not yet effective for current year financial statements and have not been early adopted by the Group (continued)

- HKICPA's annual improvements project published in May 2009

  > HKAS 1 (Amendment), "Presentation of Financial Statements" (effective from annual periods beginning on or after 1 January 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

  > HKAS 7 (Amendment), "Statement of Cash Flows" (effective from annual periods beginning on or after 1 January 2010). The amendment clarifies that only expenditures that result in a recognised asset are eligible for classification as investing activities.

  > HKFRS 8 (Amendment), "Operating Segments" (effective from annual periods beginning on or after 1 January 2010). The amendment clarifies that disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker.

  > HKAS 36 (Amendment), "Impairment of Assets" (effective from annual periods beginning on or after 1 January 2010). The amendment clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in HKFRS 8.

The Group will apply the revised standards and amendments described above starting from 1 January 2010, and does not anticipate that the adoption will result in any significant impact on the Group's financial statements.

2 Summary of significant accounting policies (continued)

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (see Note 2(i)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference being negative goodwill is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between the group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests generally result in goodwill, being the excess of any consideration paid over the relevant share acquired of the carrying value of net assets of the subsidiary. If the cost of acquisition is less than the relevant interest acquired of the carrying value of net assets of the subsidiary, the difference being negative goodwill is recognised directly in the consolidated income statement.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of Directors that makes strategic decisions.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group companies are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional and presentation currency of the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Translation differences on non-monetary financial assets and liabilities are recognised in profit or loss as part of the fair value gain or loss.

(iii) Group companies

The results and financial positions of all the group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate;
- Income and expenses are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to owners' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 Summary of significant accounting policies (continued)

(e) Property and equipment

Property and equipment other than assets under construction are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Buildings comprise hotel buildings and self-use buildings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Buildings	50 years or the remaining lease period of the land use rights, whichever is shorter
Furniture and equipment	5 years
Jet plane and motor vehicles	10 to 20 years
Building improvements	10 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recorded in the consolidated income statement.

(f) Assets under construction

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(g) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the group companies, is classified as investment property. As from 1 January 2009, investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under operating leases and buildings owned by the Group. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs are incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalized as part of its cost. Borrowing costs are capitalized while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed at each balance sheet date by external professional valuers who hold recognised and relevant qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land (if any) classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in the consolidated income statement.

2 Summary of significant accounting policies (continued)

(g) Investment property (continued)

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised as other comprehensive income and increases directly to revaluation surplus within equity.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to properties under development/completed properties held for sale. A property's deemed cost for subsequent accounting as properties under development/completed properties held for sale is its fair value at the date of change in use.

(h) Impairment of investments in subsidiaries, associated companies, jointly controlled entities and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, associated companies or jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associated companies or jointly controlled entities in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(i) Intangible assets – goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries/associated companies/jointly controlled entities at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies/jointly controlled entities is included in investments in associated companies/jointly controlled entities. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

2 Summary of significant accounting policies (continued)

(j) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill identified on acquisition (see Note 2(i)), net of any accumulated impairment losses.

The Group's share of its associated companies' post-acquisition profits or losses are recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other long-term interests that, in substance, form part of the investor's net investment in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(k) Jointly controlled entities

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the venturers have their respective interests and establish a contractual arrangement among them to define their joint control over the economic activity of the entity.

Investment in a jointly controlled entity is accounted for using the equity method of accounting. The consolidated income statement includes the Group's share of results of a jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity and goodwill identified on acquisition (see Note 2(i)) net of any accumulated impairment losses.

2 Summary of significant accounting policies (continued)

(l) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives which the management does not classify as financial assets at fair value through profit or loss or loans and receivables. They are included in non-current assets unless management intends to dispose of the investments within 12 months of the balance sheet date.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised as other comprehensive income. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the consolidated income statement.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

(m) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Development cost of properties comprises cost of land use rights, construction costs, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(n) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2 Summary of significant accounting policies (continued)

(o) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised on the trade date - the date on which the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written-off are credited in the consolidated income statement.

Trade and other receivables are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(p) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks and deposits held at call with banks.

(q) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (continued)

(s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(t) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associates and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(u) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Share-based compensation

The Group operates equity-settled pre-IPO and post-IPO share option schemes. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The subsidiaries measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, and record expense in the financial statements of the subsidiaries, with a corresponding increase recognised in equity as a contribution from the Company.

2 Summary of significant accounting policies (continued)

(v) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(w) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities, net of returns and discounts. Revenue is recognised as follows:

(i) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under current liabilities.

(ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2 Summary of significant accounting policies (continued)

(w) Revenue recognition (continued)

(iii) Rental income

Rental income from properties letting under operating leases is recognised on a straight line basis over the lease terms.

(iv) Hotel operating income

Hotel operating income which includes rooms rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

(v) Dividend income

Dividend income is recognised when the right to receive payment is established.

(x) Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight line basis over the expected lives of the related assets.

2 Summary of significant accounting policies (continued)

(y) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee other than operating lease of land use rights

Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(ii) The Group is the lessee under operating lease of land use rights

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed.

For land use rights to be developed for investment properties which are measured at fair values, the upfront payments are included in the cost of investment properties. For land use rights to be developed for investment properties, fair values of which are not able to be reliably measurable and stated at cost, they are separately accounted for and amortised over the lease periods. The amortisation during the period of construction of the properties is capitalised as cost of investment property under construction. The unamortised upfront payments are transferred to cost of investment properties under construction when the fair values of relevant properties become reliably measureable or upon completion whichever is earlier.

For land use rights to be developed for hotel properties and self-use buildings, the upfront payments are separately recorded as assets and amortised over the periods on a straight line basis. The amortisation during the period of construction of the properties is capitalised as the cost of assets under construction. The amortisation during the period before the commencement and after the completion of the construction of the relevant properties is expensed in the consolidated income statement.

For land use rights used for property developed for sale, there is change in accounting policy during the year. As described in Note 2(a)(i), the land use rights relating to properties developed for sale are included as properties under development or completed properties for sale which are measured at the lower of cost and net realisable value.

(z) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

2 Summary of significant accounting policies (continued)

(aa) Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the consolidated income statement.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers and financial guarantee contracts provided to its related parties as insurance contracts.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk including currency risk, fair value interest rate risk and cash flow interest rate risk, credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that certain receipts of proceeds from sales of properties, public share and notes offerings and certain bank borrowings are in other foreign currencies. The major non-RMB assets and liabilities are borrowings and bank deposits denominated in Hong Kong dollar ("HK dollar", or "HK$") and the United States dollar ("US dollar", or "US$").

The Company and all of its subsidiaries' functional currency is RMB, so the bank balances and borrowings denominated in foreign currencies are subject to retranslation at each reporting date. Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. Given the general expectations about the strengthening of RMB, the Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

As at 31 December 2009, if RMB had strengthened/weakened by 5%, against US dollar and HK dollar with all other variables held constant, post-tax profit for the year would have been RMB229,130,000 (2008: RMB232,456,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of US dollar and HK dollar denominated bank deposits, senior notes and bank borrowings.

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk

The Group is exposed to equity securities price risk from the Group's available-for-sale financial assets. The performance of the listed equity securities of the Group is closely monitored.

(iii) Cash flow and fair value interest rate risk

Except for cash deposits in the banks, the Group has no other significant interest-bearing assets, therefore 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 borrowings, especially long- term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group's policy is to maintain a reasonable balance of its borrowings between fixed rate and variable rate instruments, and between borrowings denominated in RMB and foreign currencies. Given the general expectation of the decrease of interest rates for the borrowings, the Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 22.

The Group analyses its interest rate exposure taking into consideration of refinancing, and renewal of existing position. Based on the above consideration, the Group calculates the impact on profit and loss of a defined interest rate change.

The Group does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates as the interest rates of bank deposits are not expected to change significantly.

If interest rates on RMB denominated borrowings had been 10 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB564,000 (2008: RMB2,278,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates. If interest rates on US dollar and HK dollar denominated borrowings had been 10 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB1,288,000 (2008: RMB822,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates.

3 Financial risk management (continued)

(b) Credit risk

The Group has no concentrations of credit risk. The extent of the Group's credit exposure is represented by the aggregate balance of restricted cash, cash and cash equivalents, trade and other receivables.

Cash transactions are limited to high-credit-quality institutions. The table below shows the bank deposit balances of the major counterparties as at 31 December 2009.

		As at 31 December	
		2009	2008
Counterparty	**Rating (note)**	**RMB'000**	RMB'000
Bank A	A -	**3,054,032**	444,389
Bank B	A -	**1,400,350**	380,601
Bank C	A1	**1,265,698**	195,175
Bank D	A -	**799,749**	125,698
Bank E	BBB +	**273,588**	285,914
Bank F	BBB -	**189,634**	100,416
Bank G		**100,031**	200,000
Bank H	A	**23,710**	12,894
		7,106,792	1,745,087

Note: The source of credit rating is from Standard and Poor's or Moody's. There is no available credit rating for Bank G.

The Group has policies in place to ensure that sales of properties are made to buyers with an appropriate financial strength and appropriate percentage of down payment. Meanwhile, the Group has the right to cancel the sales contract in the event that the buyers default in payment, and put the underlying properties back to the market for re-sales. Therefore, the credit risk from sales of properties is limited. Other receivables mainly comprise deposits made to government agencies for property development projects.

3 Financial risk management (continued)

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its operation needs and commitments in respect of property projects.

Cash flow forecast is performed by management of the Group. Management monitors the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecast mainly takes into consideration the Group's operational cash flows, construction of investment properties and hotel projects, committed payments for land use rights and contracted development expenditures, the Group's debt financing plans, covenant compliance and internal balance sheet ratio targets.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2009					
Borrowings	**3,932,306**	**4,370,552**	**5,885,788**	**6,338,250**	**20,526,896**
Interests payments on borrowings (note)	**977,182**	**764,292**	**1,449,236**	**1,500,733**	**4,691,443**
Trade and other payables	**7,027,242**	**4,192**	**3,207**	**4,287**	**7,038,928**
Financial guarantees (Note 38)	**3,588,259**	**—**	**—**	**—**	**3,588,259**
	15,524,989	**5,139,036**	**7,338,231**	**7,843,270**	**35,845,526**
As at 31 December 2008					
Borrowings	3,538,906	3,044,600	4,624,659	3,225,838	14,434,003
Interests payments on borrowings (note)	724,501	557,756	950,509	657,067	2,889,833
Trade and other payables	6,732,563	5,680	4,791	4,092	6,747,126
Financial guarantees (Note 38)	2,468,157	—	—	—	2,468,157
	13,464,127	3,608,036	5,579,959	3,886,997	26,539,119

Note: The interest on borrowings is calculated based on borrowings outstanding as at 31 December 2009 and 2008 without taking into account of future issues. Floating-rate interest is estimated using the current interest rate as at 31 December 2009 and 2008 respectively.

3 Financial risk management (continued)

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents and restricted cash for the Group's borrowings. Total equity is owner's equity, as shown in the consolidated balance sheet.

The gearing ratios at 31 December 2009 and 2008 were as follows:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Total borrowings	**20,526,896**	14,434,003
Less: Cash and cash equivalents	**(6,918,958)**	(1,814,447)
Restricted cash for the Group's borrowings	**(356,773)**	(111,566)
Net debt	**13,251,165**	12,507,990
Total equity	**25,517,085**	19,037,419
Gearing ratio	**51.9%**	65.7%

The decrease in gearing ratio was mainly due to substantial increase in cash and cash equivalents balance by the proceeds received from customers in advance partially offset by the increase in bank borrowings.

(e) Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

– quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

– inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);

– inputs for asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The available-for-sale financial assets of the Group is measured at fair value by level 1 (Note 15).

3 Financial risk management (continued)

(f) Financial instruments by category

Group

Assets as per balance sheet	At 31 December 2009 Loans and receivables RMB'000	At 31 December 2009 Available-for-sale financial assets RMB'000	At 31 December 2009 Total RMB'000	At 31 December 2008 Loans and receivables RMB'000
Available-for-sale financial assets	—	692,399	692,399	—
Trade and other receivables	1,064,602	—	1,064,602	1,056,929
Amounts due from related companies	698	—	698	—
Restricted cash	560,383	—	560,383	186,961
Cash and cash equivalents	6,918,958	—	6,918,958	1,814,447
Total	8,544,641	692,399	9,237,040	3,058,337

Liabilities as per balance sheet	Other financial liabilities at amortised cost As at 31 December 2009 RMB'000	2008 RMB'000
Borrowings	20,526,896	14,434,003
Trade and other payables (excluding other taxes payable)	6,688,398	6,570,238
Amounts due to related parties	31,101	—
Amount due to a minority interest	7,696	—
Total	27,254,091	21,004,241

3 Financial risk management (continued)

(f) Financial instruments by category

Company

Assets as per balance sheet	Loans and receivables As at 31 December 2009 RMB'000	 2008 RMB'000
Other receivables	**313**	66,710
Cash and cash equivalents	**140,131**	59,087
Total	**140,444**	125,797

Liabilities as per balance sheet	Other financial liabilities at amortised cost As at 31 December 2009 RMB'000	 2008 RMB'000
Borrowings	**4,036,502**	6,299,066
Other payables and accruals	**24,671**	37,831
Amounts due to subsidiaries	**1,810,275**	1,788,452
Total	**5,871,448**	8,125,349

4 Critical accounting estimates and judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

Additionally, the Group has not recognised a deferred tax liability for certain unremitted earnings of its PRC subsidiaries (Note 23). The Group believes it is able to control the timing of when the earnings will be distributed to the overseas holding companies and such distributions will not occur in the foreseeable future.

(b) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies among 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 judgement is required in determining the amount of the land appreciation and its related tax. The Group recognised the land appreciation tax based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the current income tax and deferred income tax provisions in the periods in which such tax is finalised with local tax authorities.

(c) Impairment of goodwill

The Group tests at least annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(i). The recoverable amounts of cash-generating units have been determined based on the higher of the fair value (less cost to sell) and value in use calculation of the underlying assets, mainly properties. For a listed cash-generating unit, the fair value less cost to sell is determined by the quoted price in an active market. The fair value of the properties, when applicable, is determined by independent valuers. These valuations and calculations require the use of estimates.

4 Critical accounting estimates and judgements (continued)

(d) Estimated fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group assesses the fair value of its investment properties based on valuations determined by independent professional qualified valuers.

(e) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

5 Segment information

The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

As majority of the Group's consolidated revenue and results are attributable to the market in the PRC and most of the Group's consolidated assets are located in the PRC, therefore no geographical information is presented.

The CODM assesses the performance of the operating segments based on a measure of revenue and operating profit. The information provided to the CODM is measured in a manner consistent with that in the financial statements.

Following the completion of the Transaction described in Note 1, the CODM views Shanghai Shimao as a separate operating segment from the previous property development and investment segment while the hotel operation segment is maintained.

(a) Revenue

Turnover of the Group consists of the following revenue recognised during the year:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Sales of properties	**16,179,297**	6,244,915
Hotel operating income	**641,695**	771,227
Rental income from investment properties	**211,071**	180,135
	17,032,063	7,196,277

5 Segment information (continued)

(b) Segment information

Primary reporting format - business segments

Year ended 31 December 2009

	Property development and investment				
	Shanghai Shimao RMB'000	Others RMB'000	Hotel operation RMB'000	Unallocated* RMB'000	Total RMB'000
Revenue					
– Sales of properties	479,429	15,699,868	—	—	16,179,297
– Hotel operating income	—	—	641,695	—	641,695
– Rental income from investment properties	35,247	175,824	—	—	211,071
Total revenue	514,676	15,875,692	641,695	—	17,032,063
Operating profit/(loss)	120,464	5,956,437	(43,082)	(35,289)	5,998,530
Finance costs - net	(39,356)	(149,284)	(88,053)	(30,494)	(307,187)
Share of results of					
– Associated companies	—	19,925	—	—	19,925
– Jointly controlled entities	—	(1,641)	—	569	(1,072)
Profit/(loss) before income tax	81,108	5,825,437	(131,135)	(65,214)	5,710,196
Income tax expense					(2,107,212)
Profit for the year					3,602,984
Other segment items are as follows:					
Capital and property development expenditure	2,895,527	17,976,211	536,148	252,556	21,660,442
Gains on deemed disposal to minority interests	—	1,501,093	—	—	1,501,093
Fair value gains on investment properties	105,202	108,632	—	—	213,834
Impairment of intangible assets	3,820	148,755	—	—	152,575
Depreciation	5,170	23,994	209,738	—	238,902
Amortisation of land use rights	2,246	1,552	28,582	—	32,380
(Write back of)/additional provision for impairment losses on completed properties held for sale	(13,974)	99,298	—	—	85,324
Provision for impairment of receivables	2,213	5,613	69	—	7,895

* Unallocated mainly represent corporate level activities

5 Segment information (continued)

(b) Segment information (continued)

Primary reporting format - business segments (continued)

The segment assets and liabilities at 31 December 2009 are as follows:

	Property development and investment			
	Shanghai Shimao RMB'000	Others RMB'000	Hotel operation RMB'000	Total RMB'000
Associated companies	—	4,899	—	4,899
Jointly controlled entities	—	2,338,244	—	2,338,244
Intangible assets	1,709,730	507,603	130,928	2,348,261
Other segment assets	13,640,243	38,748,405	7,485,609	59,874,257
Total segment assets	15,349,973	41,599,151	7,616,537	64,565,661
Deferred income tax assets				750,080
Available-for-sale financial assets				692,399
Other assets				519,443
Total assets				66,527,583
Borrowings	3,341,055	8,587,297	1,915,931	13,844,283
Other segment liabilities	3,312,303	14,774,763	546,915	18,633,981
Total segment liabilities	6,653,358	23,362,060	2,462,846	32,478,264
Corporate borrowings				6,682,613
Deferred income tax liabilities				1,824,947
Other liabilities				24,674
Total liabilities				41,010,498

5 Segment information (continued)

(b) Segment information (continued)

Primary reporting format - business segments (continued)

Year ended 31 December 2008

	Property development and investment				
	Shanghai Shimao RMB'000	Others RMB'000	Hotel operation RMB'000	Unallocated* RMB'000	Total RMB'000
Revenue					
– Sales of properties	—	6,244,915	—	—	6,244,915
– Hotel operating income	—	—	771,227	—	771,227
– Rental income from investment properties	—	180,135	—	—	180,135
Total revenue	—	6,425,050	771,227	—	7,196,277
Operating profit/(loss)	—	2,142,595	33,395	(47,232)	2,128,758
Finance costs - net	—	(169,891)	(76,575)	(103,164)	(349,630)
Share of results of					
– Associated companies	—	(3,132)	—	—	(3,132)
– Jointly controlled entities	—	8,707	—	791	9,498
Profit/(loss) before income tax	—	1,978,279	(43,180)	(149,605)	1,785,494
Income tax expense					(925,226)
Profit for the year					860,268
Other segment items are as follows:					
Capital and property development expenditure	—	11,179,002	223,898	66,396	11,469,296
Negative goodwill arising from acquisition of additional interests in a subsidiary	—	6,841	—	—	6,841
Fair value losses on investment properties	—	122,749	—	—	122,749
Impairment of intangible assets	—	9,198	—	—	9,198
Depreciation	—	20,236	203,986	—	224,222
Amortisation of land use rights	—	6,808	28,582	—	35,390
Impairment losses on completed properties held for sale	—	87,381	—	—	87,381
Provision for impairment of receivables	—	2,314	—	—	2,314

* Unallocated mainly represent corporate level activities

5 Segment information (continued)

(b) Segment information (continued)

Primary reporting format - business segments (continued)

The segment assets and liabilities at 31 December 2008 are as follows:

	Property development and investment			
	Shanghai Shimao RMB'000	Others RMB'000	Hotel operation RMB'000	Total RMB'000
Associated companies	—	255,785	—	255,785
Jointly controlled entities	—	1,717,744	—	1,717,744
Intangible assets	—	293,466	130,928	424,394
Other segment assets	—	36,939,780	6,619,623	43,559,403
Total segment assets	—	39,206,775	6,750,551	45,957,326
Deferred income tax assets				437,847
Other assets				86,168
Total assets				46,481,341
Borrowings	—	5,744,730	2,099,900	7,844,630
Other segment liabilities	—	10,349,502	464,696	10,814,198
Total segment liabilities	—	16,094,232	2,564,596	18,658,828
Corporate borrowings				6,589,373
Deferred income tax liabilities				1,605,101
Other liabilities				590,620
Total liabilities				27,443,922

Total segment assets consist primarily of property and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables and cash balances. They also include goodwill recognised arising from acquisition of subsidiaries relating to respective segments. They exclude corporate assets, deferred income tax assets and available-for-sale financial assets.

Total segment liabilities comprise operating liabilities. They exclude corporate liabilities, corporate borrowings and deferred income tax liabilities.

6 Property and equipment - Group

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Furniture and equipment RMB'000	Jet plane and motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost						
At 1 January 2009	1,169,294	4,170,507	40,903	38,450	444,963	5,864,117
Acquisition of subsidiaries (Note 40)	334,091	—	10,117	3,259	39,232	386,699
Additions	769,834	743	10,209	319,194	—	1,099,980
Amortisation of land use rights	87,079	—	—	—	—	87,079
Disposals	—	(494)	(1,446)	(8,329)	—	(10,269)
Transfer to investment properties	(5,351)	—	—	—	—	(5,351)
Transfer to properties under development	(818,020)	—	—	—	—	(818,020)
Transfer upon completion	(17,591)	—	—	—	17,591	—
At 31 December 2009	1,519,336	4,170,756	59,783	352,574	501,786	6,604,235
Accumulated depreciation						
At 1 January 2009	—	408,559	14,570	16,392	21,240	460,761
Acquisition of subsidiaries (Note 40)	—	—	6,580	1,503	11,986	20,069
Charge for the year	—	209,738	9,727	6,166	13,271	238,902
Disposals	—	(349)	(1,178)	(5,572)	—	(7,099)
At 31 December 2009	—	617,948	29,699	18,489	46,497	712,633
Net book value						
At 31 December 2009	1,519,336	3,552,808	30,084	334,085	455,289	5,891,602

6 Property and equipment - Group (continued)

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost						
At 1 January 2008	695,135	4,169,782	49,381	30,217	291,646	5,236,161
Acquisition of a subsidiary	—	—	958	—	—	958
Transfer from/(to) investment properties	(194,479)	—	—	—	34,000	(160,479)
Additions	585,372	30,077	15,496	13,076	113,546	757,567
Amortisation of land use rights	89,037	—	—	—	—	89,037
Disposals	—	(353)	(4,835)	(5,717)	—	(10,905)
Transfer upon completion	(5,771)	—	—	—	5,771	—
Cost adjustments	—	(48,222)	—	—	—	(48,222)
Reclassification	—	19,223	(20,097)	874	—	—
At 31 December 2008	1,169,294	4,170,507	40,903	38,450	444,963	5,864,117
Accumulated depreciation						
At 1 January 2008	—	204,614	14,360	14,198	12,473	245,645
Acquisition of a subsidiary	—	—	94	—	—	94
Charge for the year	—	202,998	5,685	6,772	8,767	224,222
Reclassification	—	1,231	(1,345)	114	—	—
Disposals	—	(284)	(4,224)	(4,692)	—	(9,200)
At 31 December 2008	—	408,559	14,570	16,392	21,240	460,761
Net book value						
At 31 December 2008	1,169,294	3,761,948	26,333	22,058	423,723	5,403,356

Depreciation charge of RMB238,902,000 for the year ended 31 December 2009 (2008: RMB224,222,000) has been recorded in cost of sales and administrative expenses in the consolidated income statement (Note 29).

As at 31 December 2009, assets under construction and buildings of the Group with a total carrying amount of RMB4,047,849,000 (2008: RMB3,727,388,000) were pledged as collateral for certain bank borrowings of the Group (Note 22).

As at 31 December 2009, interest capitalised in assets under construction amounted to RMB27,756,000 (2008: RMB24,492,000).

The capitalisation rate of borrowings was 5.49 % for the year ended 31 December 2009 (2008: 6.8%).

7 Investment properties - Group

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Opening balance	**6,050,000**	5,852,000
Acquisition of subsidiaries (Note 40)	**265,368**	—
Additions		
– Transfer from assets under construction	**5,351**	194,479
– Transfer from properties under development	**43,368**	50,249
– Transfer from land use rights relating to property and equipment (Note 8)	**—**	76,221
– Other additions	**27,034**	33,800
Transfer to self-use buildings	**—**	(34,000)
Transfer to completed properties held for sale	**(232,355)**	—
Fair value gains/(losses)	**213,834**	(122,749)
Ending balance	**6,372,600**	6,050,000

The completed investment properties were revalued on an open market value and existing use basis at 31 December 2009 by DTZ Debenham Tie Leung Limited ("DTZ") and Shanghai Yinxin Huiye Appraisal Co., Ltd. ("Shanghai Yinxin Huiye"). Both DTZ and Shanghai Yinxin Huiye are independent professional qualified valuers. Shanghai Yinxin Huiye has valued the investment properties under Shanghai Shimao, a subsidiary of the Group listed in Shanghai Stock Exchange. The management has evaluated the standards, assumptions and results made by Shanghai Yinxin Huiye and concluded these valuations are acceptable under the Group's accounting policies. The valuations were based on current prices in an active market for similar properties or estimated by adopting Income Capitalisation approach based on existing and current market rents for similar properties, using capitalisation rates that reflect current market assessments of the uncertainty in the market.

As at 31 December 2009, the Group's investment properties were held in the PRC on leases of between 10 to 50 years. Investment properties with a carrying amount of RMB6,149,700,000 (2008: RMB5,646,000,000) were pledged as collateral for the Group's borrowings (Note 22).

There are no investment properties under construction as at 31 December 2009 (2008: Nil).

8 Land use rights - Group

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Land use rights relating to property and equipment under non-current assets		
Opening balance	**6,179,952**	6,581,082
Additions		
– Acqusition of subsidiaries (Note 40)	**264,315**	—
– Transfer from properties under development	**85,616**	—
– Other additions	**54,338**	56,080
Amortisation		
– Capitalised in property and equipment	**(87,079)**	(89,037)
– Recognised as expenses	**(32,380)**	(29,258)
Transfer to properties under development	**(3,404,380)**	(262,694)
Transfer to investment properties	**—**	(76,221)
Ending balance	**3,060,382**	6,179,952
Outside Hong Kong, held on leases of:		
Over 50 years	**12,082**	11,882
Between 10 to 50 years	**3,048,300**	6,168,070
	3,060,382	6,179,952

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, for assets under construction, hotel buildings and self-use buildings over fixed periods.

As at 31 December 2009, land use rights of RMB1,415,099,000 (2008: RMB1,155,197,000) were pledged as collateral for the Group's bank borrowings (Note 22).

9 Other non-current assets - Group

As at 31 December 2009, the Group had made prepayments of RMB6,410,261,000 (2008: RMB3,525,804,000) for certain land use rights, the ownership certificates of which have not been obtained.

As at 31 December 2009, the Group had made prepayments of RMB2,969,207,000 (2008: Nil) for acquisitions of certain equity interests.

As at 31 December 2009, RMB802,678,000 (2008: RMB784,100,000) have been advanced to certain local government authorities for land resettlement and site formation. These amounts are included in other non-current assets.

10 Intangible assets - Group

Intangible assets comprise goodwill arising from acquisitions:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Opening balance	**424,394**	415,995
Acquisition of subsidiaries (Note 40)	**1,709,730**	—
Acquisition of additional interests in subsidiaries (Note 41)	**366,712**	17,597
Impairment of goodwill recognised as expenses (Note 29)	**(152,575)**	(9,198)
Ending balance	**2,348,261**	424,394

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. A segment level summary of the goodwill is presented below:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Property development and investment - Shanghai Shimao	**1,709,730**	—
Property development and investment - Others	**507,603**	293,466
Hotel operation	**130,928**	130,928
	2,348,261	424,394

The recoverable amount of a CGU is determined based on the fair value (less cost to sell) of the related properties, determined by independent professional qualified valuers, or the quoted price in an active market for listed equity securities, where applicable.

Under property development and investment CGU other than Shanghai Shimao, certain underlying properties were completed and sold during the year, and the attributable goodwill totalling RMB152,575,000 (2008: RMB9,198,000) cannot be substantiated and therefore is considered impaired.

The goodwill impairment was included in other operating expenses in the consolidated income statement.

11 Properties under development - Group

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	**6,823,490**	3,651,120
Interests capitalised	**863,602**	524,625
Land use rights	**11,212,697**	7,443,567
	18,899,789	11,619,312

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Interest capitalised		
Opening balance	**524,625**	346,318
Acquisition of subsidiaries	**54,308**	—
Additions	**716,313**	536,649
Transfer to cost of sales	**(266,272)**	(111,264)
Transfer to completed properties held for sale	**(165,372)**	(247,078)
Ending balance	**863,602**	524,625
Land use rights		
Outside Hong Kong, held on leases of:		
Over 50 years	**7,221,546**	6,592,836
Between 10 to 50 years	**3,991,151**	850,731
	11,212,697	7,443,567

The properties under development are all located in the PRC. The relating land use rights are on leases of 40 to 70 years.

As at 31 December 2009, properties under development of approximately RMB8,242,994,000 (2008: RMB 6,997,789,000) were pledged as collateral for the Group's bank borrowings (Note 22).

The capitalisation rate of borrowings was 6.02% for the year ended 31 December 2009 (2008: 7.18%).

12 Completed properties held for sale - Group

All completed properties held for sale are located in the PRC. Included in completed properties held for sale, there are land use rights as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Outside Hong Kong, held on leases of:		
Over 50 years	**610,064**	1,270,313
Between 10 to 50 years	**468,174**	259,638
	1,078,238	1,529,951

As at 31 December 2009, no completed properties held for sale were pledged as collateral for the Group's bank borrowings (2008: RMB342,370,000) (Note 22).

For the year ended 31 December 2009, net provision of RMB85,324,000 (2008: RMB87,381,000) has been made to write down certain completed properties held for sale to their net realisable value.

13 Investments in and balances with subsidiaries - Company

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Investments in subsidiaries		
– Unlisted shares, at cost	**301,186**	288,095
– Amounts due from subsidiaries	**17,701,153**	18,613,370
	18,002,339	18,901,465
Amounts due to subsidiaries	**1,810,275**	1,788,452

The amounts due from/to subsidiaries are interest-free, unsecured and have no specific repayment terms. The Company's intention is that the amounts due from subsidiaries will only be recalled when the subsidiaries have surplus cash.

Details of the principal subsidiaries of the Group as at 31 December 2009 are set out in Note 37.

14 Associated companies - Group

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Share of net assets:		
Opening balance	**255,785**	295,142
Capital injection	**4,900**	28,975
Share of results		
– Profit/(loss) before income tax	**42,620**	(6,599)
– Income tax (charge)/credit (Note 32)	**(22,695)**	3,467
Dividends received	**—**	(65,200)
Acquisition of subsidiaries (note)	**(275,711)**	—
Ending balance	**4,899**	255,785

Note: Following the completion of the Transaction during the year as described in Note 1, Nanjing Shimao Real Estate Development Co., Ltd. ("Nanjing Shimao") and Fujian Shimao Investment Development Co., Ltd. ("Fujian Shimao"), the two subsidiaries of Shanghai Shimao and the then associated companies of the Group, become subsidiaries of the Group.

The Group's associated companies, all of which are unlisted entities established in the PRC, are as follows:

	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net (loss)/ profit RMB'000	Interest held by the Group (%)
2009					
Wuxi Shimao New Development Property Co., Ltd.	**9,997**	**—**	**—**	**(1)**	**49%**
2008					
Fujian Shimao	295,022	184,804	22,857	16,160	50%
Nanjing Shimao	1,642,014	1,240,662	91,417	(22,423)	50%
	1,937,036	1,425,466	114,274	(6,263)	

15 Available-for-sale financial assets - Group

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Opening balance	**—**	—
Acquisition of subsidiaries (Note 40)	**510,700**	—
Fair value gains recognised in other comprehensive income	**181,699**	—
Ending balance	**692,399**	—

Available-for-sale financial assets represented listed equity securities in the PRC which were stated at market value based on the quoted price.

As at 31 December 2009, available-for-sale financial assets with a carrying amount of RMB518,130,000 (2008: Nil) were pledged as collateral for the Group's borrowings (Note 22).

16 Jointly controlled entities - Group

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Share of net assets:		
Opening balance	**12,160**	2,662
Share of results		
– (Loss)/profit for the year	**(1,072)**	9,498
Ending balance	**11,088**	12,160
Advances to jointly controlled entities (note)	**2,327,156**	1,709,037
	2,338,244	1,721,197

Note: The Group and China Overseas Land & Investment Ltd. ("COLI Group") formed two jointly controlled entities to hold two pieces of land in the city of Hangzhou. As at 31 December 2009, the Group made advances of approximately RMB1,536,793,000 (2008: RMB920,967,000) and RMB790,363,000 (2008: RMB788,070,000) to the jointly controlled entities, namely Fast Right Investment Limited and Kingtron Enterprise Limited and their wholly-owned subsidiaries to finance their acquisition of land use rights. The advances are interest free, unsecured and have no fixed repayment terms.

Details of the jointly controlled entities of the Group as at 31 December 2009 are set out in Note 37.

17 Trade and other receivables and prepayments

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Group		
Deposits for land acquisition and resettlement costs	**1,458,310**	208,748
Trade receivables - net (note)	**736,146**	809,587
Prepaid business tax on pre-sale proceeds	**333,061**	88,595
Prepayments for construction costs	**142,069**	279,455
Other receivables	**328,456**	247,342
	2,998,042	1,633,727

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Company		
Other receivables and prepayments	**313**	66,710

Note: Trade receivables are mainly arisen from sales of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables at respective balance sheet dates is as follows:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Within 90 days	**625,447**	567,132
Over 90 days and within 365 days	**85,138**	201,068
Over 365 days	**25,561**	41,387
	736,146	809,587

The Group normally holds collateral of the properties before receipts of respective balance and passing the legal titles of the properties. As at 31 December 2009, receivables arising from sales of properties was approximately RMB644,739,000 (2008: RMB773,000,000).

As at 31 December 2009, provision for impairment of receivables was approximately RMB10,209,000 (2008: RMB2,314,000).

As at 31 December 2009, the fair value of trade receivables, deposits for land acquisition and resettlement costs, and other receivables of the Group and the Company approximate their carrying amounts.

18 Amounts due from related companies - Group

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Common directors		
Shimao Enterprises (note)	**—**	81,129
Shanghai Shimao (note)	**—**	542
Shimao International Holdings Limited ("Shimao International")	**538**	529
Shanghai Mason Club Co., Ltd. ("Shanghai Mason")	**160**	60
Associated companies		
Fujian Shimao (note)	**—**	1,324
Nanjing Shimao (note)	**—**	626
Jointly controlled entities		
Shanghai Shimao Property Services Co., Ltd. (formerly Shanghai Shimao Savills Property Management Co., Ltd.) ("Shimao First Pacific")	**—**	593
Hai Shu Property Development (Hangzhou) Co., Ltd.	**—**	112
	698	84,915

Note: Following the completion of the Transaction during the year as described in Note 1, Shanghai Shimao and Shimao Enterprises become subsidiaries of the Group. Fujian Shimao and Nanjing Shimao, the two subsidiaries of Shanghai Shimao and the then associated companies of the Group, also become subsidiaries of the Group.

The balances due from related companies are unsecured, interest-free and have no fixed repayment terms.

The carrying amounts of amounts due from related companies approximate their fair values.

19 Cash and cash equivalents

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Group		
Bank balances and cash		
– denominated in RMB	**6,906,864**	1,901,160
– denominated in US dollar	**364,631**	90,590
– denominated in HK dollar	**207,846**	9,658
Less: Restricted cash	**(560,383)**	(186,961)
	6,918,958	1,814,447

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Company		
Bank balances and cash - unrestricted		
– denominated in US dollar	**2,212**	54,920
– denominated in HK dollar	**137,919**	4,167
	140,131	59,087

As at 31 December 2009, the Group's cash of approximately RMB203,610,000 (2008: RMB75,395,000) was restricted and deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The Group's cash of approximately RMB356,773,000 (2008: RMB111,566,000) was pledged as collateral for the Group's borrowings (Note 22).

The conversion of RMB denominated balances into foreign currencies and the remittance of the foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rate on bank deposits as at 31 December 2009 was 0.34% (2008: 0.34%).

20 Share capital

(a) Details of share capital of the Company are as follows:

	Note	Par value HK$	Number of shares '000	Nominal value of ordinary shares HK$'000	RMB'000
Authorised:					
At 31 December 2009 and 2008		0.1	5,000,000	500,000	
Issued and fully paid:					
At 1 January 2008		0.1	3,297,792	329,779	340,382
Employee share option scheme					
– Shares issued	(b)	0.1	6,539	654	582
Repurchase and cancellation of shares	(d)	0.1	(56,185)	(5,618)	(4,949)
At 31 December 2008			3,248,146	324,815	336,015
Placement of shares	(e)	0.1	282,229	28,223	24,873
Employee share option scheme					
– Shares issued	(b)	0.1	11,912	1,191	1,050
At 31 December 2009			3,542,287	354,229	361,938

(b) Pre-IPO Share Option Scheme

Pursuant to the shareholders' resolution passed on 9 June 2006 for approval of the Pre-IPO Share Option Scheme, options for a total of 63,920,000 ordinary shares of the Company have been conditionally granted to directors and selected employees. The exercise price of HK$5.625 per share under the Pre-IPO Share Option Scheme is determined at a 10% discount to the global offering price, which was HK$6.25 per share, excluding brokerage, Securities and Futures Commission transaction levy and the Stock Exchange trading fee. Each option has 6-year exercise period from the date of grant, with 30% vested on 31 March 2007, another 30% vested on 31 March 2008 and the remaining 40% vested on 31 March 2009. Options are conditional on the employee completing the services up to the respective vesting dates and evaluation of performance as specified in the scheme, and become exercisable immediately after each vesting date. The Group has no legal or constructive obligation to repurchase or settle the options in cash. These options will expire on 8 June 2012.

20 Share capital (continued)

(b) Pre-IPO Share Option Scheme (continued)

Movements in the number of share options outstanding are as follows:

	Year ended 31 December	
	2009	2008
	'000	'000
Balance at beginning of the year	**35,531**	43,767
Lapsed	**(7,876)**	(1,697)
Exercised	**(11,912)**	(6,539)
Balance at end of the year	**15,743**	35,531

Out of the 15,743,000 outstanding options (2008: 35,530,850 options), all options (2008: 11,908,250 options) were vested and exercisable. During the year ended 31 December 2009, 11,912,000 options (2008: 6,539,400 options) have been exercised at exercise price of HK$5.625 per share, totalling HK$67,006,000 (equivalent to RMB59,052,000).

The fair value of the options granted determined using the binomial model was HK$92,324,000 at the grant date. The significant inputs to the model were share price of HK$6.25 at the grant date, exercise price of HK$5.625, volatility of 30.5%, expected dividend yield of 3.3%, an expected option life of 6 years and an annual risk-free interest rate of 4.7%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past one year of the grant date of similar listed companies.

(c) Share Option Scheme

Pursuant to the shareholders' resolution passed on 9 June 2006, another share option scheme ("Share Option Scheme") was approved. Pursuant to the terms of the Share Option Scheme, the Company may grant options at its discretion, to any eligible person (including directors, employees, officers of any member of the Group, advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture partners and service providers of any members of the Group). The total number of shares which may be issued upon exercise of all options (the "Share Option") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.

No options may be granted under the Share Option Scheme after 10 years since the adoption. The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the options expire no later than 10 years from the relevant date of grant. The exercise price of the option under the Share Option Scheme shall be no less than the higher of (i) the closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant.

Pursuant to the board resolution, options for a total of 15,350,000 ordinary shares of the Company under this scheme have been granted to independent non-executive directors, an executive director and selected employees on 4 February 2008. The exercise price is HK$16.24 per share. The options are to be partially vested on 31 March 2008 and partially on 31 March 2009, and are conditional on the employee performance and become exercisable immediately after each vesting date. As at 31 December 2008, all 15,350,000 options were forfeited or cancelled, of which 9,718,500 ordinary shares due to be vested on 31 March 2009 were cancelled by forfeiture as the vesting conditions are not satisfied.

The fair value of the options granted determined using the binomial model was HK$84,681,000 at the grant date. The significant inputs to the model were share price of HK$16.24 at the grant date, exercise price of HK$16.24, volatility of 56.14%, expected dividend yield of 2.16%, an expected option life of about 4 years and an annual risk-free interest rate ranging from 1.47% to 1.95%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical daily share prices of the Company over an 80-week period.

20 Share capital (continued)

(d) Repurchases and cancellation of shares

During the year ended 31 December 2009, there was no repurchase of own shares.

During the year ended 31 December 2008, the Company repurchased its own shares of 56,184,500, in aggregate, on the Stock Exchange at a total price of HK$211,360,730 (equivalent to RMB187,000,000).

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

Pursuant to section 37 of the Cayman Islands Companies Law, an amount equivalent to the par value of the shares cancelled of RMB4,949,000 was transferred from the retained earnings to the capital redemption reserve during the year ended 31 December 2008.

(e) Placing of new shares

On 9 April 2009, the Company completed a placing and subscription of 282,229,000 new ordinary shares of the Company, representing about 8% of the then enlarged capital of the Company, at HK$6.95 per share or a total consideration, net of related expenses of approximately HK$1,937,777,000 (equivalent to RMB1,707,763,000).

21 Reserves

Group

	Merger reserve RMB'000 (note (a))	Share premium RMB'000	Share-based compensation reserve RMB'000 (note (b))	Statutory reserve fund RMB'000 (note (c))	Capital redemption reserve RMB'000 (Note 20(d))	Available-for-sale financial assets RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2009	**(185,787)**	**10,273,293**	**102,309**	**181,017**	**4,949**	**—**	**7,984,023**	**18,359,804**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**87,589**	**3,511,201**	**3,598,790**
Placement of shares	**—**	**1,682,890**	**—**	**—**	**—**	**—**	**—**	**1,682,890**
Employee share option scheme								
– value of employee services	**—**	**—**	**2,808**	**—**	**—**	**—**	**—**	**2,808**
– proceeds from shares issued	**—**	**58,002**	**—**	**—**	**—**	**—**	**—**	**58,002**
Profit appropriations	**—**	**—**	**—**	**26,524**	**—**	**—**	**(26,524)**	**—**
2008 final dividend	**—**	**—**	**—**	**—**	**—**	**—**	**(404,498)**	**(404,498)**
2009 interim dividend	**—**	**—**	**—**	**—**	**—**	**—**	**(311,860)**	**(311,860)**
Balance at 31 December 2009	**(185,787)**	**12,014,185**	**105,117**	**207,541**	**4,949**	**87,589**	**10,752,342**	**22,985,936**
Representing:								
Proposed final dividend							**717,366**	**717,366**
Others							**10,034,976**	**22,268,570**
							10,752,342	**22,985,936**
Balance at 1 January 2008	(185,787)	10,423,247	76,576	143,620	—	—	7,650,146	18,107,802
Total comprehensive income for the year	—	—	—	—	—	—	841,159	841,159
Employee share option scheme								
– value of employee services	—	—	25,733	—	—	—	—	25,733
– proceeds from shares issued	—	32,097	—	—	—	—	—	32,097
Repurchases and cancellation of shares	—	(182,051)	—	—	4,949	—	(4,949)	(182,051)
Profit appropriations	—	—	—	37,397	—	—	(37,397)	—
Dividends	—	—	—	—	—	—	(464,936)	(464,936)
Balance at 31 December 2008	(185,787)	10,273,293	102,309	181,017	4,949	—	7,984,023	18,359,804

21 Reserves (continued)

Company

	Share premium RMB'000	Share-based compensation reserve RMB'000 (note (b))	Capital redemption reserve RMB'000 (note 20(d))	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2009	**10,273,293**	**102,309**	**4,949**	**185,347**	**10,565,898**
Total comprehensive income for the year	**—**	**—**	**—**	**316,157**	**316,157**
Placement of shares	**1,682,890**	**—**	**—**	**—**	**1,682,890**
Employee share option scheme					
– value of employee services	**—**	**2,808**	**—**	**—**	**2,808**
– proceeds from shares issued	**58,002**	**—**	**—**	**—**	**58,002**
2008 final dividend	**—**	**—**	**—**	**(404,498)**	**(404,498)**
2009 interim dividend	**—**	**—**	**—**	**(311,860)**	**(311,860)**
Balance at 31 December 2009	**12,014,185**	**105,117**	**4,949**	**(214,854)**	**11,909,397**
Representing:					
Proposed final dividend				**717,366**	**717,366**
Others				**(932,220)**	**11,192,031**
				(214,854)	**11,909,397**
Balance at 1 January 2008	10,423,247	76,576	—	1,210,593	11,710,416
Total comprehensive loss for the year	—	—	—	(555,361)	(555,361)
Employee share option scheme					
– value of employee services	—	25,733	—	—	25,733
– proceeds from shares issued	32,097	—	—	—	32,097
Repurchases and cancellation of shares	(182,051)	—	4,949	(4,949)	(182,051)
Dividends	—	—	—	(464,936)	(464,936)
Balance at 31 December 2008	10,273,293	102,309	4,949	185,347	10,565,898

Notes:

(a) Merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiary purchased pursuant to the reorganisation and the nominal value of the shares of the Company issued in exchange effected prior to the listing of the Company's shares on the Stock Exchange in 2006.

(b) Share-based compensation reserve represents value of employee services in respect of share options granted under the share option schemes (Note 20).

(c) According to the Articles of Association of the respective subsidiaries established in the PRC, which are foreign investment enterprises, the subsidiaries shall set aside certain percentage of their net income after offsetting accumulated losses from prior years as reported in their statutory accounts for the reserve fund, enterprise expansion fund and staff bonus and welfare fund. The reserve fund and enterprise expansion fund from part of the shareholders' funds. The staff bonus and welfare fund are accounted for as liabilities. Certain subsidiaries have made appropriation to such funds during the year.

(d) The distributable reserve of the Company as at 31 December 2009 amounted to RMB11,909,397,000 (2008: RMB10,565,898,000).

22 Borrowings

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Group		
Borrowings included in non-current liabilities		
Long-term bank borrowings – secured by assets (notes (i) and (iv))	**14,140,466**	8,993,056
Long-term bank borrowings - unsecured	**750,000**	800,000
Senior notes – secured (note (iii))	**4,036,502**	4,023,997
	18,926,968	13,817,053
Less: Amounts due within one year	**(2,332,378)**	(2,921,956)
	16,594,590	10,895,097
Borrowings included in current liabilities		
Short-term bank borrowings – secured by assets (notes (i))	**344,080**	564,037
Short-term bank borrowings - unsecured	**995,848**	52,913
Short-term bank borrowings – secured by shares of a listed subsidiary (notes (ii))	**260,000**	—
Current portion of long-term bank borrowings	**2,332,378**	2,921,956
	3,932,306	3,538,906

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Company		
Borrowings included in non-current liabilities		
Senior notes - secured (notes (iii))	**4,036,502**	4,023,997
Bank borrowings - secured	**—**	—
	4,036,502	4,023,997
Borrowings included in current liabilities		
Bank borrowings - secured (notes (iv))	**—**	2,222,156
Bank borrowings - unsecured	**—**	52,913
	—	2,275,069

22 Borrowings (continued)

Notes:

(i) As at 31 December 2009, the Group's total secured bank borrowings of RMB14,484,546,000 (2008: RMB9,557,093,000) were secured by its assets under construction and buildings (Note 6), investment properties (Note 7), land use rights (Note 8), properties under development (Note 11), available-for-sale financial assets (Note 15) and restricted cash (Note 19). As at 31 December 2009, secured borrowings of RMB2,646,112,000 were further guaranteed by Mr. Hui Wing Mau.

(ii) As at 31 December 2009, 45,000,000 shares of Shanghai Shimao held by the Group have been pledged for a total bank borrowings of RMB260,000,000 for group companies.

(iii) On 29 November 2006, the Company issued a total of US$600,000,000 senior notes, including US$250,000,000 at a floating rate of interest due 1 December 2011 and US$350,000,000 at a fixed rate of interest due 1 December 2016. The Company may at its option redeem the notes, in whole or in part, by certain dates based on the terms of the notes. The notes are senior obligations guaranteed by certain subsidiaries other than those established under the laws of the PRC ("Subsidiary Guarantors"), and secured by a pledge of the shares of these Subsidiary Guarantors.

(iv) On 13 August 2007, the Group entered into a bank facility agreement with a syndicate of 20 international and local banks. Pursuant to the agreement, the Group obtained a 3-year extendible syndicated loan facility amounting to US$328,000,000 at a floating rate of interest due on 13 August 2010. The Company repaid US$230,000,000 on 4 May 2009, and the remaining amount of US$98,000,000 was repaid on 31 July 2009.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity whichever is the earlier date is as follows:

	6 months or less RMB'000	6 - 12 months RMB'000	Over 5 years RMB'000	Total RMB'000
Group				
Borrowings included in non-current liabilities:				
At 31 December 2009	**11,805,285**	**2,444,055**	**2,345,250**	**16,594,590**
At 31 December 2008	6,704,159	1,848,100	2,342,838	10,895,097
Borrowings included in current liabilities:				
At 31 December 2009	**3,490,306**	**442,000**	**—**	**3,932,306**
At 31 December 2008	3,365,006	173,900	—	3,538,906
Company				
Borrowings included in non-current liabilities:				
At 31 December 2009	**1,691,252**	**—**	**2,345,250**	**4,036,502**
At 31 December 2008	1,681,159	—	2,342,838	4,023,997
Borrowings included in current liabilities:				
At 31 December 2009	**—**	**—**	**—**	**—**
At 31 December 2008	2,275,069	—	—	2,275,069

22 Borrowings (continued)

The maturity of the borrowings included in non-current liabilities is as follows:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Group		
Bank borrowings:		
Between 1 and 2 years	**2,679,300**	3,044,600
Between 2 and 5 years	**5,885,788**	2,943,500
Over 5 years	**3,993,000**	883,000
Senior notes:		
Between 1 and 2 years	**1,691,252**	—
Between 2 and 5 years	**—**	1,681,159
Over 5 years	**2,345,250**	2,342,838
	16,594,590	10,895,097
Company		
Senior notes:		
Between 1 and 2 years	**1,691,252**	—
Between 2 and 5 years	**—**	1,681,159
Over 5 years	**2,345,250**	2,342,838
	4,036,502	4,023,997

The effective interest rates at the balance sheet date were as follows:

	As at 31 December	
	2009	2008
Group		
Bank borrowings - RMB	**5.60%**	5.68%
Bank borrowings - US dollar	**—**	3.90%
Bank borrowings - HK dollar	**1.43%**	3.24%
Senior notes - US dollar	**6.68%**	7.55%
Company		
Bank borrowings - US dollar	**—**	3.90%
Bank borrowings - HK dollar	**—**	3.24%
Senior notes - US dollar	**6.68%**	7.55%

22 Borrowings (continued)

The carrying amounts and fair values of non-current borrowings are as follows:

	Carrying amounts RMB'000	Fair values RMB'000
Group		
At 31 December 2009	**16,594,590**	**16,535,297**
At 31 December 2008	10,895,097	10,818,610
Company		
At 31 December 2009	**4,036,502**	**4,036,502**
At 31 December 2008	4,023,997	4,023,997

The fair values are based on cash flows discounted using rates based on weighted average borrowing rates of 5.28% as at 31 December 2009 (2008: 5.40%).

The carrying amounts of short-term borrowings approximate their fair values, as the impact of discounting is not significant.

The carrying amounts of the borrowings are denominated in the following currencies:

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Group		
RMB	**13,844,282**	8,134,937
HK dollar	**2,646,112**	52,913
US dollar	**4,036,502**	6,246,153
	20,526,896	14,434,003
Company		
HK dollar	—	52,913
US dollar	**4,036,502**	6,246,153
	4,036,502	6,299,066

23 Deferred income tax - Group

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same tax authority. The net deferred income tax balances after offsetting are as follows:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Deferred income tax assets		
– to be recovered after more than 12 months	**539,734**	342,875
– to be recovered within 12 months	**210,346**	94,972
	750,080	437,847
Deferred income tax liabilities		
– to be recovered after more than 12 months	**1,780,323**	1,486,305
– to be recovered within 12 months	**44,624**	118,796
	1,824,947	1,605,101
Net deferred income tax liabilities	**1,074,867**	1,167,254

The movement on the net deferred income tax liabilities is as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Opening balance	**1,167,254**	1,197,874
Acquisition of subsidiaries (Note 40)	**173,618**	—
Credited to the consolidated income statement (Note 32)	**(266,005)**	(30,620)
Ending balance	**1,074,867**	1,167,254

23 Deferred income tax - Group (continued)

Movement in deferred income tax assets and liabilities for the year ended 31 December 2009, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary differences on recognition of sales, related costs and land appreciation tax RMB'000	Temporary differences on recognition of expenses RMB'000	Total RMB'000
At 1 January 2008	477,057	48,832	525,889
Credited to the consolidated income statement	77,020	10,123	87,143
At 31 December 2008	554,077	58,955	613,032
Acquisition of subsidiaries (Note 40)	—	20,463	20,463
Credited to the consolidated income statement	123,221	30,920	154,141
At 31 December 2009	**677,298**	**110,338**	**787,636**

Deferred income tax liabilities

	Fair value gains on investment properties RMB'000	Fair value adjustments on assets and liabilities upon acquisition RMB'000	Withholding tax on the retained earnings of certain subsidiaries RMB'000	Total RMB'000
At 1 January 2008	704,578	1,019,185	—	1,723,763
(Credited) /charged to the consolidated income statement	(30,687)	(13,063)	100,273	56,523
At 31 December 2008	673,891	1,006,122	100,273	1,780,286
Acquisition of subsidiaries (Note 40)	—	194,081	—	194,081
Charged/(credited) to the consolidated income statement	53,459	(93,471)	(71,852)	(111,864)
At 31 December 2009	**727,350**	**1,106,732**	**28,421**	**1,862,503**

23 Deferred income tax - Group (continued)

Deferred income tax arose as a result of differences in timing of recognising certain revenue, costs and expenses between the tax based financial statements and the HKFRS financial statements. This constitutes temporary differences, being the differences between the carrying amounts of the assets or liabilities in the consolidated balance sheets and their tax bases in accordance with HKAS 12.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB73,623,000 (2008: RMB82,071,000) in respect of accumulated losses amounting to RMB294,493,000 (2008: RMB328,284,000). Accumulated losses amounting to RMB22,758,000, RMB10,513,000, RMB33,055,000, RMB168,996,000 and RMB59,171,000 as at 31 December 2009 will expire in 2011, 2012, 2013, 2014 and 2015 respectively.

As at 31 December 2009, unremitted earnings from PRC subsidiaries may be liable for taxes if they were to be distributed as dividends to overseas holding companies. Deferred income tax liabilities of RMB695,616,000 (2008: RMB492,131,000) on unremitted earnings of the Group's PRC subsidiaries of RMB7,706,880,000 (2008: RMB5,923,684,000) have not been recognised as the Group believes that it can control the timing of distribution and it does not believe that they will be distributed in the foreseeable future.

24 Trade and other payables

Group

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Trade payables (note (a))	**6,134,264**	5,836,441
Other taxes payable	**350,530**	176,888
Accrued expenses	**116,024**	109,039
Other payables (note (b))	**438,110**	624,758
	7,038,928	6,747,126

Company

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Other payables and accruals	**24,671**	37,831

24 Trade and other payables (continued)

Notes:

(a) The ageing analysis of trade payables is as follows:

	As at 31 December 2009 RMB'000	2008 RMB'000
Within 90 days	**5,861,550**	5,107,382
Over 90 days and within 180 days	**272,714**	729,059
	6,134,264	5,836,441

(b) Other payables comprise:

	As at 31 December 2009 RMB'000	2008 RMB'000
Deposits received from customers	**208,276**	92,327
Rental deposits from tenants and hotel customers	**69,797**	66,189
Fees collected from customers on behalf of government agencies	**51,916**	11,157
Decoration fee collected from customers on behalf of decorators	**29,328**	1,976
Deposits and advances from constructors	**29,132**	352,701
Acquisition consideration payable	**10,566**	32,502
Accrued selling and marketing costs	**9,617**	—
Welfare payable	**442**	4,845
Decoration fee payables	**—**	35,110
Miscellaneous	**29,036**	27,951
	438,110	624,758

25 Amounts due to related parties

	As at 31 December 2009 RMB'000	2008 RMB'000
Common directors		
Perfect Zone International Limited	**1,861**	—
Vast Union Investments Limited	**270**	—
Others		
Mr. Xu Shiyong and Ms.Wang Lili – relatives of Mr. Hui Wing Mau	**28,970**	—
	31,101	—

The balances due to related parties are unsecured, interest-free and have no fixed repayment terms.

The carrying amounts of amounts due to related parties approximate their fair values.

26 Amount due to a minority interest - Group

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Qingdao ShiAo Investment & Development Co., Ltd.	**7,696**	—

The balance due to a minority interest is unsecured, interest-free and has no fixed repayment terms.

27 Gains on deemed disposal to minority interests

As described in Note 1, the Group acquired an effective equity interest of 64.2% in Shanghai Shimao through injection of a number of retail and commercial properties, most of which through equity transfers. Such injected equities and assets were originally 100% held by the Group. After the completion of the Transaction, the Group's interests in these injected equities and assets were diluted from 100% to 64.2%. The reduction of the interests of 35.8% in these injected equities and assets constituted a deemed disposal, and resulted in a gain of RMB1,395,849,000, which was calculated as 35.8% of the excess of the fair value of these equities and assets given up over their carrying amounts on the completion date of 31 May 2009. Another gain of RMB105,244,000 relating to the further injection of Shaoxing Projects to Shanghai Shimao was calculated as 35.8% of the excess of cash consideration of RMB475,622,000 over the carrying amounts of Shaoxing Projects on the completion date of 16 November 2009. The Transaction and injection of Shaoxing Projects to Shanghai Shimao had resulted in a total gain of RMB1,501,093,000.

28 Other gains

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Government grants received	**136,506**	4,337
Miscellaneous rental income	**7,699**	2,678
Gain on disposal of property and equipment	**5,709**	875
Net exchange gain	**5,275**	414,658
Negative goodwill arising from acquisition of subsidiaries	**—**	6,841
Trademark income	**—**	1,340
Miscellaneous	**3,420**	11,389
	158,609	442,118

29 Expenses by nature

Expenses included in cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Staff costs - including directors' emoluments (note (a))	**422,491**	436,037
Auditor's remuneration	**4,200**	3,000
Depreciation (Note 6)	**238,902**	224,222
Amortisation of land use rights	**32,380**	35,390
Provision for impairment of receivables	**7,895**	2,314
Net impairment losses on completed properties held for sale (Note 12)	**85,324**	87,381
Advertising, promotion and commission costs	**374,079**	271,241
Cost of properties sold	**9,869,986**	3,191,159
Business taxes and other levies on sales of properties (note (b))	**848,710**	317,996
Net impairment of intangible assets (Note 10)	**152,575**	9,198
Charitable donations	**5,819**	42,649
Direct outgoings arising from investment properties	**13,108**	4,475
Operating lease rental expenses	**62,114**	49,260
Direct expenses arising from hotel operation	**314,198**	423,009
Corporate and office expenses	**258,753**	174,324
Other expenses	**216,535**	115,233
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses	**12,907,069**	5,386,888

(a) Staff costs (including directors' emoluments) comprise:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Wages and salaries	**312,884**	333,737
Pension costs - statutory pension (Note 36)	**28,996**	27,347
Employee share option scheme	**2,808**	25,733
Other allowances and benefits	**77,803**	49,220
	422,491	436,037

(b) Business tax

The PRC companies of the Group are subject to business taxes of 5% and other levies on their revenue from sales of properties.

30 Finance income and costs

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Interest on bank borrowings		
– wholly repayable within five years	**710,519**	720,315
– not wholly repayable within five years	**161,906**	43,866
Interest on senior notes		
– wholly repayable within five years	**79,434**	112,854
– not wholly repayable within five years	**191,284**	195,762
	1,143,143	1,072,797
Less: Interest capitalised	**(805,490)**	(695,162)
Finance costs	**337,653**	377,635
Finance income	**(30,466)**	(28,005)
Finance costs – net	**307,187**	349,630

31 Emoluments of directors and five highest paid individuals

(a) Directors' emoluments

The remuneration of each of the directors of the Company for the year ended 31 December 2009 is set out as follows:

Name of directors	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement benefit contributions RMB'000	Employee share option schemes RMB'000	Total RMB'000
Executive directors						
Mr. Hui Wing Mau	—	5,287	1,762	11	—	7,060
Mr. Hui Sai Tan, Jason	—	2,644	—	11	198	2,853
Ms. Yao Li	—	2,008	—	11	198	2,217
Mr. Ip Wai Shing, Andy	—	1,783	361	11	192	2,347
Mr. Tang Ping Fai (note)	—	691	—	5	198	894
Mr. Tung Chi Shing	—	1,698	169	11	—	1,878
Non-executive director						
Mr. Tang Ping Fai (note)	—	106	—	—	—	106
Independent non-executive directors						
Ms. Kan Lai Kuen, Alice	211	—	—	—	—	211
Mr. Lu Hong Bing	211	—	—	—	—	211
Mr. Gu Yunchang	211	—	—	—	—	211
Mr. Lam Ching Kam	211	—	—	—	—	211
	844	14,217	2,292	60	786	18,199

Note:

Mr. Tang Ping Fai was re-designated from an executive director to a non-executive director with effect from 12 June 2009 and resigned on 1 February 2010.

31 Emoluments of directors and five highest paid individuals (continued)

(a) Directors' emoluments (continued)

The remuneration of each of the directors of the Company for the year ended 31 December 2008 is set out as follows:

Name of directors	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement benefit contributions RMB'000	Employee share option schemes RMB'000	Total RMB'000
Executive directors						
Mr. Hui Wing Mau	—	5,291	—	11	—	5,302
Mr. Hui Sai Tan, Jason	—	2,646	213	11	770	3,640
Ms. Yao Li	—	2,010	199	11	770	2,990
Mr. Ip Wai Shing, Andy	—	1,784	186	11	746	2,727
Mr. Tang Ping Fai	—	1,528	159	11	770	2,468
Mr. Tung Chi Shing	—	1,700	170	11	2,999	4,880
Independent non-executive directors						
Ms. Kan Lai Kuen, Alice	212	—	—	—	322	534
Mr. Lu Hong Bing	212	—	—	—	322	534
Mr. Gu Yunchang	212	—	—	—	322	534
Mr. Lam Ching Kam	212	—	—	—	322	534
	848	14,959	927	66	7,343	24,143

No directors of the Company waived or agreed to waive any remuneration for the years ended 31 December 2009 and 2008.

31 Emoluments of directors and five highest paid individuals (continued)

(b) Five highest paid individuals

Four of the five individuals whose emoluments were the highest in the Group for the year ended 31 December 2009 are directors. The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2008 are all directors. The aggregate amounts of emoluments of the five highest paid individuals are set out below:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Salaries and allowances	**13,493**	13,431
Bonuses	**2,566**	768
Retirement scheme contributions	**55**	55
Employee share option scheme	**642**	5,285
	16,756	19,539

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
RMB2,000,001 - RMB2,500,000	**3**	1
RMB2,500,001 - RMB3,000,000	**1**	2
RMB3,500,001 - RMB4,000,000	**—**	1
RMB4,000,001 - RMB4,500,000	**—**	—
RMB4,500,001 - RMB5,000,000	**—**	1
RMB5,000,001 - RMB5,500,000	**—**	1
RMB6,000,001 - RMB6,500,000	**—**	—
RMB6,500,001 - RMB7,000,000	**—**	—
RMB7,000,001 - RMB7,500,000	**1**	—

(c) No emolument was paid or is payable by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office apart from those disclosed above for the years ended 31 December 2009 and 2008.

32 Income tax expense

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax	**1,355,892**	435,311
– PRC withholding income tax	**462,814**	—
– PRC land appreciation tax	**554,511**	520,535
	2,373,217	955,846
Deferred income tax (Note 23)		
– PRC enterprise income tax	**(194,153)**	(130,893)
– PRC withholding income tax	**(71,852)**	100,273
	(266,005)	(30,620)
	2,107,212	925,226

Share of income tax charge of associated companies of RMB22,695,000 (2008: income tax credit of RMB3,467,000) (Note 14) is included in the consolidated income statement under share of results of associated companies.

32 Income tax expense (continued)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies within the Group as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Profit before income tax	**5,710,196**	1,785,494
Less: Share of results of associated companies and jointly controlled entities	**(18,853)**	(6,366)
Land appreciation tax	**(554,511)**	(520,535)
	5,136,832	1,258,593
Calculated at PRC enterprise income tax rate of 25% (2008: 25%)	**1,284,208**	314,648
Effect of different tax rates in other countries	**(16,211)**	(929)
Expenses not deductible for income tax purposes (note (a))	**185,776**	26,067
Gains on deemed disposal to minority interests not subject to PRC enterprise income tax	**(375,273)**	—
Income not subject to tax (note (b))	**(1,407)**	(74,133)
Tax losses not recognised	**8,646**	40,475
Negative goodwill arising from acquisition of subsidiaries not subject to tax	**—**	(1,710)
Current income tax for deemed disposal of an office building to Shanghai Shimao (note (c))	**76,000**	—
PRC enterprise income tax charge	**1,161,739**	304,418
PRC land appreciation tax	**554,511**	520,535
PRC withholding income tax	**390,962**	100,273
	2,107,212	925,226

Notes:

(a) For the year ended 31 December 2009, expenses not deductible for income tax purposes mainly resulted from impairment of goodwill of RMB152,575,000 and expenses of RMB378,605,000 incurred by the Company and its subsidiaries established in the British Virgin Islands which are not deductible for tax purpose.

For the year ended 31 December 2008, expenses not deductible for income tax purposes mainly resulted from employee share options of RMB25,733,000 and expenses of RMB70,038,000 incurred by the Company and its subsidiaries established in the British Virgin Islands which are not deductable for tax purposes.

(b) Income not subject to tax arose mainly from interest income and net exchange gains incurred by companies incorporated in Cayman Islands, the British Virgin Islands and Hong Kong, and income tax refund on reinvestment.

(c) As described in Note 1, the Group injected an office building into Shanghai Shimao in May 2009 as part of the Transaction and incurred current income tax charges of RMB76,000,000 for the deemed disposal.

32 Income tax expense (continued)

Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group has no assessable profit in Hong Kong for the year ended 31 December 2009 (2008: Nil).

PRC enterprise income tax

PRC enterprise income tax is provided for at 25% of the profits for the PRC statutory financial reporting purpose, adjusted for those items, which are not assessable or deductible for the PRC enterprise income tax purposes.

The new Enterprise Income Tax Law has been enacted to reduce the PRC enterprise income tax rate from 33% to 25% with effect from 1 January 2008.

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership. Upon acquisition of subsidiaries which are engaged in property development, an accrual for land appreciation tax is made based on the fair value of the properties being developed by the subsidiaries for sale before arriving at the goodwill/negative goodwill on the acquisition.

PRC withholding income tax

According to the new Enterprise Income Tax Law of the PRC, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong. Such withholding income tax is included in deferred tax.

Gain on disposal of an investment in the PRC by overseas holding companies may also be subject to withholding tax of 10%. Such withholding income tax is included in current tax.

33 Dividends

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Interim dividend paid of HK10 cents (2008:Nil) per ordinary share (note(a))	**311,650**	—
Proposed final dividend of HK23 cents (2008: HK13 cents) per ordinary share (note (b))	**717,366**	404,742
	1,029,016	404,742

Notes:

(a) An interim dividend in respect of the six months ended 30 June 2009 of HK10 cents per ordinary share, amounting to approximately HK$353,545,000 (equivalent to RMB311,650,000) was declared at the Company's board meeting held on 17 September 2009 (2008: Nil).

(b) At a meeting held on 13 April 2010, the directors proposed a final dividend of HK23 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010 upon approval by the shareholders at the forthcoming annual general meeting of the Company. A final dividend in respect of 2008 of HK13 cents per ordinary share, amounting to approximately HK$459,031,000 (equivalent to RMB404,742,000) was approved at the annual general meeting of the Company held on 2 June 2009.

34 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2009	2008
Profit attributable to the equity holders of the Company (RMB'000)	**3,511,201**	841,159
Weighted average number of ordinary shares in issue (thousands)	**3,453,933**	3,292,732
Basic earnings per share (RMB cents)	**101.7**	25.6

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue for the potential dilutive effect caused by the share options granted under share option schemes (Note 20) assuming they were exercised.

	Year ended 31 December	
	2009	2008
Profit attributable to the equity holders of the Company (RMB'000)	**3,511,201**	841,159
Weighted average number of ordinary shares in issue (thousands)	**3,453,933**	3,292,732
Adjustment for share options granted under the Pre-IPO Share Option Scheme and Share Option Scheme (thousands)	**7,900**	16,048
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,461,833**	3,308,780
Diluted earnings per share (RMB cents)	**101.4**	25.4

35 Notes to the consolidated cash flow statement

Net cash generated from operations:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Profit before income tax	**5,710,196**	1,785,494
Adjustments for:		
Interest income	**(30,466)**	(28,005)
Finance costs	**337,653**	377,635
Provision for impairment of receivables	**7,895**	2,314
Net impairment losses on completed properties held for sale	**85,324**	87,381
Depreciation	**238,902**	224,222
Gain on disposal of property and equipment	**(5,709)**	(875)
Share of results of associated companies	**(19,925)**	3,132
Share of results of jointly controlled entities	**1,072**	(9,498)
Amortisation of land use rights	**32,380**	35,390
Gains on deemed disposal to minority interests	**(1,501,093)**	—
Fair value (gains)/losses on investment properties	**(213,834)**	122,749
Staff costs - employee share option scheme	**2,808**	25,733
Negative goodwill arising from acquisition of additional interests in a subsidiary	**—**	(6,841)
Impairment of intangible assets	**152,575**	9,198
Net exchange gain	**(5,275)**	(414,658)
	4,792,503	2,213,371
Changes in working capital:		
Properties under development and completed properties held for sale	**(9,765,462)**	(1,700,872)
Land use rights	**7,522,845**	(261,295)
Restricted cash	**(102,315)**	222,592
Trade and other receivables and prepayments	**(1,204,117)**	(518,352)
Trade and other payables	**(195,581)**	1,159,272
Advanced proceeds received from customers	**4,929,836**	1,034,710
Amounts due to related parties and a minority interest	**8,585**	(1,814)
Net cash generated from operations	**5,986,294**	2,147,612

(a) Non-cash transactions

The principal non-cash transaction is the acquisition of Shanghai Shimao described in Note 40.

36 Pensions - defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on a certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated income statement of the Group are as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Gross scheme contributions	**28,996**	27,347

37 Principal subsidiaries, associated companies and jointly controlled entities

Particulars of the principal subsidiaries, associated companies and jointly controlled entities of the Group as at 31 December 2009 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2009	Principal activities
Principal subsidiaries — established and operation conducted in the PRC					
上海世茂房地產有限公司 (Shanghai Shimao Real Estate Co., Ltd.)	15 March 2000	Foreign investment enterprise	Registered capital US$75,000,000	100%	Property development
上海世茂國際廣場有限責任公司 (Shanghai Shimao International Plaza Co., Ltd.)	15 September 1994	Foreign investment enterprise	Registered capital RMB1,600,000,000	100%	Hotel and shopping mall
上海世茂建設有限公司 (Shanghai Shimao Jianshe Co., Ltd.)	16 March 2001	Foreign investment enterprise	Registered capital RMB540,000,000	100%	Investment holding
上海世茂莊園置業有限公司 (Shanghai Shimao Manor Real Estate Co., Ltd.)	19 June 2002	Foreign investment enterprise	Registered capital US$18,400,000	100%	Property development and hotel
上海世茂北外灘開發建設有限公司 (Shanghai Shimao North Bund Co., Ltd.)	17 May 2002	Foreign investment enterprise	Registered capital HK$650,000,000	100%	Hotel
北京世茂投資發展有限公司 (Beijing Shimao Investment and Development Co., Ltd.)	26 December 2000	Foreign investment enterprise	Registered capital RMB755,780,000	100%	Property development
哈爾濱世茂濱江新城開發建設有限公司 (Harbin Shimao Riviera New City Development and Construction Co., Ltd.)	24 March 2004	Foreign investment enterprise	Registered capital HK$548,000,000	100%	Property development
常熟世茂房地產開發有限公司 (Changshu Shimao Real Estate Development Co., Ltd.)	24 December 2004	Domestic enterprise	Registered capital HK$440,000,000	100%	Property development

37 Principal subsidiaries, associated companies and jointly controlled entities (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2009	Principal activities
Principal subsidiaries — established and operation conducted in the PRC (continued)					
昆山世茂蝶湖灣開發建設有限公司 (Kunshan Shimao Butterfly Bay Development and Construction Co., Ltd.)	10 November 2003	Foreign investment enterprise	Registered capital RMB412,410,000	100%	Property development
武漢世茂錦繡長江房地產開發有限公司 (Wuhan Shimao Splendid River Real Estate Development Co., Ltd.)	6 June 2005	Foreign investment enterprise	Registered capital US$114,269,000	96.1%	Property development
昆山世茂房地產開發有限公司 (Kunshan Shimao Real Estate Co., Ltd.)	24 December 2003	Domestic enterprise	Registered capital RMB547,668,147	64.2%	Property development
嘉興世茂新城房地產開發有限公司 (Jiaxing Shimao New City Real Estate Development Co., Ltd.)	28 September 2006	Foreign investment enterprise	Registered capital US$62,800,000	100%	Property development
上海世茂新體驗置業有限公司 (Shanghai Shimao Wonderland Real Estate Co., Ltd.)	6 March 2006	Domestic enterprise	Registered capital RMB391,092,834	64.2%	Property development
紹興世茂新城房地產開發有限公司 (Shaoxing Shimao New City Real Estate Development Co., Ltd)	11 July 2006	Foreign investment enterprise	Registered capital US$52,350,000	100%	Property development
紹興世茂置業有限公司 (Shaoxing Shimao Real Estate Co., Ltd)	11 July 2006	Foreign investment enterprise	Registered capital US$79,030,000	100%	Property development
蕪湖世茂房地產開發有限公司 (Wuhu Shimao Real Estate Development Co., Ltd.)	8 September 2006	Foreign investment enterprise	Registered capital US$56,500,000	100%	Property development

37 Principal subsidiaries, associated companies and jointly controlled entities (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2009	Principal activities
Principal subsidiaries — established and operation conducted in the PRC (continued)					
煙台世茂置業有限公司 (Yantai Shimao Real Estate Co., Ltd.)	6 September 2006	Foreign investment enterprise	Registered capital US$48,500,000	100%	Property development
常州世茂房地產有限公司 (Changzhou Shimao Real Estate Co., Ltd.)	27 November 2006	Foreign investment enterprise	Registered capital US$301,500,000	100%	Property development
瀋陽世茂新發展置業有限公司 (Shenyang Shimao New Development Property Co., Ltd.)	5 December 2006	Foreign investment enterprise	Registered capital US$108,900,000	100%	Property development
杭州世茂置業有限公司 (Hangzhou Shimao Real Estate Co., Ltd.)	13 December 2006	Foreign investment enterprise	Registered capital US$111,900,000	100%	Property development
徐州世茂新城房地產開發有限公司 (Xuzhou Shimao New City Real Estate Development Co., Ltd.)	14 February 2007	Foreign investment enterprise	Registered capital US$75,980,000	100%	Property development
徐州世茂置業有限公司 (Xuzhou Shimao Property Co., Ltd.)	14 February 2007	Domestic enterprise	Registered capital RMB201,412,600	64.2%	Property development
徐州世茂新紀元房地產開發有限公司 (Xuzhou Shimao New Era Real Estate Development Co., Ltd.)	22 June 2007	Foreign investment enterprise	Registered capital RMB50,000,000	100%	Property development
福州世茂置業有限公司 (Fuzhou Shimao Property Co., Ltd.)	5 July 2007	Foreign investment enterprise	Registered capital RMB430,000,000	100%	Property development
福州世茂新城房地產開發有限公司 (Fuzhou Shimao New City Real Estate Development Co., Ltd.)	5 July 2007	Foreign investment enterprise	Registered capital RMB880,000,000	100%	Property development
蕪湖世茂新發展置業有限公司 (Wuhu Shimao New Development Property Co., Ltd.	16 May 2007	Domestic enterprise	Registered capital RMB50,000,000	64.2%	Property development

37 Principal subsidiaries, associated companies and jointly controlled entities (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2009	Principal activities
Principal subsidiaries — established and operation conducted in the PRC (continued)					
蕪湖世茂新世紀置業有限公司 (Wuhu Shimao New Century Property Co., Ltd.)	26 September 2007	Foreign investment enterprise	Registered capital RMB35,000,000	100%	Property development
瀋陽世茂新世紀房地產開發有限公司 (Shenyang Shimao New Century Real Estate Development Co., Ltd.)	24 May 2007	Domestic enterprise	Registered capital RMB580,058,500	64.2%	Property development
瀋陽世茂新紀元置業有限公司 (Shenyang Shimao New Era Property Co., Ltd.)	24 May 2007	Foreign investment enterprise	Registered capital HK$257,000,000	100%	Property development
大連世茂龍河發展有限公司 (Dalian Cakong Dragon River Development Co., Ltd)	9 June 2006	Foreign investment enterprise	Registered capital US$75,200,000	95.8%	Property development
蘇州世茂投資發展有限公司 (Suzhou Shimao Investment & Development Co., Ltd.)	2 March 2007	Domestic enterprise	Registered capital RMB226,795,630	64.2%	Property development
蘇州世茂置業有限公司 (Suzhou Shimao Property Co., Ltd.)	26 January 2007	Foreign investment enterprise	Registered capital US$178,000,000	100%	Property development
紹興世茂新紀元置業有限公司 (Shaoxing Shimao New Era Property Co., Ltd.)	13 July 2007	Domestic enterprise	Registered capital RMB133,520,127	64.2%	Property development
紹興世茂新置業發展有限公司 (Shaoxing Shimao New Property Development Co., Ltd.)	13 July 2007	Foreign investment enterprise	Registered capital US$14,500,000	100%	Property development
紹興世茂新世紀置業有限公司 (Shaoxing Shimao New Century Property Co., Ltd.)	13 July 2007	Domestic enterprise	Registered capital RMB203,457,740	100%	Property development
嘉興世茂新世紀置業有限公司 (Jiaxing Shimao New Century Property Co., Ltd.)	6 July 2007	Foreign investment enterprise	Registered capital RMB5,000,000	100%	Property development
牡丹江世茂置業有限公司 (Mudanjiang Shimao Property Co., Ltd.)	4 September 2007	Foreign investment enterprise	Registered capital US$16,000,000	95%	Property development

37 Principal subsidiaries, associated companies and jointly controlled entities (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2009	Principal activities
Principal subsidiaries — established and operation conducted in the PRC (continued)					
牡丹江世茂新城房地產開發有限公司 (Mudanjiang Shimao New City Real Estate Development Co., Ltd.)	4 September 2007	Foreign investment enterprise	Registered capital US$29,980,000	100%	Property development
常熟世茂新發展置業有限公司 (Changshu Shimao New Development Property Co., Ltd.)	24 August 2007	Domestic enterprise	Registered capital RMB252,174,000	64.2%	Property development
昆山世茂新發展置業有限公司 (Kunshan Shimao New Development Property Co., Ltd.)	12 September 2007	Foreign investment enterprise	Registered capital US$49,980,000	100%	Property development
成都世盈投資管理諮詢有限公司 (Chengdu Shiying Investment Management Consulting Co., Ltd.)	20 September 2007	Foreign investment enterprise	Registered capital US$29,980,000	100%	Property development
常州世茂新城房地產開發有限公司 (Changzhou Shimao New City Real Estate Development Co., Ltd.)	12 February 2007	Domestic enterprise	Registered capital RMB222,264,005	64.2%	Property development
上海世源建材貿易有限公司 (Shanghai Shine Construction Product Co., Ltd.)	22 January 2007	Foreign investment enterprise	Registered capital HK$5,000,000	100%	Trading of construction materials
上海世盈投資管理有限公司 (Shanghai Shiying Investment Management Co., Ltd.)	21 August 2007	Foreign investment enterprise	Registered capital RMB200,000,000	100%	Investment holding
廈門信誠建築裝潢有限公司 (Xiamen Xincheng Building Decoration Co., Ltd.)	6 March 2007	Foreign investment enterprise	Registered capital RMB5,000,000	100%	Trading of construction materials
北京財富時代置業有限公司 (Beijing Fortune Times Property Co., Ltd.)	18 September 2001	Domestic enterprise	Registered capital RMB1,010,000,000	64.2%	Property development
牡丹江睿智營銷企劃有限公司 (Mudanjiang Ruizhi Marketing Planning Co., Ltd.)	4 December 2007	Foreign investment enterprise	Registered capital RMB1,000,000	100%	Marketing
牡丹江世拓建材貿易有限公司 (Mudanjiang Shituo Construction Product Co., Ltd.)	3 April 2008	Foreign investment enterprise	Registered capital RMB1,000,000	100%	Trading of construction materials

37 Principal subsidiaries, associated companies and jointly controlled entities (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2009	Principal activities
Principal subsidiaries — established and operation conducted in the PRC (continued)					
咸陽世茂房地產開發有限公司 (Xianyang Shimao Real Estate Development Co., Ltd.)	29 April 2004	Foreign investment enterprise	Registered capital HK$30,000,000	60%	Property development
上海碧橙房地產有限公司 (Shanghai Bicheng Real Estate Co., Ltd.)	28 September 2003	Foreign investment enterprise	Registered capital RMB180,000,000	100%	Property development
福建世茂投資發展有限公司 (Fujian Shimao Investment and Development Limited)	14 May 2003	Foreign investment enterprise	Registered capital RMB200,000,000	82.1%	Property development
南京世茂房地產開發有限公司 (Nanjing Shimao Real Estate Development Limited)	23 July 2004	Foreign investment enterprise	Registered capital RMB328,000,000	82.1%	Property development
上海世茂湖濱房地產有限公司 (Shanghai Shimao Hubin Real Estate Co., Ltd.)	19 April 2002	Foreign investment enterprise	US$18,000,000	32.1%	Property development
上海星橙房地產有限公司 (Shanghai Xingcheng Real Estate Co., Ltd.)	25 January 2006	Foreign investment enterprise	RMB28,000,000	100%	Property development
上海世茂投資管理有限公司 (Shanghai Shimao Investment Management Co., Ltd.)	11 May 2009	Foreign investment enterprise	RMB50,000,000	100%	Investment holding
上海逸景園林景觀工程有限公司 (Shanghai Yijing Landscaping Architect Co., Ltd.)	3 September 2009	Foreign investment enterprise	RMB10,000,000	100%	Architect
福建世茂新里程房地產開發有限公司 (Fujan Shimao Xinlicheng Real Estate Development Co., Ltd.)	10 October 2009	Foreign investment enterprise	RMB670,000,000	81.8%	Property development
綏芬河世茂企業發展有限公司 (Suifenhe Shimao Enterprises Development Co., Ltd.)	22 June 2000	Foreign investment enterprise	RMB101,723,568	50.9%	Investment holding
牡丹江新睿房地產營銷代理有限公司 (Mudanjiang Xinrui Real Estate Marketing Agency Co., Ltd.)	7 March 2008	Foreign investment enterprise	RMB1,000,000	100%	Real Estate Marketing

37 Principal subsidiaries, associated companies and jointly controlled entities (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2009	Principal activities
Principal subsidiaries — established and operation conducted in the PRC (continued)					
泰州世茂新發展置業有限公司 (Taizhou Shimao New Development Property Co., Ltd.)	17 January 2008	Foreign investment enterprise	US$20,000,000	100%	Property development
泰州世茂新城房地產開發有限公司 (Taizhou Shimao New City Real Estate Development Co., Ltd.)	22 February 2008	Foreign investment enterprise	US$40,000,000	100%	Property development
無錫世茂房地產開發建設有限公司 (Wuxi Shimao Real Estate Development Co., Ltd.)	20 November 2009	Domestic enterprise	RMB 102,000,000	100%	Property development
武漢世茂嘉年華置業有限公司 (Wuhan Shimao Jianianhua Property Co., Ltd)	14 December 2009	Domestic enterprise	RMB200,000,000	64.2%	Property development
嘉興世茂新里程置業有限公司 (Jiaxing Shimao Xinlicheng Property Co., Ltd.)	6 July 2007	Foreign investment enterprise	RMB5,000,000	100%	Property development
寧波世茂房地產開發有限公司 (Ningbo Shimao Real Estate Development Co., Ltd.)	24 December 2007	Foreign investment enterprise	US$99,980,000	100%	Property development
大連世茂嘉年華置業有限公司 (Dalian Shimao Jianianhua Property Co., Ltd.)	4 September 2009	Domestic enterprise	US$100,000,000	100%	Property development
天津世茂新里程置業有限公司 (Tianjin Shimao Xinlichen Property Co., Ltd.)	5 November 2009	Domestic enterprise	RMB50,000,000	100%	Property development
成都世茂置業有限公司 (Chengdu Shimao Property Co., Ltd.)	13 October 2009	Domestic enterprise	RMB299,021,884	80%	Property development

37 Principal subsidiaries, associated companies and jointly controlled entities (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2009	Principal activities
Principal subsidiaries — incorporated and operation conducted in the British Virgin Islands					
Shimao Property Holdings (BVI) Limited	23 August 2002	Limited liability company	1 ordinary share of US$1	100% (note (a))	Investment holding
Advance Assets Holdings Limited	22 June 2001	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Best Empire Investments Limited	2 July 2002	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Double Achieve Assets Limited	31 January 2002	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Easy Reach Group Limited	13 December 2006	Limited liability company	1 ordinary share of US$1	100%	Investment holding
East Light Group Limited	12 May 2006	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Everactive Properties Limited	2 May 2001	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Highsharp International Limited	23 February 2007	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Keen View Limited	10 May 2006	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Magic Dynasty Investments Limited	15 November 2006	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Mega Universe Limited	10 July 2001	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Peak Castle Assets Limited	2 July 2002	Limited liability company	1 ordinary share of US$1	100%	Investment holding

37 Principal subsidiaries, associated companies and jointly controlled entities (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2009	Principal activities
Principal subsidiaries — incorporated and operation conducted in the British Virgin Islands (continued)					
Peak Gain International Limited	13 December 2006	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Precise Choice Investments Limited	18 October 2001	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Prime Master Holdings Limited	2 July 2002	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Shimao Management (Overseas) Limited	18 December 2002	Limited liability company	1 ordinary share of US$1	100%	Management services
Significant Asset Group Limited	2 July 2002	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Vicking International Ltd.	19 January 1994	Limited liability company	50,000 ordinary shares of US$1	100%	Investment holding
Wickfair Investments Limited	8 October 2004	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Year Grant Investments Limited	3 September 2001	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Principal subsidiaries - incorporated and operation conducted in Hong Kong					
Brilliant Architectural and Construction Professional Consultancy Limited	28 July 2006	Limited liability company	100,000 ordinary shares of HK$1	100%	Consultancy services
Bonus Boom Limited	13 November 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Charm Field Group Limited	1 August 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Clear Rise Investments Limited	8 May 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Daily Right Holdings Limited	7 May 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding

37 Principal subsidiaries, associated companies and jointly controlled entities (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2009	Principal activities
Principal subsidiaries — incorporated and operation conducted in Hong Kong (continued)					
Excel Grand Group Limited	22 May 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Excel Mode Investments Limited	27 November 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Faith Joy Investments Limited	7 May 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Fine Tune Investments Limited	5 June 2006	Limited liability company	1 ordinary share of HK$1	100%	Holding of trademarks
Future Right Limited	27 November 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Global Square Investments Limited	29 October 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Lion Kingdom Investments Limited	27 November 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Modern Professional Architectural Design Limited	28 July 2006	Limited liability company	100,000 ordinary shares of HK$1	100%	Design services
Mount Profit Investments Limited	14 December 2006	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
New Sincere Investments Limited	11 May 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Power One Holdings Limited	17 November 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Rich Noble Group Limited	8 May 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Rise Max International Limited	16 May 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding

37 Principal subsidiaries, associated companies and jointly controlled entities (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2009	Principal activities
Principal subsidiaries — incorporated and operation conducted in Hong Kong (continued)					
Shimao Holdings Company Limited	3 February 1994	Limited liability company	100 million ordinary shares of HK$1	100%	Investment holding
Swift Time Limited	18 March 2009	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Topwise Limited	29 March 2005	Limited liability company	1 ordinary share of HK$1	100%	Management services
Associated company — established and operation conducted in the PRC					
無錫世茂新發展置業有限公司 (Wuxi Shimao New Development Property Co., Ltd.)	23 November 2009	Domestic enterprise	RMB 10,000,000	40.05%	Property development
Jointly controlled entities — established and operation conducted in the PRC					
杭州世茂世盈房地產開發有限公司 (Hangzhou Shimao Shiying Property Development Co., Ltd)	24 January 2008	Foreign investment enterprise	US$49,980,000	50%	Property development
海墅房地產開發（杭州）有限公司 (Hai Shu Property Development (Hangzhou) Co., Ltd.)	25 September 2007	Foreign investment enterprise	US$199,880,000	50%	Property development
Jointly controlled entities — established and operation conducted in Hong Kong					
Fast Right Investments Limited	7 May 2007	Limited liability company	2 ordinary shares of HK$1	50%	Investment holding
Kingtron Enterprises Limited	14 June 2007	Limited liability company	2 ordinary shares of HK$1	50%	Investment holding

Note:

(a) Directly held by the Company.

38 Financial guarantees

The Group had the following financial guarantees:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	**3,588,259**	2,468,157

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate" upon completion of construction. The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

39 Commitments

(a) Commitments for capital and property development expenditure

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Authorised but not contracted for	**—**	—
Contracted but not provided for		
– Property and equipment	**1,385,451**	1,184,667
– Land use rights	**13,176,415**	6,133,370
– Properties being developed by the Group for sale	**4,939,538**	3,037,239
– Advances to local government authorities for land resettlement and site formation	**3,077,322**	3,035,900
	22,578,726	13,391,176

39 Commitments (continued)

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Within one year	**35,269**	31,522
Between two to five years	**247,444**	35,253
After five years	**475,564**	2,145
	758,277	68,920

(c) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Within one year	**136,667**	185,417
Between two to five years	**300,756**	364,439
After five years	**335,648**	410,756
	773,071	960,612

40 Business combinations

Pursuant to approvals by relevant government authorities in the PRC during 2008, the Group commenced the process of the Transaction including the injections of the equities and assets and subscriptions of shares, as described in Note 1. On 4 May 2009, the Group injected RMB749,992,000 into Shimao Enterprises and Shimao Enterprises became an approximately 50.9% owned subsidiary of the Group. On 13 May 2009, the transfer of shareholding interests in the injected equities and assets from the Group to Shanghai Shimao was completed. On 13 May 2009, the Group completed subscription for 630,000,000 new shares of Shanghai Shimao and Shimao Enterprises completed subscription for 62,240,000 new shares of Shanghai Shimao. A further settlement on changes in receivables, payables and interval earnings relating to the injected equities and assets were made in cash based on net assets value of 31 May 2009 (the "Completion Date"). Since then, the Group held a total of approximately 64.2% effective shareholding of the enlarged issued shares of Shanghai Shimao and Shanghai Shimao became a subsidiary of the Group.

The Transaction involves the acquisition of 64.2% effective interests in Shanghai Shimao and a direct interest of 50.9% interest in Shimao Enterprises, and the deemed disposal of 35.8% effective interests in the injected equities and assets. The acquisition resulted in a goodwill of approximately RMB1,709,730,000 which has been included in intangible assets (Note 10). The deemed disposal also resulted in a gain of approximately RMB1,395,849,000 (Note 27).

The acquired business contributed revenue of RMB114,196,000 and profit after income tax of approximately RMB 11,454,000 to the Group for the period from 1 June 2009 to 31 December 2009. Had the acquisition occurred on 1 January 2009, the consolidated revenue of the Group for the year ended 31 December 2009 would have been RMB17,241,564,000 and profit after income tax would have been RMB3,691,390,000.

Details of fair value of net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration	2,776,868
Fair value of net assets acquired – shown as below	(1,067,138)
Goodwill (Note 10)	1,709,730

Purchase consideration of approximately RMB2,776,868,000 is 35.8% of the fair value of the injected equities and assets of RMB6,982,216,000 upon Completion Date together with cash to Shimao Enterprises of RMB749,992,000, and further settlement of approximately RMB10,284,000 to Shanghai Shimao in accordance with the sales and purchase agreement.

The goodwill is attributable to the synergy effect in property development and investment business resulting from acquiring Shanghai Shimao.

40 Business combinations (continued)

The assets and liabilities as of Shanghai Shimao and Shimao Enterprises as at Completion Date arising from the acquisition are as follows:

	Fair value RMB'000	Acquiree's carrying amount RMB'000
Cash and cash equivalents	763,593	763,593
Restricted cash	25,900	25,900
Land use rights (relating to property and equipment under non-current assets)	264,315	116,180
Property and equipment (Note 6)	366,630	366,630
Investment properties (Note 7)	265,368	265,368
Available-for-sale financial assets (Note 15)	510,700	510,700
Long-term investments	61,213	61,213
Deferred income tax assets (Note 23)	20,463	20,463
Properties under development	1,220,576	982,118
Completed properties held for sale	267,382	182,512
Trade and other receivables	226,091	226,091
Amounts due from related parties	2,329	2,329
Advanced proceeds received from customers	(38,329)	(38,329)
Trade and other payables	(275,458)	(275,457)
Borrowings	(990,000)	(990,000)
Deferred income tax liabilities (Note 23)	(194,081)	(76,215)
Amounts due to related parties	(139,345)	(139,345)
Income tax payable	(424,374)	(424,374)
Minority interests	(293,019)	(293,019)
Net assets	1,639,954	1,286,358
Minority interests	(572,816)	
Fair value of net assets acquired	1,067,138	
Purchase consideration settled in cash out of the Group	—	
Cash and cash equivalents in the subsidiaries acquired	763,593	
Cash inflow on acquisition	763,593	

41 Acquisition of additional interests in subsidiaries

(a) On 1 July 2009, the Group acquired additional interests of 30% in one of its subsidiaries, Xianyang Shimao Real Estate Development Co., Ltd., from a third party, at a total cash consideration of approximately RMB15,849,000. The acquisition resulted in a goodwill of RMB16,964,000 (Note 10). As at 31 December 2009, RMB5,283,000 had been paid and remaining RMB10,566,000 has been included in other payables.

(b) On 14 December 2009, the Group purchased back equity interests of 26.04% in two subsidiaries, Wuhan Shimao Splendid River Real Estate Development Co., Ltd. and Mudanjiang Shirong Construction Product Co., Ltd., from Jade VIII, Inc., which is owned by a fund managed by Morgan Stanley Real Estate Fund VI at cash consideration of approximately RMB651,292,000 and RMB23,000 respectively. The acquisitions resulted in a goodwill of RMB349,748,000 (Note 10). As at 31 December 2009, all the cash consideration had been settled.

42 Related party transactions

(a) Other than those disclosed elsewhere in the financial statements, the Group had entered into the following major related party transactions during the year ended 31 December 2009.

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Trademark fee earned from related companies (note (i))	**—**	1,340
Commission and consulting income earned from a related company (note (ii))	**—**	795
Operating lease rental expense charged by a related company (note (iii))	**4,440**	4,347
Property management fee and reimbursement of staff costs charged by a jointly controlled entity (note (iv))	**7,457**	7,980

Notes:

(i) On 12 June 2006, the Group entered into a trademark framework agreement with certain related companies (including their subsidiaries), namely Shimao Enterprises, Shanghai Shimao, Shimao International and Mr. Hui Wing Mau, the Chairman of the Company, to use the "SHIMAO" trademarks and devices. Pursuant to the agreement, the Group agrees to grant non-exclusive licenses to these related companies at an annual royalty fee of HK$300,000 per project from 5 July 2006 to 31 December 2008. There has been no new agreement entered into for the year ended 31 December 2009.

(ii) For the year ended 31 December 2008, the Group provided marketing and consulting services to Fujian Shimao and earned commission and consulting income of RMB795,000. There was no such services for the year ended 31 December 2009, and Fujian Shimao become a subsidiary of the Group pursuant to the Transaction as described in Note 1.

(iii) On 12 June 2006, the Group entered into a lease agreement with a wholly-owned subsidiary of Shimao International, of which certain directors of the Company are also directors, to lease part of office premises of Shimao International in Hong Kong.

(iv) Shimao First Pacific, a former jointly controlled entity of the Group, provided property management service to certain properties of the Group. The Group acquired all remaining equity interests in Shimao First Pacific at the end of 2009 and Shimao First Pacific became a subsidiary of the Group since then.

(v) The Group had provided Shanghai Mason with the right to operate one of its clubhouses at a fee calculated based upon certain percentage of net profit of the clubhouse when it has achieved an accumulated net profit. During the year ended 31 December 2009, the clubhouse was loss making and therefore no fee had been charged (2008: Nil). Certain directors of the Company are also directors of Shanghai Mason.

42 Related party transactions (continued)

(b) Key management compensation

	Year ended 31 December 2009 RMB'000	2008 RMB'000
Fees	**—**	—
Emoluments		
– Salaries and other short-term employee benefits	**24,641**	23,938
– Retirement scheme contributions	**161**	168
– Employee share option schemes	**1,261**	7,938
	26,063	32,044

43 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Company's board of directors on 13 April 2010.