

annual report 2010

Cultivating **LIFESTYLE** Realising Urban Dreams  
締造生活品位 成就城市夢想



**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

Qingdao Shi'ao Tower



# CONTENTS

Corporate Information	2
Five Years Financial Summary	6
Chairman's Statement	8
Management Discussion and Analysis	14
Report of the Directors	34
Corporate Governance Report	45
Directors and Senior Management Profiles	51
Independent Auditor's Report	56
Consolidated Balance Sheet	58
Balance Sheet of the Company	60
Consolidated Statement of Comprehensive Income	61
Consolidated Statement of Changes in Equity	63
Consolidated Cash Flow Statement	65
Notes to the Consolidated Financial Statements	66

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Hui Wing Mau (*Chairman*)  
Hui Sai Tan, Jason (*Vice Chairman*)  
Yao Li  
Tung Chi Shing  
Liu Sai Fei  
Xu Younong

### 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  
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**

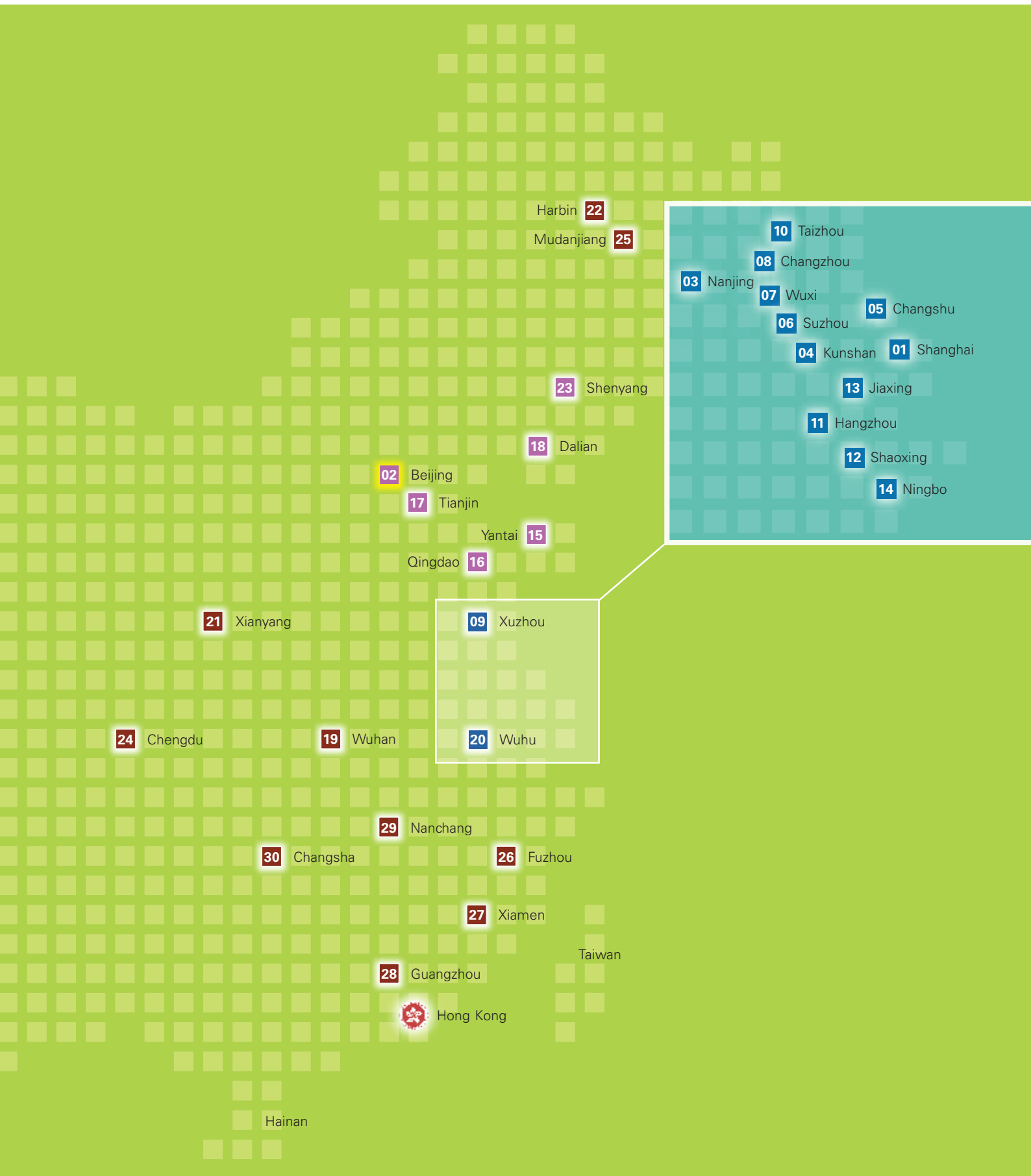
Investor Relations Department  
Email: [ir@shimaoproperty.com](mailto:ir@shimaoproperty.com)  
Tel: (852) 2511 9968  
Fax: (852) 2511 0278

# THE LOCATION OF OUR CURRENT PROJECTS

01. **Shanghai**  
 Shanghai Shimao Riviera Garden  
 Shanghai Shimao International Plaza  
 Le Royal Méridien Shanghai  
 Shanghai Le Méridien 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  
 Beijing Shimao Royal Garden
03. **Nanjing** Shimao Bund New City
04. **Kunshan**  
 Kunshan Shimao Butterfly Bay  
 Kunshan Shimao East No.1 New City  
 Kunshan Shimao International City  
 Kunshan Shimao Plaza
05. **Changshu** Shimao The Center
06. **Suzhou** Shimao Canal Scene
07. **Wuxi** Transport Shimao Project
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 I & II Project  
 Hangzhou Shimao Xiasha Commercial Project
12. **Shaoxing** Shimao Dear Town
13. **Jiaxing** Shimao New City
14. **Ningbo**  
 Ningbo Shimao World Gulf  
 Ningbo Shimao Beilun Project
15. **Yantai** Shimao No.1 The Harbour
16. **Qingdao**  
 Qingdao Shi'ao Tower  
 Qingdao National High-tech Development Zone Project
17. **Tianjin**  
 Tianjin Shimao Ecology City  
 Tianjin Jinnan Project
18. **Dalian**  
 Dalian Lvshunkou Shimao Project I & II  
 Dalian Jinzhou Shimao Carnival Project I & II
19. **Wuhan**  
 Wuhan Shimao Splendid River  
 Wuhan Shimao Carnival Project
20. **Wuhu** Shimao Riviera Garden
21. **Xianyang** Shimao Urban Complex
22. **Harbin** Shimao Riviera New City
23. **Shenyang**  
 Shenyang Shimao Wulihe  
 Shenyang Shimao Qipanshan Project
24. **Chengdu**  
 Chengdu Shimao Park Project  
 Chengdu Shimao Mengzhuiwan Road Project
25. **Mudanjiang**  
 Mudanjiang Shimao Beishan Project  
 Mudanjiang Shimao Jiangnan Project  
 Holiday Inn Mudanjiang
26. **Fuzhou**  
 Fuzhou Shimao Skyscrapers  
 Fuzhou Shimao Bund Garden  
 Fuzhou Shimao Minhou Project
27. **Xiamen**  
 Xiamen Coastal Shimao Project  
 Xiamen Shimao Riverside Capital Project
28. **Guangzhou**  
 Guangzhou Asian Game City  
 Guangdong Huizhou Fumao Venetian Project
29. **Nanchang** Shimao Honggutan Project
30. **Changsha** Shimao Hexi Project



- Shimao Property
- Shanghai Shimao
- Integrated Project
- Bohai Rim
- YRD
- Regional Centre

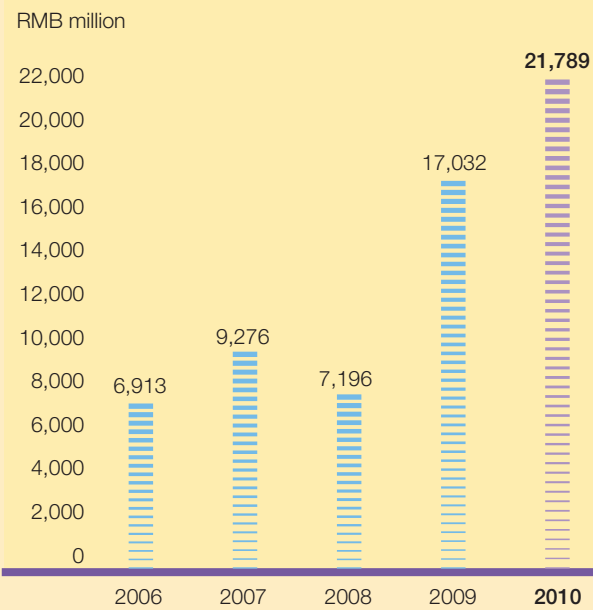


# FIVE YEARS FINANCIAL SUMMARY

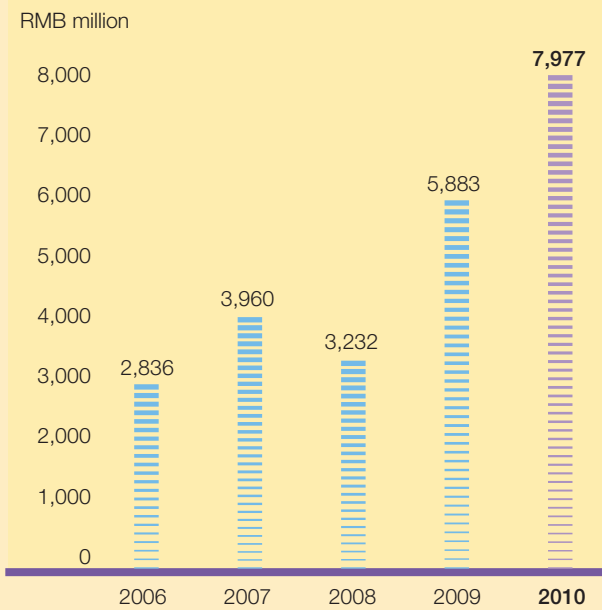
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000 (restated)	2010 RMB'000
<b>Revenue</b>	6,913,442	9,275,925	7,196,277	17,032,063	<b>21,789,433</b>
Cost of sales	(4,077,436)	(5,315,775)	(3,964,242)	(11,149,395)	<b>(13,812,137)</b>
<b>Gross profit</b>	2,836,006	3,960,150	3,232,035	5,882,668	<b>7,977,296</b>
Gains on deemed disposal to non-controlling interests	–	–	–	1,501,093	–
Fair value gains/(losses) on investment properties	1,000,831	1,155,253	(122,749)	213,834	<b>2,339,562</b>
Other income/other gains – net	73,625	1,614,054	442,118	158,609	<b>796,826</b>
Selling and marketing costs	(207,576)	(192,433)	(281,756)	(470,427)	<b>(563,900)</b>
Administrative expenses	(460,008)	(757,384)	(1,065,837)	(1,107,286)	<b>(1,083,122)</b>
Other operating expenses	(143,853)	(117,412)	(75,053)	(179,961)	<b>(176,703)</b>
<b>Operating profit</b>	3,099,025	5,662,228	2,128,758	5,998,530	<b>9,289,959</b>
Finance income/(costs) – net	39,034	(167,231)	(349,630)	(307,187)	<b>(671,553)</b>
Share of results of:					
– Associated companies	201,027	112,870	(3,132)	19,925	<b>(48,110)</b>
– Jointly controlled entities	(13)	175	9,498	(1,072)	<b>14</b>
	201,014	113,045	6,366	18,853	<b>(48,096)</b>
<b>Profit before income tax</b>	3,339,073	5,608,042	1,785,494	5,710,196	<b>8,570,310</b>
Income tax expense	(1,060,323)	(1,434,257)	(925,226)	(2,107,212)	<b>(3,079,368)</b>
<b>Profit for the year</b>	2,278,750	4,173,785	860,268	3,602,984	<b>5,490,942</b>
<b>Profit for the year attributable to equity holders of the Company</b>	2,278,750	4,091,782	841,159	3,511,201	<b>4,671,536</b>
Non-current assets	13,883,525	21,728,469	24,782,435	31,640,613	<b>40,874,204</b>
Current assets	13,812,602	17,542,133	21,698,906	34,886,970	<b>54,795,111</b>
<b>Total assets</b>	27,696,127	39,270,602	46,481,341	66,527,583	<b>95,669,315</b>
Non-current liabilities	7,687,482	12,023,481	12,500,198	16,728,449	<b>27,065,716</b>
Current liabilities	8,480,276	8,434,913	14,943,724	24,282,049	<b>38,649,615</b>
<b>Total liabilities</b>	16,167,758	20,458,394	27,443,922	41,010,498	<b>65,715,331</b>
<b>Net assets</b>	11,528,369	18,812,208	19,037,419	25,517,085	<b>29,953,984</b>
Equity attributable to equity holders of the Company	11,528,369	18,448,184	18,695,819	23,347,874	<b>26,698,834</b>
Non-controlling interests	–	364,024	341,600	2,169,211	<b>3,255,150</b>
<b>Total equity</b>	11,528,369	18,812,208	19,037,419	25,517,085	<b>29,953,984</b>



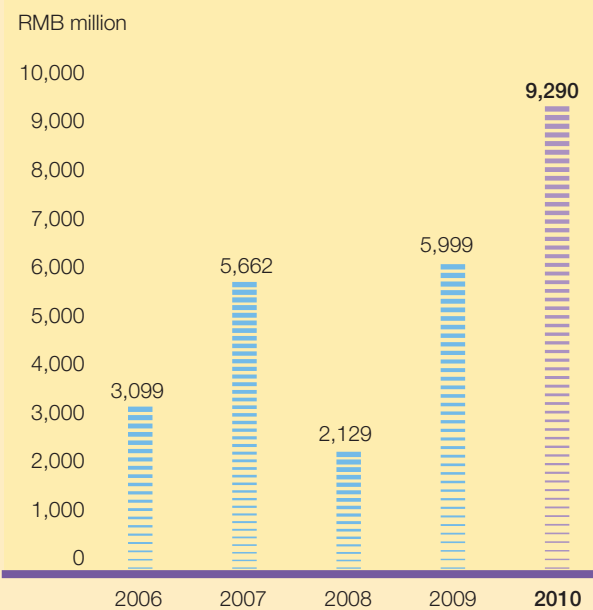
### REVENUE



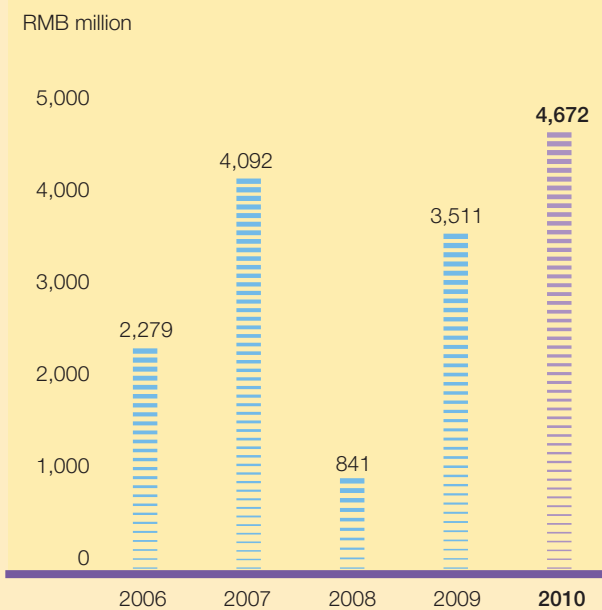
### GROSS PROFIT



### OPERATING PROFIT



### PROFIT ATTRIBUTABLE TO EQUITY HOLDERS





## Chairman's Statement

# CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the annual results report of Shimao Property Holdings Limited ("Shimao Property" or the "Company", and together with its subsidiaries, the "Group") for the year ended 31 December 2010.

## 2010 ANNUAL RESULTS

The PRC real estate industry was unsettled throughout 2010. The State Council issued the "Notice of the State Council on Resolutely Curbing the Soaring of Housing Prices in Some Cities" in April 2010 to set out the requirements for curbing overheating housing prices, which was followed by a series of tightening policies, including raising the down payment of the second property, restricting mortgage loans for purchasing the third property, accelerating the construction of affordable housing, the adjustment of deed tax levied on housing transactions and the implementation of the preferential policy on individual income tax. In this regard, the major cities subsequently promulgated and

implemented the rules of implementation, which generally impose limitations on the number of housing properties to be acquired by each household. At the end of the year, after prolonged deliberations, the real estate tax was introduced and piloted in Shanghai and Chongqing. As a result of the regulatory policies of the central government on the real estate market, the trading volume of properties declined.

Against the pressure of various regulatory policies, Shimao Property gave an impressive performance by achieving its annual contracted sale target of RMB30.5 billion. During the year, Shimao pursued both vertical and horizontal developments through accelerating the turnover and the

### Wuhan Shimao Carnival Project



expansion strategy. In response to the changing market, the marketing strategies have been adjusted flexibly. In a bid to expand the land bank reserve, the Group introduced and implemented the land acquisition policy. Besides, coupled with further improvement and optimization of various management systems covering engineering, costs, designs and finance, a unified intelligent information platform has been set up assuring the Group of more scientific and efficient management structure and system.

During the year under review, revenue of RMB21.79 billion was recognized, representing an increase of 28% compared with 2009. Operating profit rose by 55% to approximately RMB9.29 billion. Profit for the year was RMB5.49 billion, representing a growth of 52% over last year. Excluding the net impact of major non-cash items after tax: fair value gains on investment properties of RMB1.75 billion (2009: RMB160 million), zero gain on deemed disposal to non-controlling interests (2009: gains of RMB936 million), depreciation of RMB204 million (2009: RMB179 million) and goodwill impairment

of RMB68 million (2009: RMB153 million) which totalled RMB1.48 billion, core profit amounted to approximately RMB4.01 billion, representing a year-on-year increase of 41%.

As a token of our gratitude to shareholders' enduring support, the board of directors (the "Board") recommended the payment of a final dividend of HK25 cents (2009: HK23 cents) per share for the year ended 31 December 2010. The annual dividend payout ratio was approximately 30.4%. The Company will adhere to a stable dividend policy and maintain annual dividend distribution at a reasonable level. The Board will also take into consideration of various factors such as the Group's profit, cash flow, capital requirements and other factors as deemed relevant when deciding on the annual dividend proposal.

## MARKET REVIEW AND OUTLOOK

In response to the State Council's decision in 2010 to tighten up the monetary liquidity and curb inflation, the central bank has made six upward adjustments to the deposit

### Wuxi Transport Shimao Project



reserve ratio during the year, and then three upward adjustments from 1 January 2011 to date. A total of three upward adjustments have been made to the benchmark deposit and loan interest rate since October 2010, suggesting that more stringent austerity measures will be adopted. As such, real estate developers might face another huge challenge in financing. Further, the relevant pilot implementation measures of the property tax have been also rolled out in Shanghai and Chongqing.

Looking ahead to 2011, challenges breed opportunities. In tune with the central government's attempt at solidifying and maximising the results of the preliminary regulatory measures, the State Council further launched eight policies and measures to reinforce the differential housing credit policies, under which the down payment for purchasing the second housing property shall be equivalent to at least 60% of the

purchase price when applying for housing loans; the implementation scope of the purchase restriction policy shall be extended; and the accountability mechanism for housing protection and invitation to discuss stabilisation of housing prices is rolled out. In reporting the government work to the fourth meeting of the Eleventh National People's Congress on 5 March, Wen Jiabao, Premier of the State Council, pointed out that the regulation and control on the real estate market should be strictly and persistently implemented. In this regard, the scale of the affordable housing construction shall be further extended on the one hand and the regulatory policies on the real estate market shall be strictly implemented and further improved on the other, so as to curb steadfastly the momentum of overheating housing prices in certain cities. The differential housing credit policies and taxation policies are stringently implemented with adjustments to the taxation policies relevant to real estate, coupled

### Guangzhou Asian Game City



with reinforced taxation management, the speculative housing purchase will be cracked down. Thirdly, a comprehensive examination and accountability mechanism shall be set up, under which the local authorities failing to stabilise housing prices and promote the affordable housing construction, and thus impeding the social development and stability, shall assume liabilities. This suggests a further regulated environment of the real estate market and sets a sensible and clear direction for the industry in the long run.

In line with the objectives and missions proposed under the "Twelfth Five-Year" Plan, Shimao Property has identified new changes and characteristics of domestic and international environment. Instead of positioning itself as a sheer residential property developer, Shimao Property is committed to becoming an integrated real estate group by expanding its business to ecological housing, commercial properties,

tourism properties as well as properties for high-tech industry players across the Straits. Based on our development history and experience, a rapid development hinges on constant innovation. Operation under a single mode will not only heighten risks but may also cause bottlenecks to the corporate development and expansion. As such, Shimao Property has to set foot on the road of "diversification" through an in-depth exploration of the real estate industrial chain, the development of the advanced manufacturing industry, the modern service industry and the high-technology industry, as well as increasing the proportion of self-owned properties with an aim to minimise the risks associated with changing policies and promote orderly and reasonable development.

From time to time, Shimao Property has its core advantage in the residential property sector. Leveraging its enormous

Shanghai Shimao Emme County



quality resources with huge potential for development, the Company will make the best of those resources and monitor risks to enhance the profitability as well as maintain and strengthen the prestige of "Shimao". The commercial and the tourism sectors are important parts forming the modern service industry with a bright outlook for development. In recent years, due to the tightening real estate policies, the commercial property segment becomes an important battlefield in a new-round competition in the real estate industry. Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), being one of the "Four Major Carriages" of the Group, principally carries on various business segments such as commercial property development, the operation of shopping centres and department stores, as well as the investment in cinemas in a bid to build up integrated businesses covering the entire commercial sector. In the meanwhile, Shimao Property capitalised on the opportunities brought by the tourism properties including the hotel industry. Last year, the income per capita in China reached US\$4,000, resulting in a dramatic transition of the consumption pattern, i.e. the successful transition from the functional consumption to the experience consumption. The tourism sector has huge potential for development in China. Shimao Tourism (世茂旅遊), being a new "Carriage", is an integrated company engaging in both the tourism industry and the leisure and hospitality property industry. Given the interaction between these two industries, the development of tourism properties will be taken as an entry point, which integrates tourism, vacation, healthcare, hotel and ancillary development and services. By exploring quality resources, Shimao Property is committed to addressing the issues of consolidation and healthy development confronting the real estate industry amidst the new environment.

The "Twelfth Five-Year" Plan highlights and promotes the application and combination of high technologies into traditional industries. Against the backdrop of historical improvement of the cross-Straits relations in recent years, Shimao Property joined hands with various enterprises in cross-Straits, including the Mainland, Hong Kong and Taiwan, to establish Straits Construction Investment (Holdings) Limited ("Straits Construction"), which is specialised in the investment and operation of various industries such as the urban construction in cross-Straits cities, the modern service industry, the advanced manufacturing industry and the high technology industry. In March 2011, Straits Construction has successfully acquired a parcel of quality land located at Nanjing Hexi New Town.

In 2011, Shimao Property sets its contracted sales target as RMB36 billion and is committed to positioning itself as a diversified enterprise integrating various real estate business segments. Shimao Property is poised to become the industry pioneer in diversification and innovation.

## APPRECIATION

On behalf of the Board, I would like to thank all 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, 22 March 2011

Hyatt on the Bund Shanghai



# Management Discussion & Analysis



## OVERVIEW

### Market Review

The PRC real estate market underwent volatile changes in operating environment during the year under review. In 2010, the areas sold and the sales of commodity properties in the PRC recorded 1.043 billion sq.m. and RMB5,250 billion respectively, posting a sluggish growth of 10.1% and 19% over 2009, while the average selling price was RMB5,034 per sq.m., representing an increase of 7.22% compared with 2009. According to the statistics, investments in the PRC real estate development amounted to RMB4,800 billion, up 33.2% compared with last year. Investments in commodity residential properties rose by 32.9% to RMB3,400 billion, accounting for 70.5% of the RMB4,800 billion investments in the real estate development in 2010.

During the year, under the compound effects of increased launch of new properties in the market and the slowdown of sales, the inventory level in the market ceased to decline in 2009. It is envisaged that the inventory level of commodity residential properties available for sale will continue to rise, thereby intensifying the market competition.

## Business Review

### Property Development

#### 1) Recognized Sales Revenue

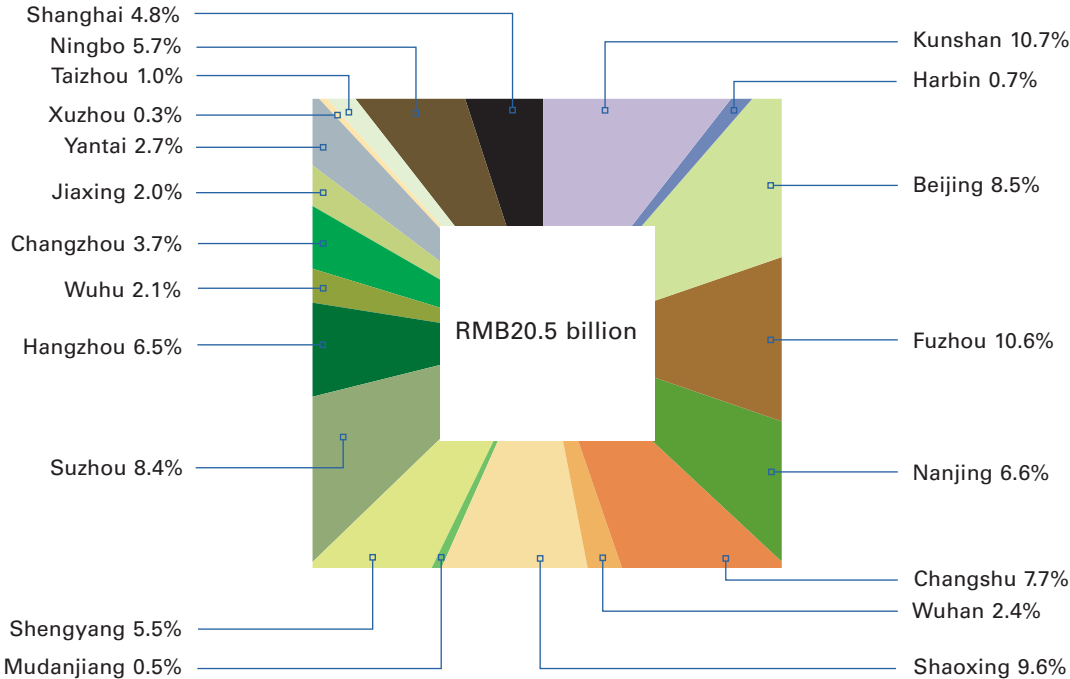
The Group generates its revenue primarily by engaging in property development, property investment and hotel operation. The Group's revenue in 2010 grew by 28% to RMB21.79 billion from RMB17.03 billion in 2009.

During the year, revenue from property sales climbed to RMB20.45 billion, 26% more compared with 2009, accounting for 94% of the total revenue. Average recognized selling price surged by 18% to RMB10,025 per sq.m. in 2010 from RMB8,507 per sq.m. in 2009. Benefiting from the strategies of the Group and driven by an increase in the proportion of project sales in second and third-tier cities and the soaring selling prices, average recognized selling price was pushed up. Projects recognized by the Group for the year totalled 25, representing an increase compared with 22 in 2009.

The delivered GFA recognised for each project in 2010 and the relevant particulars are set out as follows:

Project	Turnover (RMB million)	Salable GFA Booked (sq.m.)	Average Selling Price (RMB/sq.m.)	Group's Interest
<b>Shimao Property</b>				
Fuzhou Shimao Skyscrapers	2,152	138,881	15,495	100%
Shaoxing Shimao Dear Town	1,663	178,450	9,320	100%
Hangzhou Shimao Riviera Garden	1,322	110,230	11,990	100%
Suzhou Shimao Canal Scene	1,253	126,467	9,910	100%
Ningbo Shimao World Gulf	1,166	146,307	7,970	100%
Changshu Shimao The Center	1,131	152,868	7,400	100%
Shenyang Shimao Wulihe	1,127	120,930	9,320	100%
Kunshan Shimao Butterfly Bay	1,116	154,899	7,200	100%
Kunshan Shimao East No. 1 New City	1,068	149,803	7,130	100%
Changzhou Shimao Champagne Lakeside Garden	749	104,101	7,190	100%
Yantai Shimao No.1 The Harbour	542	43,214	12,540	100%
Shanghai Shimao Riviera Garden	534	6,567	81,320	100%
Wuhan Shimao Splendid River	495	43,501	11,380	96%
Jiaxing Shimao New City	411	77,381	5,310	100%
Wuhu Shimao Riviera Garden	401	50,229	7,980	100%
Shanghai Shimao Emme County	274	28,262	9,690	100%
Taizhou Shimao Riverside Garden	211	32,583	6,480	100%
Shanghai Shimao Sheshan Villas	177	2,455	72,100	100%
Harbin Shimao Riviera New City	143	11,374	12,570	100%
Mudanjiang Shimao New City	109	27,729	3,930	100%
Xuzhou Shimao Dongdu	54	8,080	6,680	100%
Beijing Shimao Olive Garden	25	417	59,952	100%
<b>Sub-Total</b>	<b>16,123</b>	<b>1,714,728</b>		
<b>Shanghai Shimao</b>				
Beijing Shimao Gongsan Plaza	1,713	35,331	48,480	64%
Nanjing Shimao Bund New City	1,347	81,829	16,460	82%
Suzhou Shimao Canal Scene	461	48,057	9,590	64%
Changshu Shimao The Center (Commercial Property)	442	31,482	14,040	64%
Shaoxing Shimao Dear Town (Commercial Property)	329	20,780	15,830	64%
Wuhu Shimao Riviera Garden (Commercial Property)	22	2,033	10,820	64%
Fuzhou Shimao Bund Garden	17	111	-	82%
Shenyang Shimao Wulihe (Commercial Property)	(4)	(4,017)	-	64%
<b>Sub-Total</b>	<b>4,327</b>	<b>215,606</b>		
<b>Total (Shimao Property + Shanghai Shimao)</b>	<b>20,450</b>	<b>1,930,334</b>		

The breakdown of recognised sales for 2010 by cities is set out as follows:



Kunshan Shimao East No.1 New City



The 11 projects recognized in 2010, including Fuzhou Shimao Skyscrapers, Shaoxing Shimao Dear Town, Hangzhou Shimao Riviera Garden, Suzhou Shimao Canal Scene, Ningbo Shimao World Gulf, Changshu Shimao The Center, Shenyang Shimao Wulihe, Kunshan Shimao Butterfly Bay, Kunshan Shimao Plaza, Beijing Shimao Gongsan Plaza and Nanjing Shimao Riviera New City, recorded sales revenue exceeding RMB1 billion.

## **2) Robust Sales Outperforming Annual Sales Target**

In 2010, annual contracted sales of the Group reached RMB30.5 billion, representing a year-on-year growth of approximately 36%, while total contracted sales areas amounted to 2.53 million sq.m.. Among the 30 projects marketed by the Group in 2010, sales revenue from 10 projects including Beijing Shimao Gongsan Plaza, Hangzhou Shimao Riviera Garden, Ningbo Shimao World Gulf, Changshu Shimao The Centre, Kunshan Shimao East No. 1 New City, Suzhou Shimao Canal Scene, Kunshan Shimao Butterfly Bay, Wuhan Shimao Splendid River, Shaoxing Shimao Dear Town and Changzhou Shimao Champagne Lakeside Garden exceeded RMB1 billion. With increasing launch of projects and outstanding sale results,

a solid foundation has been laid for the recovery of funds as well as the improvement in every single part forming the value chain.

The Group expects that there will be around 32 projects to be marketed in 2011, including Hangzhou Shimao Riviera Garden, Wuxi Transport Shimao Project, Changzhou Shimao Champagne Lakeside Garden, Qingdao National High-Tech Development Zone Project, Jiaxing Shimao New City, Tianjin Shimao Ecology City Project, Xuzhou Shimao Dongdu, Kunshan Shimao Butterfly Bay, Harbin Shimao Riviera New City, Shaoxing Shimao Dear Town, Kunshan Shimao East No.1 New City, Dalian Jinzhou Shimao Carnival Project, Suzhou Shimao Canal Scene, Fuzhou Shimao Minhou Project, Ningbo Shimao World Gulf, Shenyang Shimao Wulihe, Hangzhou Shimao Yuhang Project, Nanchang Hongqutan Project, Chengdu Shimao Park, Ningbo Shimao Beilun Project, all of which will provide additional saleable areas of approximately 3.64 million sq.m.. Taking into account the inventories and existing saleable areas of unsold properties with pre-sale permits of 1.36 million sq.m. together with the saleable areas of Shanghai Shimao of 910,000 sq.m., the Group's total saleable areas reached approximately 5.91 million sq.m. in 2010.

Projects available for sale in 2011 were set out as follows:

Project	GFA (sq.m)	% of total
<b>Shimao Property</b>		
Hangzhou Shimao Riviera Garden	280,000	5.60%
Wuxi Transport Shimao Project	300,000	6.00%
Changzhou Shimao Champagne Lake side Garden	200,000	4.00%
Qingdao National high-tech Development Zone project	200,000	4.00%
Jiaxing Shimao New City	170,000	3.40%
Tianjin Shimao Ecology City (Phase II)	170,000	3.40%
Xuzhou Shimao Dongdu	150,000	3.00%
Kunshan Shimao Butterfly Bay	140,000	2.80%
Harbin Shimao Riviera New City	130,000	2.60%
Shaoxing Shimao Dear Town	130,000	2.60%
Kunshan Shimao East No.1 New City	120,000	2.40%
Dalian Jinzhou Shimao Carnival Project	120,000	2.40%
Suzhou Shimao Canal Scene	120,000	2.40%
Fuzhou Shimao Minhou Project	110,000	2.20%
Ningbo Shimao World Gulf	100,000	2.00%
Shenyang Shimao Wulihe Project	100,000	2.00%
Hangzhou Shimao Yuhang Project	100,000	2.00%
Nanchang Shimao Honggutan Project	100,000	2.00%
Chengdu Shimao Park Project	100,000	2.00%
Ningbo Shimao Beilun Project	100,000	2.00%
Changsha Shimao Hexi Project	100,000	2.00%
Chengdu Shimao Mengzhuiwan Road Project	100,000	2.00%
Taizhou Shimao Riverside Garen	80,000	1.60%
Wuhan Shimao Spenid River	70,000	1.40%
Others	350,000	7.00%
Available for sale as end of 2010	1,000,000	20.00%
Inventory as end of 2010	360,000	7.20%
<b>Approximately sub-total</b>	<b>5,000,000</b>	
<b>Shanghai Shimao</b>		
Changshu Shimao The Center (Commercial)	220,340	24.20%
Nanjing Shimao Riviera New City	142,683	15.66%
Xiamen Shimao Riverside Capital Project	140,638	15.44%
Kunshan Shimao East No.1 New City (Commercial)	118,634	13.02%
Hangzhou Shimao Xiasha Commercial Project	92,923	10.20%
Wuhan Shimao Carnival Project	76,000	8.34%
Xuzhou Shimao Dongdu (Commercial)	55,780	6.12%
Suzhou Shimao Canal Scene (Commercial)	40,000	4.39%
Beijing Shimao Gongsan Plaza	21,874	2.40%
Shaoxing Shimao Dear Town (Commercial)	2,114	0.23%
<b>Sub-total</b>	<b>910,986</b>	
<b>Total (Shimao Property + Shanghai Shimao)</b>	<b>5,910,986</b>	

### 3) Completion of Development Projects and Plans Fulfilling Expectations

The Group's projects nationwide all processed satisfactorily on schedule in 2010. The total GFA completed in 2010 amounted to approximately 2.72 million sq.m., representing an

increase of 35% over 2009. As at 31 December 2010, the Group had a total of 42 projects under development in 29 cities as compared with 35 projects in 22 cities for 2009. The increase in the number of projects under development also built a solid foundation for the future development of the Group.

Projects completed in 2010 were set out as follows:

Project	GFA Completed (sq.m.)	Group's interest in Project
<b>Shimao Property</b>		
Kunshan Shimao East No. 1 New City	198,739	100%
Suzhou Shimao Canal Scene	196,239	100%
Ningbo Shimao World Gulf	194,910	100%
Fuzhou Shimao Skyscrapers	184,745	100%
Kunshan Shimao Butterfly Bay	182,721	100%
Yantai Shimao No. 1 The Harbour	181,594	100%
Changshu Shimao The Center	149,402	100%
Shaoxing Shimao Dear Town	142,247	100%
Shenyang Shimao Wulihe	134,769	100%
Hangzhou Shimao Riviera Garden	132,253	100%
Wuhan Shimao Splendid River	109,623	96%
Jiaxing Shimao New City	80,898	100%
Wuhu Shimao Riviera Garden	49,900	100%
Changzhou Shimao Champagne Lakeside Garden	45,094	100%
Shanghai Shimao Emme Country	42,822	100%
Mudanjiang Shimao Beishan Project	32,178	100%
Taizhou Shimao Riverside Garden	12,744	100%
Mudanjiang Shimao Jiangnan Project	12,519	100%
Wuhan Shimao Carnival Project	6,165	100%
Tianjin Shimao Ecology City	4,127	75%
<b>Sub-total</b>	<b>2,093,689</b>	
<b>Shanghai Shimao</b>		
Shaoxing Shimao Dear Town (Shopping Mall)	181,605	64%
Beijing Shimao International Plaza	167,110	64%
Suzhou Shimao Canal Scene (Commercial)	103,988	64%
Nanjing Shimao Bund New City	103,895	82%
Changshu Shimao The Center (Commercial)	40,390	64%
Shaoxing Shimao Dear Town (Commercial)	31,443	64%
<b>Sub Total</b>	<b>628,431</b>	
<b>Total (Shimao Property + Shanghai Shimao)</b>	<b>2,722,120</b>	

Looking ahead to 2011, the GFA planned to be completed by the Group will reach approximately 3.9 million sq.m., up 44% compared with 2010. In 2011, it is expected that areas of 5.55 million sq.m. will be put into construction, leading to an increase in construction areas of the Group to 10.88 million sq.m.. The expected expansion of development in 2011 is driven by an increase in GFA to be delivered in 2011, which in turn secures the growth in turnover. However, the Group will realign its goal in response to any material changes in the market landscape.

#### 4) **Steady Expansion of Land Bank Reserve Underpinning 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. Shimao Property has long been recognised in the sector as an expert real estate developer in the aspect of developments. Acquiring large parcels of quality

land at desirable rates is the Group's key to trumping its competitors. Against the backdrop of dim and unfavourable market outlook for 2010, the Group made rapid response and stepped up efforts in acquiring the land development rights for various projects located in the Yangtze River Delta Region, the Bohai Bay Region, both sides of the Straits, South China and other fast-developing regions and cities.

At the end of 2010, Shimao Property had an attributable land bank of 34.8 million sq.m., making it one of the leading real estate developers in China in terms of land bank reserves. Geographically, new land parcels acquired by Shimao Property in 2010 scatter all over the second-tier cities at provincial capital level with sound economic foundation, enormous development potential and emerging real estate markets, such as Dalian, Chengdu, Ningbo, Wuhan, Qingdao, Nanchang, Changsha, Hangzhou, Tianjin and Fuzhou. This has secured the room for project development and enhanced the resilience to risks.

Shaoxing Shimao Dear Town



By and large, the Group acquired 15 new parcels of quality land in 2010 with total attributable planned GFA of approximately 10 million sq.m.. On the face of land cost, average land premium of the newly-acquired reserve during the year amounted to approximately RMB2,046 per sq.m.. The above statistics highlighted the Group's approach to expand its land bank reserve in a circumspect manner, which echoed the Group's unswerving practice of prudent operation, so as to strike a balance between achieving development and monitoring risks. The acquisition of large amount of high quality lands at low costs well exemplified Shimaos' core competitiveness and also reinforced its resilience to risks.

As at the end of 2010, the Group's average land cost was RMB1,568 per sq.m.. Land parcels at relatively low costs have effectively ensured a higher profit margin in future.

In 2010, the Group participated in Guangzhou Asian Game City Project and also established a jointly controlled entity with Guangzhou R&F Properties Co., Ltd., KWG Property Holding Limited and Agile Property Holdings Limited to jointly acquire and develop lands in Jinnan District, Tianjin in the PRC. In May 2010, the Group also initiated the development of Guangdong Huizhou Fumao Venetian Project in strategic alliance with Guangzhou R&F Properties Co., Ltd. to jointly develop high quality real estate projects.

Particulars of projects acquired by the Group in 2010 are set out as follows:

Project	Acquisition Date	Usage	Attributable		Planned GFA ('000 sq.m)	Cost per sq.m. (RMB)	Expected/ Pre-sale date of the first phase	Averaged selling price of the first phase
			Land cost (RMB billion)	Attributable Interest				
Guangzhou Asian Game City	Jun	Residential	5.100	20%	876	5,822	Sep 2010	11,000
Beijing Shimaos Royal Garden	Jan	Residential	0.811	100%	49	16,551	Jul 2010	47,000
Dalian Lvshunkou Shimaos Project II	Jan	Residential and Retail	0.680	50%	350	1,943	-	12,000
Chengdu Shimaos Park Project	Jan	Residential	2.000	100%	1,200	1,667	Sep 2011	7,000
Ningbo Shimaos Beilun Project	Jan	Residential,	0.406	100%	480	846	Apr 2011	11,000
Wuhan Shimaos Carnival Project	Jan	Residential, Retail and Hotel	0.357	100%	420	850	Apr 2011	10,000
Dalian Jinzhou Shimaos Carnival Project	Apr	Residential, Office, Retail and Hotel	1.250	100%	750	1,667	Jul 2011	10,000
Qingdao National High-tech Development Zone Project	May	Residential and Retail	1.980	100%	1,394	1,420	May 2011	8,500
Guangdong Huizhou Fumao Venetian Project	May	Residential and Retail	0.297	50%	1,382	215	Aug 2011	12,000
Nanchang Shimaos Honggutan Project	Jun	Residential and Retail	1.331	100%	331	4,022	Aug 2011	20,000
Changsha Shimaos Hexi Project	Jun	Residential and Retail	1.275	100%	554	2,302	Aug 2011	10,000
Hangzhou Shimaos Yuhang Project II	Jun	Residential	0.468	100%	213	2,197	May 2011	13,000
Tianjin Jinnan Project	Aug	Residential and Retail	1.762	25%	752	2,342	May 2011	10,000
Fuzhou Shimaos Minhou Project	Dec	Residential	1.307	100%	880	1,485	Jul 2011	10,000
Chengdu Mengzhuwan Road Project	Dec	Residential	1.450	100%	377	3,844	Oct 2011	30,000
<b>Total (Approximately)</b>			<b>20.474</b>		<b>10,008</b>	<b>2,046</b>		



### Property Investment

During the year under review, turnover of the Group from leasing of investment properties amounted to RMB324 million, representing an increase of 54% over last year. Commercial properties of the Group continued to perform satisfactorily with stable returns, which reflected the effectiveness of our strategy to diversify the property portfolio. During the year, the total GFA of the commercial buildings completed by the Group in Beijing, Suzhou and Wuhan respectively amounts to approximately 547,738 sq.m.. It is expected that a total of 170,561 sq.m. will be completed in 2011.

Shanghai Shimao under Shimao Property serves as a platform for the Group to facilitate the development of commercial property. In 2010, Shanghai Shimao achieved revenue from operation of RMB4.54 billion with profit after income taxes of RMB2.47 billion, representing a year-on-year growth of 437% and 1,588% respectively. At present, Shanghai Shimao has a land bank reserve of nearly 7.1 million sq.m., ranking as the largest

listed real estate developer in China in terms of commercial land reserve, and was named among the "2010 Top Ten Most Influential Real Estate Enterprises (Commercial Category) in China".

Shanghai Shimao has maintained a long-term and stable alliance with over 380 quality business partners. In the meanwhile, Shimao Department Store and Shimao International Studio will enrich the product portfolio of Shanghai Shimao, further strengthen its industry chain of development and operation, consolidate its diversified competitive advantages, and cultivate new profit generator. Currently, Shimao Department Store has built up its footprints in Fuzhou and Shenyang, and will expand its operation to Yantai, Wuhu and Beijing by opening three new stores in the next two years. As a part of the cinema development plan, Shimao International Studio will set up 15 studios involving 100 new cinema screens within three years, and aims to increase its studios to 40 and cinema screens to 300 within five years.

### Ningbo Shimao World Gulf



Particulars of investment property projects of the Group in 2010 are set out as follows:

Retail & Office	Total GFA (sq.m.)	Date of commencement	2010 Revenue (RMB million)	2009 Revenue (RMB million)	Growth (%)
Shanghai Shimao International Plaza	71,239	Dec 2004 – Ph. I May 2007 – Ph. II	148	147	0.7%
Beijing Shimao Tower	70,175	Jun 2008 – Retail Mar 2008 – Office	77	49	57.0%
Changshu Shimao The Center	43,357	1Q 2009 – Retail	13	13	-
Shanghai Shimao Shangdu Tower	9,584	November 2010	33	-	-
Shaoxing Shimao Dear Town	181,605	May 2010	38	-	-
Suzhou Shimao Canal Scene	49,993	June 2010	6	-	-
Miscellaneous income	-	-	9	2	-
<b>Total</b>	<b>425,953</b>		<b>324</b>	<b>211</b>	<b>53.55%</b>

### Hotel Operations

During the year under review, the Group's turnover from hotel operations amounted to RMB974 million, projecting a year-on-year rise of 52%, and its earnings before interest, tax, depreciation and amortisation achieved RMB434 million, posting a year-on-year growth of 110%.

In 2010, the performance of hotels was boosted dramatically by the half-year long Shanghai World Expo. The three hotels of the Group in Shanghai also recorded impressive operating results with a satisfactory year-on-year growth while their reputation and recognition continued to brighten up. As at the end of December 2010, hotels operated by Shimao Property in Shanghai offered over 1,700 guest rooms in total, continuing to take the lead in market share of Shanghai's international high-end hotels.

Compared with the peers in the market, Le Royal Méridien Shanghai and Hyatt on the Bund Shanghai are among the leading hotels in Shanghai in terms of total revenue and rank high among hotels in Puxi in terms of catering revenue. Shanghai Le Méridien Sheshan,

being one of few five-star international prestige hotels located in the outskirts of Shanghai, also saw a remarkable growth in revenue in 2010, continuing its pioneering position among other hotels in suburban districts.

On 28 October 2010, Holiday Inn Mudanjiang offering a total of 267 guest rooms made its debut, which is the first international prestige hotel in Mudanjiang. To date, the Group's hotels currently in operation offer nearly 2,000 guest rooms in total.

On 21 October 2010, the Group entered into a strategic cooperation agreement with Hilton in Shanghai, and Hilton was engaged to provide management services for the hotel projects of Shimao located in the eight major cities, namely Tianjin, Nanjing, Wuhan, Xiamen, Shenyang, Qingdao, Yantai and Wuxi. In this regard, the hotels in Qingdao and Xiamen were named as "Conrad", a luxury brand of Hilton, tentatively while other hotels were named as "Hilton", a five-star brand of Hilton. The strategic alliance between Shimao Property and Hilton achieved a win-win scenario.

Particulars of the hotel projects of the Group in 2010 are set out as follows:

Hotel	No. of Guest Rooms	Date of commencement	Average Room Rate (USD/room)		Turnover (RMB million)		EBITDA (RMB million)	
			2010	2009	2010	2009	2010	2009
Shanghai Le Méridien Sheshan	327	Nov 2005	<b>141</b>	130	<b>132</b>	104	<b>46</b>	27
Le Royal Méridien Shanghai	770	Sept 2006	<b>217</b>	175	<b>434</b>	302	<b>222</b>	120
Hyatt on the Bund Shanghai	631	Jun 2007	<b>244</b>	178	<b>408</b>	236	<b>166</b>	59
Holiday Inn Mudanjiang	266	Dec 2010	<b>N/A</b>	N/A	<b>N/A</b>	N/A	<b>N/A</b>	N/A
<b>Total</b>	<b>1,994</b>				<b>974</b>	642	<b>434</b>	206

### Beijing Shimao Royal Garden



### **Unimpeded Financing Channel Ensuring Sound Financial Management**

In 2010, the global stock markets and Euro exchange markets dampened by the sovereign debt crisis burst in various European countries. Despite this, Shimao Property, by leveraging its sound credit standing, formed a syndicate with 14 international and local financial institutions, including HSBC and Standard Chartered Bank, and entered into a guaranteed loan agreement of US\$460 million equivalent on 14 May 2010. Shimao Property also successfully issued US\$500 million and US\$350 million senior notes on 3 August 2010 and 8 March 2011 respectively. All of these indicate that international banks are confident in the development of the Group and its management. We believe that high recognition of the Group by the international capital market will become driving force for the long-term success of Shimao Property.

In spite of the tightening credit policy imposed by the state, Shimao Property not only obtained large credit facilities from the top four state-owned banks but also found favour with large and medium joint equity banks and foreign banks. Sufficient financial resources assure all projects of necessary working capital, and also give financial support to the Group in pursuit of new development projects and acquisition of new land bank reserve. In the times of the global economic consolidation, large credit facilities granted from banks project the confidence of all major banks in the long-term and sustainable development of Shimao Property.

In addition to expanding its financing channels, the Group also reinforced its financial management by integrating various financial instruments in a bid to enhance the efficiency and liquidity of fund, which will in

turn ensure our steady and rapid growth. As at 31 December 2010, the Group has cash on hand of RMB13.7 billion. Furthermore, by upholding prudent financial strategies, the Group managed to maintain the net gearing ratio at a reasonable level with a view to minimising financial risks.

### **Investor Relations**

It is the primary duty of the Group's investor relations team to enable the most effective two-way communication between the Company, shareholders, the financial sector and other stakeholders. We adhere to the best practice of high transparency and consistency in the disclosure of information, irrespective of the market trend of the property sector. 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 four years since its listing. To help our management and stakeholders better understand the market environment, policy changes and corporate performance, the Group participated in numerous investors conferences to reach a large audience, issued quarterly newsletters and monthly operation data to update stakeholders, designated a session 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 with the Listing Rules. Our management's quick response to market changes, its robust financial position and strong sales performance have drawn the financial community's attention. Analyst coverage has increased substantially to 26 facilitating better understanding of the Company by a larger investing community.

## Financial Analysis

Key consolidated income statement figures are set out below:

	2010 RMB million	2009 RMB million
Revenue	<b>21,789</b>	17,032
Gross profit	<b>7,977</b>	5,883
Operating profit	<b>9,290</b>	5,999
Profit attributable to shareholders	<b>4,672</b>	3,511
Earnings per share – Basic (RMB cents)	<b>131.8</b>	101.7

## Revenue

For the year ended 31 December 2010, the revenue of the Group was approximately RMB21,789 million (2009: RMB17,032 million), representing an increase of 28% over

2009. 94% (2009: 95%) of the revenue was generated from the sales of properties and 6% (2009: 5%) from hotel operation, leasing of commercial properties and others.

The components of the revenue are analysed as follows:

	2010 RMB million	2009 RMB million
Sales of properties	<b>20,450</b>	16,179
Hotel operation income	<b>974</b>	642
Rental income from investment properties	<b>324</b>	211
Others	<b>41</b>	–
<b>Total</b>	<b>21,789</b>	17,032

### Le Méridien Sheshan Shanghai



**(i) Sales of properties**

Sales of properties for the year ended 31 December 2010 and 2009 are set out below:

	2010		2009	
	Area (Sq.m.)	RMB million	Area (Sq.m.)	RMB million
Beijing Shimao Olive Garden	3,317	25	668	12
Wuhan Shimao Splendid River	47,880	495	138,049	1,058
Shaoxing Shimao Dear Town	201,696	1,992	40,201	338
Harbin Shimao Riviera New City	31,616	143	236,554	1,044
Changshu Shimao The Center	190,643	1,573	141,721	845
Kunshan Shimao Butterfly Bay	154,899	1,116	99,127	602
Shanghai Shimao Sheshan Villas	2,455	177	11,104	456
Shanghai Shimao Riviera Garden	6,540	534	65,288	2,636
Kunshan Shimao East No.1 New City	149,803	1,068	194,967	1,011
Hangzhou Shimao Riviera Garden	112,608	1,322	156,230	1,311
Shanghai Shimao Emme County	28,262	274	67,030	590
Wuhu Shimao Riviera Garden	56,757	423	81,940	694
Fuzhou Shimao Skyscrapers	149,999	2,152	112,113	1,713
Shenyang Shimao Wulihe	134,341	1,123	20,539	194
Suzhou Shimao Canal Scene	175,829	1,714	104,878	760
Jiaxing Shimao New City	85,228	411	58,154	229
Changzhou Shimao Champagne Lakeside Garden	107,204	749	163,279	1,232
Nanjing Shimao Bund New City (note 1)	81,829	1,347	5,094	69
Fuzhou Shimao Bund Garden (note 1)	3,330	17	4,158	41
Yantai Shimao No.1 The Harbour	43,214	542	47,411	547
Xuzhou Shimao Dongdu	8,776	54	99,656	513
Taizhou Shimao Riverside Garden	41,399	211	51,611	201
Ningbo Shimao World Gulf	159,154	1,166	5,856	83
Mudanjiang Shimao New City	27,730	109	–	–
Beijing Shimao Gongsan Plaza	35,330	1,713	–	–
<b>Sub-total (a)</b>	<b>2,039,839</b>	<b>20,450</b>	1,905,628	16,179
Nanjing Shimao Bund New City (note 1)	–	–	20,453	205
Fuzhou Shimao Bund Garden (note 1)	–	–	301	4
<b>Sub-total (b)</b>	<b>–</b>	<b>–</b>	20,754	209
<b>Sub-total (c) – attributable</b>	<b>–</b>	<b>–</b>	10,377	105
<b>Total (a) + (b)</b>	<b>2,039,839</b>	<b>20,450</b>	1,926,382	16,388
<b>Total (a) + (c)</b>	<b>2,039,839</b>	<b>20,450</b>	1,916,005	16,284

Note 1:

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 was not consolidated in the consolidated

financial statements. After the completion of acquisition of Shanghai Shimao and Shanghai Shimao Enterprise Development Co., Ltd, these associated companies became our subsidiaries and the revenue thereafter was consolidated in our consolidated financial statements.

**(ii) Hotel income**

Hotel operation income are analysed below:

	2010 RMB million	2009 RMB million
Shanghai Le Méridien Sheshan	132	104
Le Royal Méridien Shanghai	434	302
Hyatt on the Bund Shanghai	408	236
<b>Total</b>	<b>974</b>	642

Hotel operation income increased approximately 52% to RMB974 million in 2010 from RMB642 million in 2009. Increase was mainly attributable to the tourism boom caused by Shanghai World Expo 2010.

mainly due to the growth in number of units rented in Beijing Shimao Tower, as well as the commencement of lease of Shanghai Shimao Shangdu Tower, commercial part of both Shaoxing Shimao Dear Town and Suzhou Shimao Canal Scene.

**(iii) Rental income and others**

Rental income from investment properties amounted to RMB324 million (2009: RMB211 million). The rental income increased by 54%

Other income amounted to RMB41 million (2009: Nil) was mainly derived from operation of department stores and cinemas.

	2010 RMB million	2009 RMB million
Shanghai Shimao International Plaza	148	147
Beijing Shimao Tower	77	49
Changshu Shopping Mall	13	13
Shanghai Shimao Shangdu Tower	33	–
Shaoxing Shimao Dear Town	38	–
Suzhou Shimao Canal Scene	6	–
Miscellaneous rental income	9	2
Others	41	–
<b>Total</b>	<b>365</b>	211

### Cost of sales

Cost of sales increased by 24% to approximately RMB13,812 million in 2010 from RMB11,149 million in 2009, primarily

due to the increase in cost of properties sold in line with the increase in areas delivered. Cost of sales are analysed as follows:

	2010 RMB million	2009 RMB million
Sales taxes	1,205	944
Land costs, construction costs and capitalised borrowing costs	12,235	9,870
Direct operating costs for hotels, commercial properties and others	372	335
<b>Total</b>	<b>13,812</b>	<b>11,149</b>

### Fair value gains on investment properties

During the year under review, the Group recorded aggregate fair value gains of RMB2,340 million (2009: fair value gains of RMB214 million) mainly contributed by five newly completed investment properties which were commercial part of Shaoxing Shimao Dear Towns and Suzhou Shimao Canal Scene, Kunshan Shimao Plaza, Wuhu Shimao Shopping Streets as well as Beijing Shimao International Center. Aggregate net fair value gains after deferred income tax of RMB585 million recognised was RMB1,755 million (2009: net fair value gains of RMB160 million after deferred income tax of RMB54 million).

### Other income/other gains – net

Other income/other gains of RMB797 million for the year ended 31 December 2010 (2009: RMB159 million) included mainly government grants, net foreign exchange gain and compensation income. Increase was mainly attributable to increase of government grants, net foreign exchange gain and compensation income recognized in 2010.

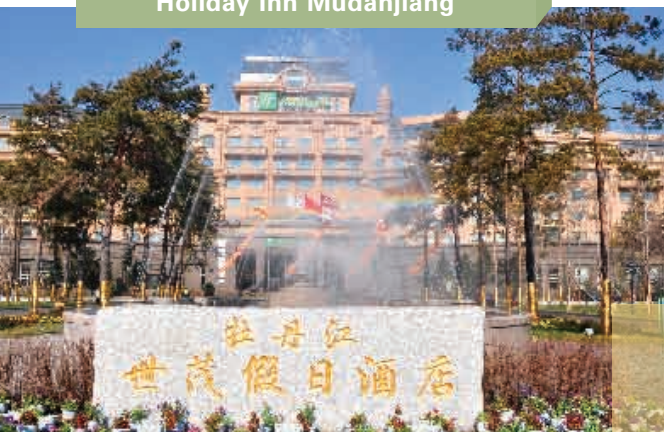
### Selling and marketing costs and administrative expenses

Selling and marketing costs for the year was RMB564 million (2009: RMB470 million). The increase was mainly due to our efforts to promote new projects. Administrative expenses decreased by 2% which was mainly due to the write back of impairment losses on completed properties for sale.

### Operating profit

Operating profit amounted to RMB9.3 billion for the year ended 31 December 2010, representing an increase of 55% over 2009 (2009: RMB6.0 billion).

#### Holiday Inn Mudanjiang





### Finance costs – net

Net finance costs increased to RMB672 million (2009: RMB307 million) mainly due to increased borrowings in 2010.

### Share of results of associated companies & jointly controlled entities

Share of losses of associated companies amounted to RMB48 million (2009: share of profits of RMB20 million). Share of profits of jointly controlled entities amounted to RMB0.01 million (2009: share of losses of RMB1 million).

### Taxation

The Group's income tax expense amounted to RMB3,079 million in which PRC land appreciation tax was RMB1,072 million (2009: RMB2,107 million, in which PRC land appreciation tax was RMB555 million) for the year.

### Profit attributable to shareholders

Profit attributable to shareholders for the year increased by 33% from RMB3,511 million

in 2009 to RMB4,672 million in 2010. It was mainly attributable to substantial increase in recognized sales and fair value gains on investment properties.

### Liquidity and financial resources

As of 31 December 2010, total assets of the Group were RMB95.7 billion, of which current assets reached RMB54.8 billion. Total liabilities were RMB65.7 billion, whereas non-current liabilities were RMB27.1 billion. Total equity were RMB30.0 billion, of which equity attributable to the shareholders of the Company amounted to RMB26.7 billion.

As of 31 December 2010, the Group had aggregate cash and bank balances (including restricted cash balances for borrowings) of approximately RMB13.5 billion (31 December 2009: RMB7.3 billion), total borrowings amounted to approximately RMB34.1 billion (31 December 2009: RMB20.5 billion). Total net borrowings were RMB20.6 billion (31 December 2009: RMB13.2 billion). Net gearing ratio increased from 52% as at 31 December 2009 to 69% as at 31 December 2010.

The maturity of the borrowings of the Group as at 31 December 2010 is set out as follows:

	RMB million
<b>Bank borrowings</b>	
Within 1 year	7,798
Between 1 and 2 years	7,883
Between 2 and 5 years	6,885
Over 5 years	4,408
<b>Senior notes</b>	
Within 1 year	1,579
Over 5 years	5,519
<b>Total</b>	<b>34,072</b>

The borrowings were denominated in different currencies set out below:

	Original currency million	RMB equivalent million
US\$	1,512	10,013
HK\$	2,726	2,319
RMB	21,740	21,740

### Financing activities

On 14 May 2010, the Group entered into a syndicated loan facility agreement of US\$460 million equivalent with 14 international and local financial institutions.

On 3 August 2010, the Group issued a total of US\$500 million senior notes due on 3 August 2017.

On 8 March 2011, the Group issued a total of US\$350 million senior notes due on 8 March 2018.

### 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 bank deposits denominated on foreign currencies and the outstanding foreign currency borrowings which mainly include US\$460 million equivalent syndicated loans, US\$1,100 million senior notes and HK\$2,570 million bank borrowings as at 31 December 2010.

### Pledge of assets

As of 31 December 2010, the Group had pledged property and equipment, land use rights, properties under development, completed properties held for sale, investment properties, available-for-sale financial assets and restricted cash with a total carrying amounts of RMB33.8 billion to secure bank facilities granted to the Group. The corresponding bank loans amounted to approximately RMB23.6 billion. The Group had also pledged shares of certain subsidiary for a total borrowing of RMB1.5 billion.

### Contingencies

As of 31 December 2010, the Group had provided guarantees for approximately RMB3.9 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. In addition, the Group had provided guarantees for approximately RMB1.9 billion in its portion of equity interests in associated companies and jointly controlled entities for their borrowings.

### Xiamen Coastal Shimao Project



### Capital and property development expenditure commitments

As of 31 December 2010, the Group had contracted capital and property development expenditure but not provided for amounted to RMB25.7 billion.

### Employees and remuneration policy

As of 31 December 2010, the Group employed a total of 4,365 employees. Total remuneration for the year amounted to RMB560 million. The Group has adopted a performance-based rewarding system to motivate its staff. 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.

Beijing Shimao Gongsan Plaza



Shanghai Shimao International Plaza



# Report of the Directors

The directors (the "Directors") of Shima 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 2010.

## 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 2010 are set out on pages 58 to 146 of this annual report.

The Directors recommended the payment of a final dividend of HK25 cents (2009: HK23 cents) per ordinary share for the year ended 31 December 2010. The proposed final dividend, if approved at the forthcoming annual general meeting of the Company ("AGM") to be held on 12 May 2011, will be payable on 23 May 2011 to the shareholders whose names appear on the register of members of the Company on 12 May 2011.

The register of members of the Company will be closed on Wednesday, 11 May 2011 and Thursday, 12 May 2011. 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 Monday, 9 May 2011.

## 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 2010 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 RMB47,326,000 (2009: RMB5,819,000).

## 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 38 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 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. Tung Chi Shing

Mr. Liu Sai Fei (appointed on 1 February 2010)

Mr. Xu Younong (appointed on 1 January 2011)

Mr. Ip Wai Shing, Andy (resigned on 1 January 2011)

### **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. Xu Younong, who was appointed Director 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, Ms. Yao Li, Mr. Tung Chi Shing and Mr. Gu Yunchang will retire by rotation and, being eligible, save for Mr. Gu Yunchang who will not offer himself for re-election, Ms. Yao Li and Mr. Tung Chi Shing will 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 2010 was as follows:

	Date of grant (DD/MM/YY)	Exercise price per Share (HK\$)	Number of share options				As at 31 December 2010	Exercise period (DD/MM/YY)	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
			As at 1 January 2010	Adjustment (Notes)	Exercised	Lapsed			
Directors									
Hui Sai Tan, Jason	09/06/06	5.625	528,000	-	-	-	528,000	01/04/07-08/06/12	-
Yao Li	09/06/06	5.625	924,000	-	-	-	924,000	01/04/07-08/06/12	-
Tang Ping Fai <sup>1</sup>	09/06/06	5.625	760,600	(760,600)	-	-	-	01/04/07-08/06/12	-
Liu Sai Fei <sup>2</sup>	09/06/06	5.625	-	158,600	(158,600)	-	-	01/04/07-08/06/12	11.89
Ip Wai Shing, Andy	09/06/06	5.625	1,222,400	-	-	-	1,222,400	01/04/07-08/06/12	-
			3,435,000	(602,000)	(158,600)	-	2,674,400		
Senior Management and Employees of the Group	09/06/06	5.625	12,307,950	602,000	(4,966,600)	-	7,943,350	01/04/07-08/06/12	13.14
			15,742,950	-	(5,125,200)	-	10,617,750		

**Notes:**

- <sup>1</sup> Mr. Tang Ping Fai resigned as a Director on 1 February 2010 but remains as an employee of the Group. As at 1 February 2010, he had 760,600 share options of the Company outstanding under the Pre-IPO Share Option Scheme.
- <sup>2</sup> Mr. Liu Sai Fei was appointed as a Director on 1 February 2010 and had 158,600 share options of the Company under the Pre-IPO Share Option Scheme when he was an employee of the Company.

- (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 2010, 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 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	2,121,745,000 <sup>(Note)</sup>	59.81%
Hui Sai Tan, Jason	Beneficial owner	1,584,000	0.04%
Yao Li	Beneficial owner	1,188,000	0.03%
Liu Sai Fei	Beneficial owner	437,600	0.01%
Ip Wai Shing, Andy	Beneficial owner	338,000	0.01%

Note: These 2,121,745,000 shares represents the interest in the Company held by Gemfair Investments Limited and Shiyong 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 2010, 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 interests	Number of shares or underlying shares held	Approximate percentage of issued share capital
<b>Long position</b>			
Gemfair Investments Limited ("Gemfair")	(Note 1)	1,947,984,000	54.91%
Overseas Investment Group International Limited ("Overseas Investment")	(Note 2)	1,947,984,000	54.91%

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.

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 2010, 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 THE LISTED SECURITIES

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## CONTINUING CONNECTED TRANSACTIONS

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 Splendid River Real Estate Development Co., Ltd. ("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 was 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 2010, the Company has engaged Morgan Stanley & Co. International plc the following transactions:

1. To act as the sole solicitation agent for a consent solicitation to amend certain terms of the Company's senior floating rate notes due 2011 in the principal amount of US\$250,000,000 and its 8% senior notes due 2016 in the principal amount of US\$350,000,000 ("Consent Solicitation") in January 2010.
2. To act as the sole solicitation agent for a Consent Solicitation in September 2010.
3. To act as one of the lead managers and bookrunners for the issue of the 9.65% senior notes due 2017 in the aggregate principal amount of US\$500 million by the Company.

The commissions and advisory fees paid by the Company in respect of the above transactions amount to US\$6,151,740 and US\$1,833,333 respectively which are within the cap.

In respect of the above continuing connected transactions, the Board of Directors ("Board"), including the independent non-executive directors of the Company, has reviewed and confirmed that the Company has taken reasonable steps to select solicitation agents, lead managers and bookrunners based on adequate competition bidding processes and the transactions were 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.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 42 and 43 of the annual report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange of Hong Kong Limited.

## **CONTINUING DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES**

The Company entered into a credit agreement (the "Credit Agreement") on 14 May 2010 between, among others, the Company as borrower, certain subsidiaries of the Company as guarantors, Standard Chartered Bank (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, The Bank of East Asia, Limited, Hang Seng Bank Limited and Sumitomo Mitsui Banking Corporation as mandated co-ordinating arrangers and certain financial institutions as lenders, multi-currency term loan facilities (the "Loan Facilities") in the amount of US\$440,000,000 and HK\$156,000,000 which will be made available to the Company for a term of 36 months from the date of the Credit Agreement.

Pursuant to the Credit Agreement, if Mr. Hui Wing Mau and his family together cease: (i) to be the single largest shareholder of the Company; (ii) to maintain (directly or indirectly) at least 51% beneficial shareholding interest in the issued share capital of the Company; (iii) to have the power to direct the management of the Company, whether through the ownership of voting capital, by contract or otherwise; or (iv) to remain as the chairman of Board, the commitments under the Loan Facilities may be cancelled and all amounts outstanding under the Loan Facilities may become immediately due and payable.

### **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 2010 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 45 to page 50 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, 22 March 2011

# 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 2010 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 2010, 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
<i>Executive Directors:</i>	
Hui Wing Mau ( <i>Chairman</i> )	4/4
Hui Sai Tan, Jason ( <i>Vice Chairman</i> )	4/4
Yao Li	4/4
Tung Chi Shing	4/4
Liu Sai Fei (appointed on 1 February 2010)	3/4
Xu Younong (appointed on 1 January 2011)	N/A
Tang Ping Fai (resigned on 1 February 2010)	N/A
Ip Wai Shing, Andy (resigned on 1 January 2011)	3/4
<i>Independent Non-executive Directors:</i>	
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 ( <i>Committee Chairman</i> )	2/2
Kan Lai Kuen, Alice	2/2
Lu Hong Bing	2/2
Gu Yunchang	2/2
Lam Ching Kam	2/2



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 reelected 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/her 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 apprised 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/she 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 ( <i>Committee Chairman</i> )	2/2
Kan Lai Kuen, Alice	2/2
Lu Hong Bing	2/2
Gu Yunchang	2/2
Lam Ching Kam	2/2

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 2010, 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 56 and 57 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 assist the board to review 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 ( <i>Committee Chairman</i> )	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 2010 is set out as follows:

Services rendered	RMB'000
Audit service	3,900
Other services	
– Review of interim financial information	1,600
– Service in connection with the notes offering	800
	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 2010 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 60, the Chairman and Executive Director of Shimao Property Holdings Limited (the “Company”) and the founder of the Group. With over 21 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. (“Shanghai Shimao”), a 64.21% owned subsidiary of the Company listed on the Shanghai Stock Exchange, 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 Futures Ordinance. He has been the Chairman and 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 34, 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 12 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 and the Vice Chairman of the Company since 17 November 2004 and 21 April 2008 respectively and was an executive director of Shimao International from July 2002 to June 2006. He is also a director of Shanghai Shimao. 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 56, 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. She has more than 25 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 from February 2004 to February 2005. Ms. Yao has been an Executive Director of the Company since 25 January 2006.

### **TUNG CHI SHING**

Mr. Tung Chi Shing, aged 50, 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. Mr. Tung was an executive director of Shimao International from February 2005 to December 2007.

### **LIU SAI FEI**

Mr. Liu Sai Fei, aged 49, 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 26 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.

### **XU YOUNONG**

Mr. Xu Younong, aged 52, has joined the Group since June 2001 and was appointed an Executive Director of the Company on 1 January 2011. He is currently a Vice President and Regional President of the Group, responsible for project management of the Group. Mr. Xu holds a Bachelors degree of engineering from Tong Ji University in Shanghai and has over 27 years' experience in architectural design and project management. Prior to joining the Group, he worked for Shanghai Building Material Industry Design Institute (上海市建築材料工業設計研究院) from 1983 to 1992 as an engineer and designer. From 1993 to 2001, he worked for Shanghai Fortune World Development Company Limited as project manager.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### KAN LAI KUEN, ALICE

Ms. Kan Lai Kuen, Alice, aged 56, has been an Independent Non-executive Director of the Company since 16 March 2006 and has more than 19 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: 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 and Sunac China 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 44, has been an Independent Non-executive Director of the Company since 17 November 2004. Mr. Lu obtained a Masters Degree in law from the East China University of Politics and Law in 1991 and has more than 18 years' experience in corporate and securities laws in China. Mr. Lu currently serves as an independent 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) and 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. He was appointed as an independent non-executive director of Shimao International 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 30 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 Vice-President and Secretary-General of the China Real Estate Association (中國房地產協會) 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 The Stock Exchange of Hong Kong Limited, and an 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 50, 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 registered 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 9 years. Mr. Lam has been in the property development and construction industry for 27 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.



## CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 30 June 2010 required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") is set out below:–

Name of Director	Detail of changes
<b><i>Independent Non-executive Director</i></b>	
Ms. Kan Lai Kuen, Alice	Appointed as an independent non-executive director of Sunac China Holdings Limited, a company listed on the Stock Exchange, with effect from 7 October 2010.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors and Senior Management Profiles".

# 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 58 to 146, which comprise the consolidated and Company balance sheets as at 31 December 2010, 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 CONSOLIDATED FINANCIAL STATEMENTS

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

### 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 about whether the consolidated financial statements are free from material misstatement.

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

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

# INDEPENDENT AUDITOR'S REPORT

## 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 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 22 March 2011

# CONSOLIDATED BALANCE SHEET

As at 31 December 2010

		As at 31 December	
		2010	2009
			Restated
			(Note 2(a)(i))
	Note	RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	6	6,553,628	5,891,602
Investment properties	7	11,854,995	6,372,600
Land use rights	8	2,572,389	3,060,382
Intangible assets	9	2,280,462	2,348,261
Associated companies	11	412,442	4,899
Jointly controlled entities	12	3,908,554	2,338,244
Available-for-sale financial assets	13	347,823	692,399
Deferred income tax assets	23	1,193,780	750,080
Other non-current assets	14	11,750,131	10,182,146
		<b>40,874,204</b>	31,640,613
<b>Current assets</b>			
Properties under development	15	29,013,883	18,899,789
Completed properties held for sale	16	4,761,453	5,198,628
Trade and other receivables and prepayments	17	5,124,272	2,998,042
Prepaid income taxes		640,567	310,472
Amounts due from related companies	18	1,526,306	698
Restricted cash	19	1,589,081	560,383
Cash and cash equivalents	19	12,139,549	6,918,958
		<b>54,795,111</b>	34,886,970
<b>Total assets</b>		<b>95,669,315</b>	66,527,583
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital	20	362,384	361,938
Reserves			
– Proposed final dividend	21	754,623	717,366
– Others	21	25,581,827	22,268,570
		<b>26,698,834</b>	23,347,874
<b>Non-controlling interests</b>		<b>3,255,150</b>	2,169,211
<b>Total equity</b>		<b>29,953,984</b>	25,517,085

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

		As at 31 December	
		2010	2009
			Restated
	Note	RMB'000	(Note 2(a)(i)) RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	22	<b>24,695,507</b>	14,903,502
Deferred income tax liabilities	23	<b>2,370,209</b>	1,824,947
		<b>27,065,716</b>	16,728,449
<b>Current liabilities</b>			
Trade and other payables	24	<b>11,512,930</b>	7,038,928
Advanced proceeds received from customers		<b>11,932,050</b>	6,502,855
Income taxes payable		<b>5,693,970</b>	4,944,610
Borrowings	22	<b>9,376,655</b>	5,623,394
Amounts due to related parties	25	<b>30,831</b>	31,101
Amount due to a non-controlling interest	26	<b>—</b>	7,696
Deferred income		<b>103,179</b>	133,465
		<b>38,649,615</b>	24,282,049
<b>Total liabilities</b>		<b>65,715,331</b>	41,010,498
<b>Total equity and liabilities</b>		<b>95,669,315</b>	66,527,583
<b>Net current assets</b>		<b>16,145,496</b>	10,604,921
<b>Total assets less current liabilities</b>		<b>57,019,700</b>	42,245,534

Hui Wing Mau  
Director

Hui Sai Tan, Jason  
Director

The notes on pages 66 to 146 are an integral part of these consolidated financial statements.

# BALANCE SHEET

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	10	<b>21,629,515</b>	18,002,339
<b>Current assets</b>			
Other receivables and prepayments		<b>1,831</b>	313
Cash and cash equivalents	19	<b>1,465,399</b>	140,131
		<b>1,467,230</b>	140,444
<b>Total assets</b>		<b>23,096,745</b>	18,142,783
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital	20	<b>362,384</b>	361,938
Reserves			
– Proposed final dividend	21	<b>754,623</b>	717,366
– Others	21	<b>11,663,161</b>	11,192,031
<b>Total equity</b>		<b>12,780,168</b>	12,271,335
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	22	<b>8,199,184</b>	4,036,502
<b>Current liabilities</b>			
Borrowings	22	<b>1,877,068</b>	—
Other payables and accruals		<b>160,823</b>	24,671
Amounts due to subsidiaries	10	<b>79,502</b>	1,810,275
		<b>2,117,393</b>	1,834,946
<b>Total liabilities</b>		<b>10,316,577</b>	5,871,448
<b>Total equity and liabilities</b>		<b>23,096,745</b>	18,142,783
<b>Net current liabilities</b>		<b>(650,163)</b>	(1,694,502)
<b>Total assets less current liabilities</b>		<b>20,979,352</b>	16,307,837

Hui Wing Mau  
Director

Hui Sai Tan, Jason  
Director

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	Year ended 31 December	
		2010 RMB'000	2009 RMB'000
<b>Revenue</b>	5	<b>21,789,433</b>	17,032,063
Cost of sales	29	<b>(13,812,137)</b>	(11,149,395)
<b>Gross profit</b>		<b>7,977,296</b>	5,882,668
Gains on deemed disposal to non-controlling interests	27	—	1,501,093
Fair value gains on investment properties	7	<b>2,339,562</b>	213,834
Other income/other gains – net	28	<b>796,826</b>	158,609
Selling and marketing costs	29	<b>(563,900)</b>	(470,427)
Administrative expenses	29	<b>(1,083,122)</b>	(1,107,286)
Other operating expenses	29	<b>(176,703)</b>	(179,961)
<b>Operating profit</b>		<b>9,289,959</b>	5,998,530
Finance income		<b>66,247</b>	30,466
Finance costs		<b>(737,800)</b>	(337,653)
Finance costs – net	30	<b>(671,553)</b>	(307,187)
Share of results of			
– Associated companies	11	<b>(48,110)</b>	19,925
– Jointly controlled entities	12	<b>14</b>	(1,072)
		<b>(48,096)</b>	18,853
<b>Profit before income tax</b>		<b>8,570,310</b>	5,710,196
Income tax expense	32	<b>(3,079,368)</b>	(2,107,212)
<b>Profit for the year</b>		<b>5,490,942</b>	3,602,984
<b>Other comprehensive (loss)/income:</b>			
Fair value (losses)/gains on available-for-sale financial assets, net of tax		<b>(258,432)</b>	136,386
<b>Total comprehensive income for the year</b>		<b>5,232,510</b>	3,739,370

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	Year ended 31 December	
		2010 RMB'000	2009 RMB'000
<b>Profit for the year attributable to:</b>			
Equity holders of the Company		<b>4,671,536</b>	3,511,201
Non-controlling interests		<b>819,406</b>	91,783
		<b>5,490,942</b>	3,602,984
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the Company		<b>4,505,571</b>	3,598,790
Non-controlling interests		<b>726,939</b>	140,580
		<b>5,232,510</b>	3,739,370
<b>Dividends</b>	33	<b>1,218,424</b>	1,029,016
<b>Earnings per share for profit attributable to the equity holders of the Company</b>			
– Basic (RMB cents)	35	<b>131.8</b>	101.7
– Diluted (RMB cents)	35	<b>131.6</b>	101.4

The notes on pages 66 to 146 are an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Note	Attributable to the equity holders of the Company		Non-controlling interests RMB'000	Total RMB'000
		Share capital RMB'000	Reserves RMB'000 (Note 21)		
<b>Balance at 1 January 2010</b>		<b>361,938</b>	<b>22,985,936</b>	<b>2,169,211</b>	<b>25,517,085</b>
Profit for the year		—	<b>4,671,536</b>	<b>819,406</b>	<b>5,490,942</b>
Other comprehensive loss for the year		—	<b>(165,965)</b>	<b>(92,467)</b>	<b>(258,432)</b>
Total comprehensive income for the year		—	<b>4,505,571</b>	<b>726,939</b>	<b>5,232,510</b>
Transactions with owners:					
Acquisition of additional interests in subsidiaries		—	—	<b>376</b>	<b>376</b>
Capital contribution from non-controlling interests of subsidiaries		—	—	<b>358,624</b>	<b>358,624</b>
Employee share option scheme					
– Proceeds from shares issued	20(b)	<b>446</b>	<b>24,645</b>	—	<b>25,091</b>
Dividends	33	—	<b>(1,179,702)</b>	—	<b>(1,179,702)</b>
Total transactions with owners		<b>446</b>	<b>(1,155,057)</b>	<b>359,000</b>	<b>(795,611)</b>
<b>Balance at 31 December 2010</b>		<b>362,384</b>	<b>26,336,450</b>	<b>3,255,150</b>	<b>29,953,984</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Note	Attributable to the equity holders of the Company		Non-controlling interests RMB'000	Total RMB'000
		Share capital RMB'000	Reserves RMB'000 (Note 21)		
<b>Balance at 1 January 2009</b>		336,015	18,359,804	341,600	19,037,419
Profit for the year		—	3,511,201	91,783	3,602,984
Other comprehensive income for the year		—	87,589	48,797	136,386
<b>Total comprehensive income for the year</b>		—	3,598,790	140,580	3,739,370
Transactions with owners:					
Issue of shares for placement		24,873	1,682,890	—	1,707,763
Non-controlling interests arising on acquisition of subsidiaries		—	—	1,995,530	1,995,530
Non-controlling interests change on deemed disposal		—	—	(105,244)	(105,244)
Acquisition of additional interests in subsidiaries		—	—	(299,396)	(299,396)
Capital contribution from non-controlling interests 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)
<b>Total transactions with owners</b>		25,923	1,027,342	1,687,031	2,740,296
<b>Balance at 31 December 2009</b>		361,938	22,985,936	2,169,211	25,517,085

The notes on pages 66 to 146 are an integral part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2010

	Note	Year ended 31 December	
		2010 RMB'000	2009 RMB'000
<b>Cash flow from operating activities</b>			
Net cash generated from operations	36(a)	<b>273,984</b>	5,986,294
Interest received		<b>66,247</b>	30,466
Interest paid		<b>(1,545,440)</b>	(1,037,620)
PRC income taxes paid		<b>(2,502,683)</b>	(1,004,816)
Net cash (used in)/generated from operating activities		<b>(3,707,892)</b>	3,974,324
<b>Cash flow from investing activities</b>			
Additions of property and equipment and investment properties		<b>(956,499)</b>	(1,046,594)
Sales of property and equipment		<b>2,998</b>	8,879
Additions of land use rights		<b>(297,617)</b>	(318,653)
(Increase)/decrease in amounts due from related companies		<b>(983)</b>	3,088
Acquisition of additional interests in subsidiaries		<b>(2,967)</b>	(666,108)
Acquisition of subsidiaries, net of cash acquired		—	748,591
Prepayments for acquisition of equity interests		—	(2,969,207)
Loans to jointly controlled entities		<b>(404,993)</b>	(618,119)
Capital injection to associated companies		<b>(323,778)</b>	(4,900)
Capital injection to jointly controlled entities		<b>(1,169,325)</b>	—
Capital contribution from non-controlling interests of subsidiaries		<b>358,624</b>	128,850
Partial disposal of equity interests in a subsidiary		—	5,211
Net cash used in investing activities		<b>(2,794,540)</b>	(4,728,962)
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		<b>23,445,701</b>	14,939,690
Repayments of borrowings		<b>(9,526,175)</b>	(9,843,832)
Issue of new shares		<b>25,091</b>	1,766,816
Dividends paid to equity holders of the Company		<b>(1,179,702)</b>	(716,358)
Dividend paid to a non-controlling interest		—	(37,920)
Increase in restricted cash for borrowings		<b>(991,827)</b>	(245,207)
Net cash generated from financing activities		<b>11,773,088</b>	5,863,189
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		<b>6,918,958</b>	1,814,447
Effect of foreign exchange rate changes		<b>(50,065)</b>	(4,040)
Cash and cash equivalents at end of the year	19	<b>12,139,549</b>	6,918,958

The notes on pages 66 to 146 are an integral part of these consolidated financial statements.

# NOTES TO THE 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.

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 classification by the borrower of the term loan that contains a repayment on demand clause

In November 2010, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued Hong Kong Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". The Interpretation is effective immediately and is a clarification of an existing standard, HKAS 1, "Presentation of Financial Statements". It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of Hong Kong Interpretation 5, the Company has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the balance sheet. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Company had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

Because the Group did not have such term loans as at 1 January 2009, the new accounting policy has been applied retrospectively by reclassification to comparative balance sheet as at 31 December 2009. The reclassification had no effect on reported profit, total comprehensive income or equity for any period presented.

#### Group

	As previously reported RMB'000	31 December 2009	
		Reclassification RMB'000	Restated RMB'000
Borrowings included in non-current liabilities	16,594,590	(1,691,088)	14,903,502
Non-current liabilities	18,419,537	(1,691,088)	16,728,449
Borrowings included in current liabilities	3,932,306	1,691,088	5,623,394
Current liabilities	22,590,961	1,691,088	24,282,049

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (continued)

#### (ii) New and amended standards adopted by the Group

The following new and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010 and are relevant to the Group's operations.

- HKFRS 3 (revised), "Business combinations," and consequential amendments to HKAS 27, "Consolidated and separate financial statements," HKAS 28, "Investments in associates," and HKAS 31, "Interests in joint ventures," are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. 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 are expensed.

HKAS 27 (revised) 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 resulting 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.

- HKAS 17 (amendment), "Leases," deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and considered the leasehold land in the PRC remained as operating lease. As a result of the reassessment, the Group has not reclassified any leasehold land from operating lease to finance lease.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (continued)

#### (ii) New and amended standards adopted by the Group (continued)

- HKICPA's annual improvements project published in May 2009
  - 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 in the balance sheet 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 an entity is required to disclose a measure of segment only if that measure is regularly reported 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 cash-generating unit (or group of units) to which goodwill should be allocated for the purpose of impairment testing is an operating segment as defined by paragraph 5 of HKFRS 8 "Operating Segments".

The adoption of the above new and amended standards does not have any significant impact on the Group's financial statements.

#### (iii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the group (although they may affect the accounting for future transactions and events)

- HKAS 1 (Amendment), "Presentation of Financial Statements", effective on or after 1 January 2010.
- HKAS 38 (amendment), "Intangible assets", effective from 1 January 2010.
- HKFRS 2 (amendments), "Group cash-settled share-based payment transactions", effective from 1 January 2010.
- HKFRS 5 (amendment), "Non-current assets held for sale and discontinued operations", effective on or after 1 January 2010.
- HK(IFRIC) 9, "Reassessment of embedded derivatives" and HKAS 39, "Financial instruments: Recognition and measurement", effective from 1 July 2009.
- HK(IFRIC) 16, "Hedges of a net investment in a foreign operation" effective 1 July 2009.
- HK(IFRIC) 17, "Distribution of non-cash assets to owners", effective on or after 1 July 2009.
- HK(IFRIC) 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (continued)

#### (iv) New standards, amendments and interpretations have been issued but are not effective for financial year beginning 1 January 2010 and have not been early adopted by the Group

- HKFRS 9, "Financial instruments", effective for periods beginning on or after 1 January 2013.
- Revised HKAS 24 (revised), "Related party disclosures", effective for periods beginning on or after 1 January 2011.
- "Classification of rights issues" (amendment to HKAS 32), effective for annual periods beginning on or after 1 February 2010.
- HK(IFRIC) – Int 19, "Extinguishing financial liabilities with equity instruments", effective 1 July 2010.
- "Prepayments of a minimum funding requirement" (amendments to HK(IFRIC) – Int 14), effective for annual periods beginning 1 January 2011.
- HKAS 12 (amendment), "Income taxes", effective for annual periods on or after 1 January 2012.

The Group does not anticipate that these new standards, amendments and interpretations will result in any significant impact on the Group's financial statements.

### (b) Consolidation

#### (i) Subsidiaries

Subsidiaries are all entities (including special purpose 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. 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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any 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.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Consolidation (continued)

#### (i) Subsidiaries (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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

#### (ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement where appropriate.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Consolidation *(continued)*

#### (iii) Jointly controlled entities and associates

Jointly controlled entities are entities which operate under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Associates are 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 jointly controlled entities and associates are accounted for in the consolidated financial statements using equity method of accounting and are initially recognised at cost. The Group's interests in the jointly controlled entities and associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its jointly controlled entities and associates' post-acquisition profit or losses, including any impairment loss on goodwill, is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity and associate equal or exceed its interest in the jointly controlled entity and associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity and associate.

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

Dilution gains and losses arising in investments in jointly controlled entities and associates are recognised in the 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 "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the management committee that makes strategic decisions.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Foreign currency translation

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the income statement within "Other income/other gains – net".

#### (iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Property and equipment

Property and equipment 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.

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.

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 charged to the 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 and impairment loss 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 the end of each reporting period.

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 (Note 2(h)).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within "Other income/other gains – net" in the income statement.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) 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, 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. In such case, the operating lease concerned is accounted for as if it was 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 investment 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Investment property *(continued)*

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

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

If an item of property 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 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 or completed properties held for sale. A property's deemed cost for subsequent accounting as properties under development or completed properties held for sale is its fair value at the date of change in use.

### (g) 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)

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

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to 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 subsidiaries, 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) Financial assets

#### (i) Classification

The Group classifies its financial assets in the following categories: loans and receivable and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'amounts due from related companies', 'trade and other receivables', 'restricted cash' and 'cash and cash equivalents' in the balance sheet (also refer to Notes 2(l) and 2(m)).

- Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months after the end of the reporting period.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Financial assets (continued)

#### (ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'Other gains/(losses)-net'.

Dividends on available-for-sale equity instruments are recognised in the income statement as part of 'other income' when the Group's right to receive payments is established.

#### (iii) Impairment of financial assets

- Loans and receivables

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivable category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan and receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Financial assets (continued)

#### (iii) Impairment of financial assets (continued)

- Assets classified as available for sale

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. For debt securities, the Group uses the criteria set out in 'loans and receivables' above. 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 income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

### (j) 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.

### (k) 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.

### (l) Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services provided in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Cash and cash equivalents

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

### (n) 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.

### (o) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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.

### (p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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.

### (q) 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's subsidiaries, associated companies 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. It 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 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 (and laws) 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Current and deferred income tax (continued)

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.

### (r) 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Employee benefits *(continued)*

#### (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.

### (s) 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 probable that an outflow of resources will be required to settle the obligation; and the amount has been 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) 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. Revenue is shown, net of discounts and after eliminating sales with the Group companies. 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.

#### (iii) Rental income

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

#### (iv) Hotel operation income

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

#### (v) Sales of goods

The group operates certain retail department stores. Sales of goods are recognized when the group sells goods to the customers.

#### (vi) Dividend income

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

### (u) 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 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 and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight line basis over the expected useful lives of the related assets.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Leases

Leases in which 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 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 measurable 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 income statement.

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.

### (w) Dividend distribution

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (x) 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 foreign exchange risk, price risk, cash flow interest rate risk and fair value 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 and net foreign currency liabilities, the Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

As at 31 December 2010, 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 RMB526,751,000 (2009: RMB229,130,000) 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.

#### (ii) Price risk

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

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Market risk (continued)

##### (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. 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. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The interest rates 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 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB44,554,000 (2009: RMB5,640,000) 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 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB30,340,000 (2009: RMB12,880,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates.

#### (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 and amounts due from related parties.

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 2010.

Counterparty	Rating (note)	As at 31 December	
		2010 RMB'000	2009 RMB'000
Bank A	A –	3,300,956	1,400,350
Bank B	A –	2,319,612	3,054,032
Bank C	A –	1,511,491	799,749
Bank D	A1	1,439,907	1,265,698
Bank E	BBB +	1,074,707	273,588

Note: The source of credit rating is from Standard and Poor's or Moody's.

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-sale. 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.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	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
<b>As at 31 December 2010</b>					
Borrowings	9,376,655	7,883,433	6,885,169	9,926,905	34,072,162
Interests payments on borrowings (note)	1,978,049	1,323,139	2,622,855	1,864,388	7,788,431
Trade and other payables	11,502,079	2,382	4,029	4,440	11,512,930
	<b>22,856,783</b>	<b>9,208,954</b>	<b>9,512,053</b>	<b>11,795,733</b>	<b>53,373,523</b>
<b>As at 31 December 2009 (restated)</b>					
Borrowings	5,623,394	4,370,552	4,194,700	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
	13,627,818	5,139,036	5,647,143	7,843,270	32,257,267

Note: The interest on borrowings is calculated based on borrowings outstanding as at 31 December 2010 and 2009 without taking into account of future issues. Floating-rate interest is estimated using the current interest rate as at 31 December 2010 and 2009 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 2010 and 2009 were as follows:

	As at 31 December	
	2010 RMB'000	2009 RMB'000
Total borrowings	<b>34,072,162</b>	20,526,896
Less: Cash and cash equivalents	<b>(12,139,549)</b>	(6,918,958)
Restricted cash for the Group's borrowings (Note 19)	<b>(1,348,600)</b>	(356,773)
Net debt	<b>20,584,013</b>	13,251,165
Total equity	<b>29,953,984</b>	25,517,085
Gearing ratio	<b>68.7%</b>	51.9%

The increase in gearing ratio was mainly due to substantial increase in borrowings such as the issue of the senior notes and draw-down of syndicated bank borrowings during 2010 partially offset by the increase in cash and cash equivalents.

#### (e) Fair value estimation

The different levels are defined as follows:

- 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).

As at 31 December 2010 and 2009, the Group had no level 2 or level 3 financial instruments, the only level 1 financial instrument represented the available-for-sale financial assets (Note 13).

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (f) Financial instruments by category

##### Group

Assets as per balance sheet	As at 31 December 2010			As at 31 December 2009
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000	Total RMB'000
Available-for-sale financial assets	—	347,823	347,823	692,399
Trade and other receivables	2,509,596	—	2,509,596	1,064,602
Amounts due from related companies	1,526,306	—	1,526,306	698
Restricted cash	1,589,081	—	1,589,081	560,383
Cash and cash equivalents	12,139,549	—	12,139,549	6,918,958
<b>Total</b>	<b>17,764,532</b>	<b>347,823</b>	<b>18,112,355</b>	<b>9,237,040</b>

Liabilities as per balance sheet	Other financial liabilities at amortised cost	
	As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000
Borrowings	34,072,162	20,526,896
Trade and other payables (excluding other taxes payable)	11,004,290	6,688,398
Amounts due to related parties	30,831	31,101
Amount due to a non-controlling interest	—	7,696
<b>Total</b>	<b>45,107,283</b>	<b>27,254,091</b>

##### Company

Assets as per balance sheet	Loans and receivables	
	As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000
Other receivables	1,831	313
Cash and cash equivalents	1,465,399	140,131
<b>Total</b>	<b>1,467,230</b>	<b>140,444</b>

Liabilities as per balance sheet	Other financial liabilities at amortised cost	
	As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000
Borrowings	10,076,252	4,036,502
Other payables and accruals	160,823	24,671
Amounts due to subsidiaries	79,502	1,810,275
<b>Total</b>	<b>10,316,577</b>	<b>5,871,448</b>

## 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. 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 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(g). 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.

### (f) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement.

Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

##### (g) Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows to determine impairment loss. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The assessment of future cash flows requires the use of estimation.

#### 5 SEGMENT INFORMATION

The CODM has been identified as the management committee. 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.

##### (a) Revenue

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

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Sales of properties	<b>20,450,110</b>	16,179,297
Hotel operation income	<b>974,150</b>	641,695
Rental income from investment properties	<b>324,106</b>	211,071
Others	<b>41,067</b>	—
	<b>21,789,433</b>	17,032,063

## 5 SEGMENT INFORMATION (CONTINUED)

### (b) Segment information

Year ended 31 December 2010

	Property development and investment				
	Shanghai Shimao Co., Ltd. ("Shanghai Shimao")* RMB'000	Others RMB'000	Hotel operation RMB'000	Unallocated** RMB'000	Total RMB'000
Revenue					
– Sales of properties	4,333,045	16,117,065	–	–	20,450,110
– Hotel operation income	–	–	974,150	–	974,150
– Rental income from investment properties	175,827	148,279	–	–	324,106
– Others	28,772	12,295	–	–	41,067
<b>Total revenue</b>	<b>4,537,644</b>	<b>16,277,639</b>	<b>974,150</b>	<b>–</b>	<b>21,789,433</b>
Operating profit	4,023,822	4,847,859	145,858	272,420	9,289,959
Finance costs – net	(161,409)	(274,533)	(84,298)	(151,313)	(671,553)
Share of results of					
– Associated companies	(60)	(48,050)	–	–	(48,110)
– Jointly controlled entities	–	14	–	–	14
<b>Profit before income tax</b>	<b>3,862,353</b>	<b>4,525,290</b>	<b>61,560</b>	<b>121,107</b>	<b>8,570,310</b>
Income tax expense					(3,079,368)
<b>Profit for the year</b>					<b>5,490,942</b>
Other segment items are as follows:					
Capital and property development expenditure	10,286,124	15,897,379	531,406	15,557	26,730,466
Fair value gains on investment properties	2,139,562	200,000	–	–	2,339,562
Impairment of intangible assets	–	67,799	–	–	67,799
Depreciation	7,469	26,111	239,063	–	272,643
Amortisation of land use rights	6,313	–	25,734	–	32,047
Additional provision/ (write back of) for impairment losses on completed properties held for sale	846	(153,326)	–	–	(152,480)
Provision for impairment of receivables	–	5,898	–	–	5,898

\* The Group owns an effective equity interest of 64.2% in Shanghai Shimao since 31 May 2009

\*\* Unallocated mainly represent corporate level activities

## 5 SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (continued)

The segment assets and liabilities at 31 December 2010 are as follows:

	Property development and investment			Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000	Hotel operation RMB'000	
Associated companies	2,438	410,004	—	412,442
Jointly controlled entities	—	3,908,554	—	3,908,554
Intangible assets	1,709,730	439,804	130,928	2,280,462
Other segment assets	30,104,525	47,893,854	7,679,969	85,678,348
<b>Total segment assets</b>	<b>31,816,693</b>	<b>52,652,216</b>	<b>7,810,897</b>	<b>92,279,806</b>
Deferred income tax assets				1,193,780
Available-for-sale financial assets				347,823
Other assets				1,847,906
<b>Total assets</b>				<b>95,669,315</b>
Borrowings	7,031,529	13,228,857	1,480,000	21,740,386
Other segment liabilities	3,357,260	21,171,184	4,583,693	29,112,137
<b>Total segment liabilities</b>	<b>10,388,789</b>	<b>34,400,041</b>	<b>6,063,693</b>	<b>50,852,523</b>
Corporate borrowings				12,331,776
Deferred income tax liabilities				2,370,209
Other liabilities				160,823
<b>Total liabilities</b>				<b>65,715,331</b>



## 5 SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (continued)

Year ended 31 December 2009

	Property development and investment		Hotel operation RMB'000	Unallocated** RMB'000	Total RMB'000
	Shanghai Shimao* RMB'000	Others RMB'000			
Revenue					
– Sales of properties	479,429	15,699,868	—	—	16,179,297
– Hotel operation income	—	—	641,695	—	641,695
– Rental income from investment properties	35,247	175,824	—	—	211,071
<b>Total revenue</b>	<b>514,676</b>	<b>15,875,692</b>	<b>641,695</b>	<b>—</b>	<b>17,032,063</b>
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)
<b>Profit/(loss) before income tax</b>	<b>81,108</b>	<b>5,825,437</b>	<b>(131,135)</b>	<b>(65,214)</b>	<b>5,710,196</b>
Income tax expense					(2,107,212)
<b>Profit for the year</b>					<b>3,602,984</b>
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 non-controlling 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

\* The Group owns an effective interest of 64.2% in Shanghai Shimao since 31 May 2009

\*\* Unallocated mainly represent corporate level activities

## 5 SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (continued)

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

	Property development and investment		Hotel operation RMB'000	Total RMB'000
	Shanghai Shimao RMB'000	Others 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
<b>Total segment assets</b>	<b>15,349,973</b>	<b>41,599,151</b>	<b>7,616,537</b>	<b>64,565,661</b>
Deferred income tax assets				750,080
Available-for-sale financial assets				692,399
Other assets				519,443
<b>Total assets</b>				<b>66,527,583</b>
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
<b>Total segment liabilities</b>	<b>6,653,358</b>	<b>23,362,060</b>	<b>2,462,846</b>	<b>32,478,264</b>
Corporate borrowings				6,682,613
Deferred income tax liabilities				1,824,947
Other liabilities				24,674
<b>Total liabilities</b>				<b>41,010,498</b>

Total segment assets consist primarily of property and equipment, investment properties, land use rights, other non-current assets, properties under development, completed properties held for sale, receivables, prepayments 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
<b>Cost</b>						
At 1 January 2010	1,519,336	4,170,756	59,783	352,574	501,786	6,604,235
Acquisition of subsidiaries	—	—	753	2,935	—	3,688
Additions	879,071	56,146	56,391	96,505	64,782	1,152,895
Amortisation of land use rights	17,128	—	—	—	—	17,128
Disposals	—	(80)	(2,439)	(5,113)	—	(7,632)
Transfer to cost of sales	—	—	—	—	(161,695)	(161,695)
Transfer to investment properties	(85,135)	—	—	—	—	(85,135)
Transfer upon completion	(261,264)	261,264	—	—	—	—
At 31 December 2010	2,069,136	4,488,086	114,488	446,901	404,873	7,523,484
<b>Accumulated depreciation</b>						
At 1 January 2010	—	617,948	29,699	18,489	46,497	712,633
Acquisition of subsidiaries	—	—	67	83	—	150
Charge for the year	—	217,364	19,306	24,338	11,635	272,643
Disposals	—	(62)	(1,864)	(3,218)	—	(5,144)
Transfer to cost of sales	—	—	—	—	(10,426)	(10,426)
At 31 December 2010	—	835,250	47,208	39,692	47,706	969,856
<b>Net book value</b>						
At 31 December 2010	2,069,136	3,652,836	67,280	407,209	357,167	6,553,628

**6 PROPERTY AND EQUIPMENT – GROUP (CONTINUED)**

	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
<b>Cost</b>						
At 1 January 2009	1,169,294	4,170,507	40,903	38,450	444,963	5,864,117
Acquisition of subsidiaries	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
<b>Accumulated depreciation</b>						
At 1 January 2009	—	408,559	14,570	16,392	21,240	460,761
Acquisition of subsidiaries	—	—	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
<b>Net book value</b>						
At 31 December 2009	1,519,336	3,552,808	30,084	334,085	455,289	5,891,602

Depreciation charge of RMB272,643,000 for the year ended 31 December 2010 (2009: RMB238,902,000) has been recorded in cost of sales and administrative expenses in the consolidated income statement (Note 29).

As at 31 December 2010, assets under construction and buildings of the Group with a total carrying amount of RMB5,354,156,000 (2009: RMB4,047,849,000) were pledged as collateral for certain bank borrowings of the Group (Note 22).

As at 31 December 2010, interest capitalised in assets under construction amounted to RMB36,898,000 (2009: RMB27,756,000).

The capitalisation rate of borrowings was 5.52% for the year ended 31 December 2010 (2009: 5.49%).

## 7 INVESTMENT PROPERTIES – GROUP

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Opening balance	<b>6,372,600</b>	6,050,000
Acquisition of subsidiaries	—	265,368
Additions		
– Transfer from assets under construction (Note 6)	<b>85,135</b>	5,351
– Transfer from properties under development	<b>2,499,272</b>	43,368
– Transfer from land use rights relating to property and equipment (Note 8)	<b>555,463</b>	—
– Other additions	<b>2,963</b>	27,034
Transfer to completed properties held for sale	—	(232,355)
Fair value gains	<b>2,339,562</b>	213,834
Ending balance	<b>11,854,995</b>	6,372,600

The fair values of the Group's investment properties were assessed as at 31 December 2010 by DTZ Debenham Tie Leung Limited ("DTZ") and Shanghai Yinxin Huiye Appraisal Co., Ltd. ("Shanghai Yinxin Huiye"), two independent professional qualified valuers. Valuations were performed using either: (i) 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; or (ii) direct comparison approach assuming sales of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market. Shanghai Yinxin Huiye assessed the fair values of investment properties held by Shanghai Shimao, a subsidiary of the Group listed on Shanghai Stock Exchange. The management has evaluated the standards and assumptions used, as well as the results obtained from Shanghai Yinxin Huiye, and concluded the valuations are acceptable for preparation of these consolidated financial statements.

As at 31 December 2010, 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 RMB11,392,995,000 (2009: RMB6,149,700,000) were pledged as collateral for the Group's borrowings (Note 22).

## 8 LAND USE RIGHTS – GROUP

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
<b>Land use rights relating to property and equipment under non-current assets</b>		
Opening balance	<b>3,060,382</b>	6,179,952
Additions		
– Acquisition of subsidiaries	—	264,315
– Other additions	<b>297,617</b>	54,338
Amortisation		
– Capitalised in property and equipment	<b>(17,128)</b>	(87,079)
– Recognised as expenses (Note 29)	<b>(32,047)</b>	(32,380)
Transfer to properties under development	<b>(175,799)</b>	(3,318,764)
Transfer to investment properties	<b>(555,463)</b>	—
Transfer to completed properties held for sale	<b>(5,173)</b>	—
Ending balance	<b>2,572,389</b>	3,060,382
Outside Hong Kong, held on leases of:		
Over 50 years	<b>99,078</b>	12,082
Between 10 to 50 years	<b>2,473,311</b>	3,048,300
	<b>2,572,389</b>	3,060,382

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 2010, land use rights of RMB2,132,254,000 (2009: RMB1,415,099,000) were pledged as collateral for the Group's bank borrowings (Note 22).

## 9 INTANGIBLE ASSETS – GROUP

Intangible assets comprise goodwill arising from acquisitions:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Opening balance	<b>2,348,261</b>	424,394
Acquisition of subsidiaries	–	1,709,730
Acquisition of additional interests in subsidiaries	–	366,712
Impairment of goodwill recognised as expenses (Note 29)	<b>(67,799)</b>	(152,575)
Ending balance	<b>2,280,462</b>	2,348,261

### 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	
	2010	2009
	RMB'000	RMB'000
Property development and investment – Shanghai Shimao	<b>1,709,730</b>	1,709,730
Property development and investment – Others	<b>439,804</b>	507,603
Hotel operation	<b>130,928</b>	130,928
	<b>2,280,462</b>	2,348,261

The recoverable amounts of CGUs are determined based on their fair values (less cost to sell). The fair value of CGU – Property development and investment – Shanghai Shimao is determined according to the quoted price of Shanghai Shimao's equity shares in the PRC share capital market. The fair values of other CGUs are determined according to the value of the underlying properties and decrease along with the sales of underlying properties, and the attributable goodwill is impaired accordingly.

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

**10 INVESTMENTS IN AND BALANCES WITH SUBSIDIARIES – COMPANY**

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Investments in subsidiaries		
– Unlisted shares, at cost	<b>334,773</b>	301,186
– Amounts due from subsidiaries	<b>21,294,742</b>	17,701,153
	<b>21,629,515</b>	18,002,339
Amounts due to subsidiaries	<b>79,502</b>	1,810,275

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 2010 are set out in Note 37.

**11 ASSOCIATED COMPANIES – GROUP**

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Share of net assets:		
Opening balance	<b>4,899</b>	255,785
Capital injection	<b>455,653</b>	4,900
Share of results	<b>(48,110)</b>	19,925
Transfer to subsidiaries	–	(275,711)
Ending balance	<b>412,442</b>	4,899



**11 ASSOCIATED COMPANIES – GROUP (CONTINUED)**

The Group's share of the results of its associated companies, all of which are unlisted, and its share of the associated companies aggregated assets and liabilities at year end, are as follows:

	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net profit/ (loss) RMB'000	Interest held by the Group (%)
<b>2010</b>						
Wuxi Shimao New Development Property Co., Ltd.	PRC	4,824	(688)	—	677	40.05%
Guangzhou Li He Property Development Co., Ltd ("Guangzhou Li He") (note(a))	PRC	5,381,145	(5,297,320)	—	(48,050)	20%
Straits Construction Investment (Holdings) Limited (note(b))	British Virgin Islands	324,497	(16)	—	(737)	49%
		<b>5,710,466</b>	<b>(5,298,024)</b>	<b>—</b>	<b>(48,110)</b>	
<b>2009</b>						
Wuxi Shimao New Development Property Co., Ltd.	PRC	4,899	—	—	—	40.05%

Notes:

- (a) In June 2010, the Group entered into several share transfer agreements with the original shareholders of Guangzhou Li He to acquire 20% equity interest in aggregate at a total consideration of HK\$150,000,000 (equivalent to RMB131,875,000).
- (b) In December 2010, the Group paid US\$49,000,000 (equivalent to RMB323,778,000) to subscribe 4,900 shares of Straits Construction Investment (Holdings) Limited, representing 49% equity interest.

Details of the principal associated companies of the Group as at 31 December 2010 are set out in Note 37.

## 12 JOINTLY CONTROLLED ENTITIES – GROUP

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Share of net assets:		
Opening balance	11,088	12,160
Capital injection	1,169,325	—
Transfer to a subsidiary	(4,022)	—
Share of results	14	(1,072)
Ending balance	1,176,405	11,088
Advances to jointly controlled entities (note)	2,732,149	2,327,156
	<b>3,908,554</b>	2,338,244

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 2010, the Group made advances of approximately RMB1,676,650,000 (2009: RMB1,536,793,000) and RMB796,724,000 (2009: RMB790,363,000) respectively to these two jointly controlled entities, namely Fast Right Investments Limited and Kingtron Enterprises Limited to finance their acquisition of land use rights.

As at 31 December 2010, the Group made advances of approximately RMB200,000,000 (2009: Nil) to Huizhou Fumao Property Development Co., Ltd., and RMB58,776,000 (2009: Nil) to Tianjin Jinnan New City Development Co., Ltd., which are jointly controlled entities of the Group, to finance their acquisition of land use rights.

The advances are interest free, unsecured and have no fixed repayment terms.

## 12 JOINTLY CONTROLLED ENTITIES – GROUP (CONTINUED)

The Group's share of the results of its jointly controlled entities, all of which are unlisted, and its share of the jointly controlled entities aggregated assets and liabilities at year end, are as follows:

	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net profit/ (loss) RMB'000	Interest held by the Group (%)
<b>2010</b>						
Tianjin Hean Investment Co., Ltd.	PRC	902,510	(900,000)	—	10	25%
Tianjin Jinnan New City Property Development Co., Ltd	PRC	1,874,191	(984,509)	—	(27,144)	25%
Huizhou Fumao Property Development Co., Ltd	PRC	450,003	(200,003)	—	—	50%
Fast Right Investments Limited	Hong Kong	847,980	(838,654)	—	6,500	50%
Kingtron Enterprises Limited	Hong Kong	424,474	(399,587)	—	20,648	50%
		<b>4,499,158</b>	<b>(3,322,753)</b>	<b>—</b>	<b>14</b>	
<b>2009</b>						
Fast Right Investments Limited	Hong Kong	766,909	(764,083)	—	(369)	50%
Kingtron Enterprises Limited	Hong Kong	399,356	(395,116)	—	(1,272)	50%
Shanghai Shimao Property Management Co., Ltd ("Shimao Property Management")	PRC	9,227	(5,205)	—	569	83.3%
		<b>1,175,492</b>	<b>(1,164,404)</b>	<b>—</b>	<b>(1,072)</b>	

Details of the principal jointly controlled entities of the Group as at 31 December 2010 are set out in Note 37.

## 13 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Opening balance	692,399	—
Acquisition of subsidiaries	—	510,700
Fair value (loss)/gains recognised in other comprehensive income	(344,576)	181,699
Ending balance	347,823	692,399

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

As at 31 December 2010, available-for-sale financial assets with a carrying amount of RMB269,920,000 (2009: RMB518,130,000) were pledged as collateral for the Group's borrowings (Note 22).

## 14 OTHER NON-CURRENT ASSETS – GROUP

As at 31 December 2010, the Group had made prepayments of RMB11,255,096,000 (2009: RMB6,410,261,000) for certain land use rights, the ownership certificates of which have not been obtained.

As at 31 December 2009, the Group made prepayments of RMB2,969,207,000 for acquisitions of certain equity interests (2010: Nil).

As at 31 December 2010, RMB495,035,000 (2009: RMB802,678,000) have been advanced to certain local government authorities for land resettlement and site formation.

## 15 PROPERTIES UNDER DEVELOPMENT – GROUP

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	<b>8,726,084</b>	6,823,490
Interests capitalised	<b>821,686</b>	863,602
Land use rights	<b>19,466,113</b>	11,212,697
	<b>29,013,883</b>	18,899,789

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Land use rights		
Outside Hong Kong, held on leases of:		
Over 50 years	<b>12,740,173</b>	7,221,546
Between 10 to 50 years	<b>6,725,940</b>	3,991,151
	<b>19,466,113</b>	11,212,697

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

As at 31 December 2010, properties under development of approximately RMB12,596,883,000 (2009: RMB8,242,994,000) were pledged as collateral for the Group's bank borrowings (Note 22).

The capitalisation rate of borrowings was 6.16% for the year ended 31 December 2010 (2009: 6.02%).

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Properties under development:		
Expected to be completed and available for sale after more than 12 months	<b>17,002,416</b>	7,783,202
Expected to be completed and available for sale within 12 months	<b>12,011,467</b>	11,116,587
	<b>29,013,883</b>	18,899,789

**16 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:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Outside Hong Kong, held on leases of:		
Over 50 years	<b>508,815</b>	610,064
Between 10 to 50 years	<b>365,380</b>	468,174
	<b>874,195</b>	1,078,238

As at 31 December 2010, completed properties held for sale of RMB681,061,000 (2009: Nil) were pledged as collateral for the Group's bank borrowings (Note 22).

For the year ended 31 December 2010, the group wrote back impairment losses of RMB152,480,000 (2009: recognized impairment losses of RMB85,324,000) on completed properties held for sale.

**17 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – GROUP**

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Deposits for land acquisition and resettlement costs	<b>1,450,656</b>	1,458,310
Trade receivables (note)	<b>2,022,178</b>	736,146
Prepaid business tax on pre-sale proceeds	<b>606,901</b>	333,061
Prepayments for construction costs	<b>557,119</b>	142,069
Other receivables	<b>487,418</b>	328,456
	<b>5,124,272</b>	2,998,042

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	
	2010	2009
	RMB'000	RMB'000
Within 90 days	<b>1,710,853</b>	625,447
Over 90 days and within 365 days	<b>297,947</b>	85,138
Over 365 days	<b>13,378</b>	25,561
	<b>2,022,178</b>	736,146

**17 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – GROUP (CONTINUED)**

The Group normally holds collateral of the properties before collection of the outstanding balances and passing the titles to the purchasers. As at 31 December 2010, receivables arising from sales of properties was approximately RMB1,928,480,000 (2009: RMB644,739,000).

Trade receivables which are past due are analysed as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Fully performing under credit terms	<b>1,471,488</b>	625,447
Past due but not impaired	<b>550,690</b>	110,699
	<b>2,022,178</b>	736,146

The Directors consider that the past due trade receivables would be recovered and no impairment was made against past due receivables as at 31 December 2010 (2009: nil).

As at 31 December 2010, provision for impairment of other receivables was approximately RMB16,107,000 (2009: RMB10,209,000).

As at 31 December 2010, the fair value of trade receivables, deposits for land acquisition and resettlement costs, and other receivables of the Group approximate their carrying amounts.

As at 31 December 2010 and 2009, trade and other receivables of the Group were mainly denominated in RMB.

**18 AMOUNTS DUE FROM RELATED COMPANIES – GROUP**

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
<b>Common directors</b>		
Shimao International Holdings Limited ("Shimao International")	<b>520</b>	538
Shanghai Mason Club Co., Ltd. ("Shanghai Mason")	<b>161</b>	160
<b>Associated companies</b>		
Beijing Jia Lin Fu Cheng Consultant Co., Ltd.	<b>1,000</b>	—
Guangzhou Li He (note)	<b>1,524,625</b>	—
	<b>1,526,306</b>	698

Note: The Group made advances to Guangzhou Li He to finance its acquisition of land. As at 31 December 2010, the balance due from Guangzhou Li He amounted to RMB1,524,625,000.

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	
	2010	2009
	RMB'000	RMB'000
<b>Group</b>		
Bank balances and cash		
– denominated in RMB	<b>11,872,942</b>	6,906,864
– denominated in US dollar	<b>1,745,989</b>	364,631
– denominated in HK dollar	<b>109,699</b>	207,846
Less: Restricted cash	<b>(1,589,081)</b>	(560,383)
	<b>12,139,549</b>	6,918,958

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
<b>Company</b>		
Bank balances and cash – unrestricted		
– denominated in US dollar	<b>1,439,106</b>	2,212
– denominated in HK dollar	<b>26,293</b>	137,919
	<b>1,465,399</b>	140,131

As at 31 December 2010, the Group's cash of approximately RMB240,481,000 (2009: RMB203,610,000) 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 RMB1,348,600,000 (2009: RMB356,773,000) 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 2010 was 0.40% (2009: 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 Equivalent to RMB'000	
			HK\$'000	
Authorised:				
At 31 December 2010 and 2009	<b>0.1</b>	<b>5,000,000</b>	<b>500,000</b>	
Issued and fully paid:				
At 1 January 2009		3,248,146	324,815	336,015
Placement of shares	0.1	282,229	28,223	24,873
Employee share option scheme				
– Shares issued	(b)	11,912	1,191	1,050
At 31 December 2009		3,542,287	354,229	361,938
Employee share option scheme				
– Shares issued	(b)	5,126	513	446
At 31 December 2010		<b>3,547,413</b>	<b>354,742</b>	<b>362,384</b>

### (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	
	2010 '000	2009 '000
Balance at beginning of the year	15,743	35,531
Lapsed	—	(7,876)
Exercised	(5,126)	(11,912)
Balance at end of the year	10,617	15,743

Out of the 10,617,000 outstanding options (2009: 15,743,000 options), all options were vested. During the year ended 31 December 2010, 5,125,200 options (2009: 11,912,000 options) have been exercised at exercise price of HK\$5.625 per share, totalling HK\$28,829,250 (equivalent to RMB25,091,000).

### (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, with exercise price of HK\$16.24 per share. As at 31 December 2008, all 15,350,000 options were forfeited or cancelled.

Since 15,350,000 options were forfeited or cancelled in year 2008, no options have been granted under Share Option Scheme up to 31 December 2010.

## 21 RESERVES

## Group

	Merger reserve RMB'000 (note (a))	Share premium RMB'000 (note (b))	Share-based compensation reserve RMB'000 (note (c))	Statutory reserve fund RMB'000 (note (d))	Capital redemption reserve RMB'000	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
Profit for the year	—	—	—	—	—	—	3,511,201	3,511,201
Other comprehensive income for the year, net of tax	—	—	—	—	—	87,589	—	87,589
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
Profit for the year	—	—	—	—	—	—	4,671,536	4,671,536
Other comprehensive loss for the year, net of tax	—	—	—	—	—	(165,965)	—	(165,965)
Employee share option scheme								
– proceeds from shares issued	—	24,645	—	—	—	—	—	24,645
Profit appropriations	—	—	—	99,727	—	—	(99,727)	—
2009 final dividend	—	—	—	—	—	—	(714,565)	(714,565)
2010 interim dividend	—	—	—	—	—	—	(465,137)	(465,137)
Balance at 31 December 2010	<b>(185,787)</b>	<b>12,038,830</b>	<b>105,117</b>	<b>307,268</b>	<b>4,949</b>	<b>(78,376)</b>	<b>14,144,449</b>	<b>26,336,450</b>
Representing:								
Proposed final dividend		<b>754,623</b>						<b>754,623</b>
Others		<b>11,284,207</b>						<b>25,581,827</b>
		<b>12,038,830</b>						<b>26,336,450</b>

## 21 RESERVES (CONTINUED)

## Company

	Share premium RMB'000 (note (b))	Share-based compensation reserve RMB'000 (note (c))	Capital redemption reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2009	10,273,293	102,309	4,949	185,347	10,565,898
Profit 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
Profit for the year	—	—	—	1,663,444	1,663,444
Employee share option scheme					
– proceeds from shares issued	24,645	—	—	—	24,645
2009 final dividend	—	—	—	(714,565)	(714,565)
2010 interim dividend	—	—	—	(465,137)	(465,137)
Balance at 31 December 2010	<b>12,038,830</b>	<b>105,117</b>	<b>4,949</b>	<b>268,888</b>	<b>12,417,784</b>
Representing:					
Proposed final dividend	<b>754,623</b>				<b>754,623</b>
Others	<b>11,284,207</b>				<b>11,663,161</b>
	<b>12,038,830</b>				<b>12,417,784</b>

## 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) Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company.
- (c) Share-based compensation reserve represents value of employee services in respect of share options granted under the share option schemes (Note 20).
- (d) 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 form 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.
- (e) The distributable reserve of the Company as at 31 December 2010 amounted to RMB12,417,784,000 (2009: RMB11,909,397,000).

## 22 BORROWINGS

	As at 31 December	
	2010 RMB'000	2009 RMB'000 Restated (Note 2(a)(i))
<b>Group</b>		
Borrowings included in non-current liabilities		
Long-term bank borrowings – secured by assets (notes (i) and (iv))	<b>20,800,312</b>	12,449,378
Long-term bank borrowings – secured by shares of a listed subsidiary (note (ii))	<b>603,000</b>	—
Long-term bank borrowings – unsecured	<b>1,098,000</b>	750,000
Senior notes – secured (note (iii))	<b>7,098,623</b>	4,036,502
	<b>29,599,935</b>	17,235,880
Less: Long-term bank borrowings due within one year	<b>(3,325,123)</b>	(2,332,378)
Senior notes due within one year	<b>(1,579,305)</b>	—
Amounts due within one year	<b>(4,904,428)</b>	(2,332,378)
	<b>24,695,507</b>	14,903,502
Borrowings included in current liabilities		
Short-term bank borrowings – secured by assets (notes (i) and (iv))	<b>2,773,524</b>	2,035,168
Short-term bank borrowings – secured by shares of a listed subsidiary (note (ii))	<b>898,703</b>	260,000
Short-term bank borrowings – unsecured	<b>800,000</b>	995,848
Current portion of long-term borrowings and senior notes	<b>4,904,428</b>	2,332,378
	<b>9,376,655</b>	5,623,394

## 22 BORROWINGS (CONTINUED)

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
<b>Company</b>		
Borrowings included in non-current liabilities		
Senior notes – secured (note (iii))	<b>7,098,623</b>	4,036,502
Bank borrowings – secured (note (iv))	<b>2,679,866</b>	—
	<b>9,778,489</b>	4,036,502
Less: Senior notes due within one year	<b>(1,579,305)</b>	—
	<b>8,199,184</b>	4,036,502
Borrowings included in current liabilities		
Bank borrowings – secured (note (iv))	<b>297,763</b>	—
Senior notes due within one year– secured (note (iii))	<b>1,579,305</b>	—
	<b>1,877,068</b>	—

## Notes:

- (i) As at 31 December 2010, the Group's total secured bank borrowings of RMB23,573,836,000 (2009: RMB14,484,546,000) were secured by its assets under construction and buildings (Note 6), investment properties (Note 7), land use rights (Note 8), available-for-sale financial assets (Note 13), Properties under development (Note 15), completed properties held for sale (Note 16) and restricted cash (Note 19). As at 31 December 2010, secured borrowings of RMB5,233,153,000 were further guaranteed by Mr. Hui Wing Mau.
- (ii) As at 31 December 2010, 291,720,000 shares (2009: 45,000,000 shares) of Shanghai Shimao held by the Group have been pledged for a total bank borrowings of RMB1,501,703,000 (2009: RMB260,000,000).
- (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 interest rate due on 1 December 2011 and US\$350,000,000 at a fixed interest rate due on 1 December 2016. The Company may at its option to 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.
- On 3 August 2010, the Company issued a total of US\$500,000,000 senior notes at a fixed interest rate due on 3 August 2017. The Company may at its option to 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 restricted offshore subsidiaries and secured by a pledge of the shares of these offshore restricted subsidiaries.
- (iv) On 14 May 2010, the Company entered into a multi-currency loan facility agreement with a syndicate of 14 banks. Pursuant to the agreement, the Company obtained 3-year syndicated loan facilities, including a US\$440,000,000 facility and a HK\$156,000,000 facility at a floating rate of interest, 10% out of the loan principal will mature in 2011, 45% will mature in 2012 and the remaining 45% will mature in 2013. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. All the facilities have been drawn down as of 31 December 2010.

The interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortised cost. RMB1,958,772,000 of the term loans due for repayment after one year which contain a repayment on demand clause were classified as current liabilities as at 31 December 2010 (2009: RMB1,691,088,000), none of these loans are expected to be settled within one year.

## 22 BORROWINGS (CONTINUED)

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
<b>Group</b>				
Borrowings included in non-current liabilities:				
At 31 December 2010	<b>17,210,189</b>	<b>1,966,000</b>	<b>5,519,318</b>	<b>24,695,507</b>
At 31 December 2009	10,114,197	2,444,055	2,345,250	14,903,502
Borrowings included in current liabilities:				
At 31 December 2010	<b>5,799,928</b>	<b>3,576,727</b>	—	<b>9,376,655</b>
At 31 December 2009	5,181,394	442,000	—	5,623,394
<b>Company</b>				
Borrowings included in non-current liabilities:				
At 31 December 2010	<b>2,679,866</b>	—	<b>5,519,318</b>	<b>8,199,184</b>
At 31 December 2009	1,691,252	—	2,345,250	4,036,502
Borrowings included in current liabilities:				
At 31 December 2010	<b>1,877,068</b>	—	—	<b>1,877,068</b>
At 31 December 2009	—	—	—	—

**22 BORROWINGS (CONTINUED)**

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

	<b>As at 31 December</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
		Restated (Note 2(a)(i))
<b>Group</b>		
Bank borrowings:		
Between 1 and 2 years	<b>7,883,433</b>	2,679,300
Between 2 and 5 years	<b>6,885,169</b>	4,194,700
Over 5 years	<b>4,407,587</b>	3,993,000
Senior notes:		
Between 1 and 2 years	—	1,691,252
Over 5 years	<b>5,519,318</b>	2,345,250
	<b>24,695,507</b>	14,903,502
<b>Company</b>		
Bank borrowings:		
Between 1 and 2 years	<b>1,339,933</b>	—
Between 2 and 5 years	<b>1,339,933</b>	—
Senior notes:		
Between 1 and 2 years	—	1,691,252
Over 5 years	<b>5,519,318</b>	2,345,250
	<b>8,199,184</b>	4,036,502

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

	<b>As at 31 December</b>	
	<b>2010</b>	2009
<b>Group</b>		
Bank borrowings – RMB	<b>6.18%</b>	5.60%
Bank borrowings – US dollar	<b>3.47%</b>	—
Bank borrowings – HK dollar	<b>1.86%</b>	1.43%
Senior notes – US dollar	<b>8.13%</b>	6.68%
<b>Company</b>		
Bank borrowings – US dollar	<b>3.47%</b>	—
Bank borrowings – HK dollar	<b>3.47%</b>	—
Senior notes – US dollar	<b>8.13%</b>	6.68%

**22 BORROWINGS (CONTINUED)**

The carrying amounts and fair value of fixed rate borrowings which are included in non-current liabilities, are as follows:

	Carrying amounts RMB'000	Fair values RMB'000
<b>Group</b>		
At 31 December 2010	<b>6,122,318</b>	<b>5,690,895</b>
At 31 December 2009	2,355,250	2,206,818
<b>Company</b>		
At 31 December 2010	<b>5,519,318</b>	<b>5,118,225</b>
At 31 December 2009	2,345,250	2,197,190

The carrying amounts of other borrowings approximate their fair values.

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

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
<b>Group</b>		
RMB	<b>21,740,386</b>	13,844,282
HK dollar	<b>2,319,165</b>	2,646,112
US dollar	<b>10,012,611</b>	4,036,502
	<b>34,072,162</b>	20,526,896
<b>Company</b>		
HK dollar	<b>129,731</b>	—
US dollar	<b>9,946,521</b>	4,036,502
	<b>10,076,252</b>	4,036,502



## 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	
	2010 RMB'000	2009 RMB'000
Deferred income tax assets		
– to be recovered after more than 12 months	<b>822,331</b>	539,734
– to be recovered within 12 months	<b>371,449</b>	210,346
	<b>1,193,780</b>	750,080
Deferred income tax liabilities		
– to be recovered after more than 12 months	<b>2,316,041</b>	1,780,323
– to be recovered within 12 months	<b>54,168</b>	44,624
	<b>2,370,209</b>	1,824,947
Net deferred income tax liabilities	<b>1,176,429</b>	1,074,867

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

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Opening balance	<b>1,074,867</b>	1,167,254
Acquisition of subsidiaries	–	173,618
Charge/(credited) to the consolidated income statement (Note 32)	<b>187,706</b>	(311,430)
(Credited)/charged to other comprehensive income	<b>(86,144)</b>	45,425
Ending balance	<b>1,176,429</b>	1,074,867

**23 DEFERRED INCOME TAX – GROUP (CONTINUED)**

Movement in deferred income tax assets and liabilities for the year ended 31 December 2010, 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	Tax losses and other temporary differences RMB'000	Total RMB'000
At 1 January 2009	554,077	58,955	613,032
Acquisition of subsidiaries	—	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
Credited to the consolidated income statement	350,669	69,508	420,177
At 31 December 2010	<b>1,027,967</b>	<b>179,846</b>	<b>1,207,813</b>

**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 2009	673,891	1,006,122	100,273	1,780,286
Acquisition of subsidiaries	—	194,081	—	194,081
Charged/(credited) to the consolidated income statement	53,459	(138,896)	(71,852)	(157,289)
Charged to other comprehensive income	—	45,425	—	45,425
At 31 December 2009	727,350	1,106,732	28,421	1,862,503
Charged to the consolidated income statement	584,891	22,992	—	607,883
Credited to other comprehensive income	—	(86,144)	—	(86,144)
At 31 December 2010	<b>1,312,241</b>	<b>1,043,580</b>	<b>28,421</b>	<b>2,384,242</b>

**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 RMB76,976,000 (2009: RMB73,623,000) in respect of accumulated losses amounting to RMB307,905,000 (2009: RMB294,493,000). Accumulated losses amounting to RMB10,513,000, RMB23,360,000, RMB162,151,000, RMB21,966,000 and RMB89,915,000 as at 31 December 2010 will expire in 2011, 2012, 2013, 2014, and 2015 respectively.

**24 TRADE AND OTHER PAYABLES – GROUP**

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Trade payables (note (a))	<b>9,337,094</b>	6,134,264
Other taxes payable	<b>508,640</b>	350,530
Accrued expenses	<b>284,697</b>	116,024
Other payables (note (b))	<b>1,382,499</b>	438,110
	<b>11,512,930</b>	7,038,928

Notes:

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

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Within 90 days	<b>8,733,743</b>	5,861,550
Over 90 days and within 1 year	<b>603,351</b>	272,714
	<b>9,337,094</b>	6,134,264

(b) Other payables comprise:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Loan from a third party (note)	<b>500,000</b>	—
Deposits received from customers	<b>454,629</b>	208,276
Fees collected from customers on behalf of government agencies	<b>153,714</b>	51,916
Deposits and advances from constructors	<b>82,433</b>	29,132
Rental deposits from tenants and hotel customers	<b>68,423</b>	69,797
Others	<b>123,300</b>	78,989
	<b>1,382,499</b>	438,110

Note: The Group borrowed RMB500,000,000 from a third party during the year ended 31 December 2010. The balance is unsecured, interest free and has no fixed repayment terms.

**25 AMOUNTS DUE TO RELATED PARTIES – GROUP**

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
<b>Common directors</b>		
Perfect Zone International Limited	1,861	1,861
Vast Union Investments Limited	—	270
<b>Others</b>		
Mr. Xu Shiyong and Ms.Wang Lili – relatives of Mr. Hui Wing Mau	28,970	28,970
	<b>30,831</b>	31,101

The amounts 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 NON-CONTROLLING INTEREST – GROUP**

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Qingdao Shiao Investment & Development Co., Ltd.	—	7,696

The amount due to a non-controlling interest is unsecured, interest-free and has no fixed repayment terms.

**27 GAINS ON DEEMED DISPOSAL TO NON-CONTROLLING INTERESTS**

In May 2009, 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%. In November 2009, another two wholly-owned PRC subsidiaries of the Group were injected to Shanghai Shimao. These transactions resulted in a total gain of RMB1,501,093,000 to the Group for the year ended 31 December 2009.

**28 OTHER INCOME/OTHER GAINS – NET**

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Compensation income from government (note)	<b>265,943</b>	—
Government grants received	<b>261,213</b>	136,506
Net exchange gain	<b>257,367</b>	5,275
Others	<b>12,303</b>	16,828
	<b>796,826</b>	158,609

Note: The Group made advances to a local government authority for land resettlement and site formation in prior years, in return the Group could get profit sharings from the auction of the developed land. In year 2010, the local government authority cancelled the above arrangement and the Group received compensation income accordingly.

**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	
	2010	2009
	RMB'000	RMB'000
Staff costs – including directors' emoluments (note (a))	<b>559,583</b>	422,491
Auditor's remuneration	<b>6,300</b>	4,200
Depreciation (Note 6)	<b>272,643</b>	238,902
Amortisation of land use rights (Note 8)	<b>32,047</b>	32,380
Provision for impairment of receivables	<b>5,898</b>	7,895
(Write back of)/additional provision for impairment losses on completed properties held for sale (Note 16)	<b>(152,480)</b>	85,324
Advertising, promotion and commission costs	<b>343,375</b>	374,079
Cost of properties sold	<b>12,223,369</b>	9,869,986
Business taxes and other levies on sales of properties (note (b))	<b>1,116,060</b>	848,710
Impairment of intangible assets (Note 9)	<b>67,799</b>	152,575
Charitable donations	<b>47,326</b>	5,819
Direct expenses arising from investment properties	<b>11,937</b>	13,108
Operating lease rental expenses	<b>66,260</b>	62,114
Direct expenses arising from hotel operation	<b>423,170</b>	314,198
Corporate and office expenses	<b>393,598</b>	258,753
Other expenses	<b>218,977</b>	216,535
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses	<b>15,635,862</b>	12,907,069

**29 EXPENSES BY NATURE (CONTINUED)****(a) Staff costs (including directors' emoluments) comprise:**

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Wages and salaries	<b>420,044</b>	312,884
Pension costs – statutory pension (note (c))	<b>37,995</b>	28,996
Employee share option scheme	–	2,808
Other allowances and benefits	<b>101,544</b>	77,803
	<b>559,583</b>	422,491

**(b) Business tax and other levies**

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

**(c) 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.

**30 FINANCIAL COSTS – NET**

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Interest on bank borrowings		
– wholly repayable within five years	<b>1,039,134</b>	710,519
– not wholly repayable within five years	<b>229,491</b>	161,906
Interest on senior notes		
– wholly repayable within five years	<b>86,544</b>	79,434
– not wholly repayable within five years	<b>320,416</b>	191,284
	<b>1,675,585</b>	1,143,143
Less: interest capitalised	<b>(937,785)</b>	(805,490)
Finance costs	<b>737,800</b>	337,653
Finance income	<b>(66,247)</b>	(30,466)
Finance costs – net	<b>671,553</b>	307,187

The analysis show the finance costs of bank borrowings and senior notes, including term loans which contain a repayment on demand clause, in accordance with the agreed repayment dates set out in the loan agreements.

### 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 2010 is set out as follows:

Name of directors	Salaries, allowances and benefits		Bonuses	Retirement benefit contributions	Employee share option schemes	Total
	Fees	in kind				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Mr. Hui Wing Mau	—	5,229	1,743	10	—	6,982
Mr. Hui Sai Tan, Jason	—	2,909	1,371	10	—	4,290
Ms. Yao Li	—	2,233	1,424	10	—	3,667
Mr. Ip Wai Shing, Andy	—	1,873	—	10	—	1,883
Mr. Tung Chi Shing	—	1,880	1,991	10	—	3,881
Mr. Liu Sai Fei (note 1)	—	1,390	1,627	10	—	3,027
Non-executive director						
Mr. Tang Ping Fai (note 2)	—	—	—	—	—	—
Independent non-executive directors						
Ms. Kan Lai Kuen, Alice	209	—	—	—	—	209
Mr. Lu Hong Bing	209	—	—	—	—	209
Mr. Gu Yunchang	209	—	—	—	—	209
Mr. Lam Ching Kam	209	—	—	—	—	209
	<b>836</b>	<b>15,514</b>	<b>8,156</b>	<b>60</b>	<b>—</b>	<b>24,566</b>

Notes:

1. Mr. Liu Sai Fei was appointed as an executive director with effect from 1 February 2010.
2. Mr. Tang Ping Fai 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 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.

No directors of the Company waived or agreed to waive any remuneration for the years ended 31 December 2010 and 2009.



**31 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)****(b) Five highest paid individuals**

The individuals whose emoluments were the highest in the Group for the year ended 31 December 2010 are all directors (2009: four out of five are directors). The aggregate amounts of emoluments of the five highest paid individuals are set out below:

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Salaries and allowances	<b>13,641</b>	13,493
Bonuses	<b>8,156</b>	2,566
Retirement scheme contributions	<b>50</b>	55
Employee share option scheme	—	642
	<b>21,847</b>	16,756

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
RMB2,000,001 – RMB2,500,000	—	3
RMB2,500,001 – RMB3,000,000	—	1
RMB3,000,001 – RMB3,500,000	<b>1</b>	—
RMB3,500,001 – RMB4,000,000	<b>2</b>	—
RMB4,000,001 – RMB4,500,000	<b>1</b>	—
RMB6,500,001 – RMB7,000,000	<b>1</b>	—
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 2010 and 2009.

### 32 INCOME TAX EXPENSE

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax	<b>1,819,915</b>	1,401,317
– PRC withholding income tax	–	462,814
– PRC land appreciation tax	<b>1,071,747</b>	554,511
	<b>2,891,662</b>	2,418,642
Deferred income tax (Note 23)		
– PRC enterprise income tax	<b>187,706</b>	(239,578)
– PRC withholding income tax	–	(71,852)
	<b>187,706</b>	(311,430)
	<b>3,079,368</b>	2,107,212

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 or region of the companies within the Group as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Profit before income tax	<b>8,570,310</b>	5,710,196
Less: Share of results of associated companies and jointly controlled entities	<b>48,096</b>	(18,853)
Land appreciation tax	<b>(1,071,747)</b>	(554,511)
	<b>7,546,659</b>	5,136,832
Calculated at PRC enterprise income tax rate of 25% (2009: 25%)	<b>1,886,665</b>	1,284,208
Effect of different tax rates in other countries or regions	<b>(3,835)</b>	(16,211)
Expenses not deductible for income tax purposes (note (a))	<b>167,579</b>	185,776
Gains on deemed disposal to non-controlling interests not subject to PRC enterprise income tax	–	(375,273)
Income not subject to tax (note (b))	<b>(46,141)</b>	(1,407)
Tax losses not recognised	<b>3,353</b>	8,646
Current income tax for deemed disposal of an office building to Shanghai Shimao (note (c))	–	76,000
PRC enterprise income tax charge	<b>2,007,621</b>	1,161,739
PRC land appreciation tax	<b>1,071,747</b>	554,511
PRC withholding income tax	–	390,962
	<b>3,079,368</b>	2,107,212

**32 INCOME TAX EXPENSE (CONTINUED)**

Notes:

- (a) For the year ended 31 December 2010, expenses not deductible for income tax purposes mainly resulted from impairment of goodwill of RMB67,799,000 (2009: RMB152,575,000) and expenses of RMB328,947,000 (2009: RMB378,605,000) incurred by the Company and its subsidiaries established in the British Virgin Islands which are not deductible for tax purpose.
- (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.
- (c) The Group injected an office building into Shanghai Shimao in May 2009 and incurred current income tax charges of RMB76,000,000 for the deemed disposal.

**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 2010 (2009: 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.

**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.

**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.

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

**33 DIVIDENDS**

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Interim dividend paid of HK15 cents (2009: HK10 cents) per ordinary share (note (a))	<b>463,801</b>	311,650
Proposed final dividend of HK25 cents (2009: HK23 cents) per ordinary share (note (b))	<b>754,623</b>	717,366
	<b>1,218,424</b>	1,029,016

Notes:

- (a) An interim dividend in respect of the six months ended 30 June 2010 of HK15 cents per ordinary share, amounting to approximately HK\$531,638,000 (equivalent to RMB463,801,000) was declared at the Company's board meeting held on 24 August 2010 (2009: HK10 cents).
- (b) At a meeting held on 22 March 2011, the directors proposed a final dividend of HK25 cents per ordinary share out of share premium as at 31 December 2010. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of share premium for the year ending 31 December 2011 upon approval by the shareholders at the forthcoming annual general meeting of the Company. A final dividend in respect of 2009 of HK23 cents per ordinary share, amounting to approximately HK\$815,156,000 (equivalent to RMB717,366,000) was approved at the annual general meeting of the Company held on 31 May 2010.

**34 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB1,663,444,000 (2009: RMB316,157,000).

### 35 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	
	2010	2009
Profit attributable to the equity holders of the Company (RMB'000)	<b>4,671,536</b>	3,511,201
Weighted average number of ordinary shares in issue (thousands)	<b>3,544,710</b>	3,453,933
Basic earnings per share (RMB cents)	<b>131.8</b>	101.7

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	
	2010	2009
Profit attributable to the equity holders of the Company (RMB'000)	<b>4,671,536</b>	3,511,201
Weighted average number of ordinary shares in issue (thousands)	<b>3,544,710</b>	3,453,933
Adjustment for share options granted under the Pre-IPO Share Option Scheme (thousands)	<b>5,966</b>	7,900
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>3,550,676</b>	3,461,833
Diluted earnings per share (RMB cents)	<b>131.6</b>	101.4

## 36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

## (a) Net cash generated from operations:

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Profit before income tax	<b>8,570,310</b>	5,710,196
Adjustments for:		
Interest income	<b>(66,247)</b>	(30,466)
Finance costs	<b>737,800</b>	337,653
Provision for impairment of receivables	<b>5,898</b>	7,895
(Write back of)/additional provision for impairment losses on completed properties held for sale	<b>(152,480)</b>	85,324
Depreciation	<b>272,643</b>	238,902
Gain on disposal of property and equipment	<b>(510)</b>	(5,709)
Share of results of associated companies	<b>48,110</b>	(19,925)
Share of results of jointly controlled entities	<b>(14)</b>	1,072
Amortisation of land use rights	<b>32,047</b>	32,380
Gains on deemed disposal to non-controlling interests	—	(1,501,093)
Fair value gains on investment properties	<b>(2,339,562)</b>	(213,834)
Staff costs – employee share option scheme	—	2,808
Impairment of intangible assets	<b>67,799</b>	152,575
Net exchange gain	<b>(257,367)</b>	(5,275)
	<b>6,918,427</b>	4,792,503
Changes in working capital:		
Properties under development and completed properties held for sale	<b>(11,252,988)</b>	(2,242,617)
Restricted cash	<b>(36,871)</b>	(102,315)
Trade and other receivables and prepayments	<b>(2,030,185)</b>	(1,204,117)
Trade and other payables	<b>1,254,372</b>	(195,581)
Advanced proceeds received from customers	<b>5,429,195</b>	4,929,836
Amounts due to related parties and non-controlling interests	<b>(7,966)</b>	8,585
Net cash generated from operations	<b>273,984</b>	5,986,294

## (b) Non-cash transaction:

The principal non-cash transaction during the year ended 31 December 2010 was that certain prepayments included in other non-current assets as at 31 December 2009 was reclassified to investment in associated companies (Note 11) and amounts due from related companies (Note 18) with amount of RMB131,875,000 and RMB11,524,625,000 respectively.

### 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 2010 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2010	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC</b>					
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
上海世茂股份有限公司 (Shanghai Shimao Co., Ltd.)	1 July 1992	Domestic enterprise	Registered capital RMB1,170,595,338	64.2%	Property development
上海世茂新置業有限公司 (Shanghai Shimao New Property Co., Ltd.)	3 November 2009	Domestic enterprise	Registered capital RMB110,000,000	62.5%	Property development
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
北京鵬麗花園房地產發展有限公司 (Beijing Pengli Garden Real Estate Development Co., Ltd.)	5 May 1995	Foreign investment enterprise	Registered capital US\$12,000,000	100%	Property development
北京世茂置業有限公司 (Beijing Shimao Property Co., Ltd.)	19 January 2009	Domestic enterprise	Registered capital RMB50,000,000	64.2%	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

**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 2010	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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
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
昆山世茂華東商城開發有限公司 (Kunshan Shimao East China Mall Development Co., Ltd.)	24 August 2005	Domestic enterprise	Registered capital RMB150,000,000	64.2%	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
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
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
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



### 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 2010	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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\$313,730,000	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 RMB491,412,600	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
福州世茂天城百貨有限公司 (Fuzhou Shimao Skyscrapers Department Store Co., Ltd.)	14 Nov 2008	Domestic enterprise	Registered capital RMB50,000,000	64.2%	Commercial 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 RMB110,000,000	64.2%	Property development
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

### 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 2010	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
瀋陽世茂新紀元置業房地開發有限公司 (Shenyang Shimao New Era Property Co., Ltd.)	24 May 2007	Foreign investment enterprise	Registered capital HK\$257,000,000	100%	Property development
瀋陽兆隆地產開發有限公司 (Shenyang Zhaolong Real Estate Development Co., Ltd.)	19 April 2007	Domestic enterprise	Registered capital RMB30,000,000	99%	Property development
瀋陽世茂新世紀百貨有限公司 (Shenyang Shimao New Century Department Store Co., Ltd.)	20 October 2008	Domestic enterprise	Registered capital RMB20,000,000	64.2%	Commercial development
大連世茂龍河發展有限公司 (Dalian Shimao Dragon River Development Co., Ltd.)	9 June 2006	Foreign investment enterprise	Registered capital US\$10,960,000	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 RMB526,795,630	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 RMB245,500,127	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	64.2%	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	64.2%	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 2010	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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
牡丹江德威建材貿易有限公司 (Mudanjiang Dewei Building Material Trading Co., Ltd.)	21 July 2010	Domestic enterprise	Registered capital RMB5,000,000	100%	Trading of construction materials
牡丹江智和行銷企劃有限公司 (Mudanjiang Zhihe Marketing & Planning Co., Ltd.)	21 April 2009	Domestic enterprise	Registered capital RMB1,000,000	64.2%	Real estate marketing
牡丹江茂源建材貿易有限公司 (Mudanjiang Maoyuan Building Material Trading Co., Ltd.)	22 April 2008	Domestic enterprise	Registered capital RMB1,000,000	64.2%	Trading of construction materials
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 Shiyi 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 RMB269,300,000	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 Shiyi Investment Management Co., Ltd.)	21 August 2007	Domestic 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	Domestic enterprise	Registered capital RMB5,000,000	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 2010	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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	Domestic 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	Domestic enterprise	Registered capital RMB1,000,000	100%	Trading of construction materials
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	100%	Property development
上海碧橙房地產有限公司 (Shanghai Bicheng Real Estate Co., Ltd.)	28 September 2003	Domestic enterprise	Registered capital RMB236,200,000	100%	Property development
福建世茂投資發展有限公司 (Fujian Shimao Investment and Development Limited)	17 November 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
上海星橙房地產有限公司 (Shanghai Xingcheng Real Estate Co., Ltd.)	25 January 2006	Domestic enterprise	Registered capital 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	Domestic enterprise	Registered capital 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	Domestic enterprise	Registered capital RMB10,000,000	100%	Architect
福建世茂新里程房地產開發有限公司 (Fujian Shimao Xinlicheng Real Estate Development Co., Ltd.)	10 October 2009	Domestic enterprise	Registered capital RMB1,500,000,000	81.8%	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 2010	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
上海世茂企業發展有限公司 (Shanghai Shimao Enterprises Development Co., Ltd.)	22 June 2000	Domestic enterprise	Registered capital 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	Domestic enterprise	Registered capital RMB1,000,000	100%	Real estate marketing
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	Registered capital 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	Registered capital 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	Registered capital RMB102,000,000	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	Registered capital RMB200,000,000	81.7%	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	Registered capital 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	Registered capital 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	Foreign investment enterprise	Registered capital 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	Registered capital RMB470,000,000	100%	Property development
成都世茂置業有限公司 (Chengdu Shimao Property Co., Ltd.)	13 October 2009	Domestic enterprise	Registered capital RMB299,021,884	95%	Property development
黑龍江智和商業地產 投資諮詢有限公司 (Heilongjiang Zhihe Commercial Real Estate Investments & Consulting Co., Ltd.)	26 January 2010	Domestic enterprise	Registered capital RMB1,000,000	64.2%	Investment consultancy services

### 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 2010	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands</b>					
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
Peak Gain International Limited	13 December 2006	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 2010	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands</b> (continued)					
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
<b>Principal subsidiaries – incorporated and operation conducted in Hong Kong</b>					
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
Excel Grand Group Limited	22 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 2010	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in Hong Kong (continued)</b>					
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	27 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
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



### 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 2010	Principal activities
<b>Associated company – established and operation conducted in the PRC</b>					
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	Registered capital RMB10,000,000	40.05%	Property development
<b>Associated company – established and operation conducted in the British Virgin Islands</b>					
Straits Construction Investment (Holdings) Limited	17 November 2009	Limited liability company	10,000 ordinary shares of US\$10,000	49%	Investment holding
<b>Jointly controlled entities – established and operation conducted in the PRC</b>					
杭州世茂世盈房地產開發有限公司 (Hangzhou Shimao Shiyong Property Development Co., Ltd.)	24 January 2008	Foreign investment enterprise	Registered capital US\$199,920,000	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	Registered capital US\$199,880,000	50%	Property development
惠州富茂房地產開發有限公司 (Huizhou Fumao Property Development Co., Ltd.)	14 May 2010	Domestic enterprise	Registered capital RMB500,000,000	50%	Property development
天津津南新城房地產開發有限公司 (Tianjin Jinnan New City Property Development Co., Ltd.)	26 May 2010	Domestic enterprise	Registered capital RMB3,667,300,000	25%	Property development
天津和安投資有限公司 (Tianjin Hean Investment Co., Ltd.)	19 August 2010	Domestic enterprise	Registered capital RMB10,000,000	25%	Investment holding
<b>Jointly controlled entities – established and operation conducted in Hong Kong</b>					
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 CONTINGENCIES

The Group had the following contingent liabilities:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (note (a))	<b>3,898,553</b>	3,588,259
Guarantee in respect of borrowings (note (b))	<b>1,924,578</b>	—
	<b>5,823,131</b>	3,588,259

Note:

- (a) 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.
- (b) The Group and the other shareholders of Guangzhou Li He, an associated company, provided guarantees in proportion of their respective equity interests in Guangzhou Li He for its bank borrowings. The respective guarantees provided by the Group to Guangzhou Li He amounted to RMB1,024,578,000 as at 31 December 2010.

The Group and the other shareholders of Tianjin Jinnan, a jointly controlled entity, provided guarantees in proportion of their respective equity interests in Tianjin Jinnan for its borrowings got from a trust plan. As at 31 December 2010, the Group provided guarantees amounted to RMB900,000,000, as well as the pledge of the Group's equity interest in Tianjin Jinnan.

### 39 COMMITMENTS

#### (a) Commitments for capital and property development expenditure

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Contracted but not provided for		
– Property and equipment	<b>1,025,577</b>	1,385,451
– Land use rights	<b>13,146,262</b>	13,176,415
– Properties being developed by the Group for sale	<b>8,836,592</b>	4,939,538
– Advances to local government authorities for land resettlement and site formation	<b>2,700,000</b>	3,077,322
	<b>25,708,431</b>	22,578,726

**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	
	2010	2009
	RMB'000	RMB'000
Within one year	<b>58,161</b>	35,269
Between two to five years	<b>412,268</b>	247,444
After five years	<b>850,007</b>	475,564
	<b>1,320,436</b>	758,277

**(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	
	2010	2009
	RMB'000	RMB'000
Within one year	<b>358,008</b>	136,667
Between two to five years	<b>810,663</b>	300,756
After five years	<b>854,981</b>	335,648
	<b>2,023,652</b>	773,071

**40 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 2010.

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Operating lease rental expense charged by a related company (note (i))	<b>4,386</b>	4,440
Property management fee and reimbursement of staff costs charged by a jointly controlled entity (note (ii))	—	7,457

Notes:

- (i) On 1 January 2009, the Group entered into a lease agreement with a wholly-owned subsidiary of Shimao International, of which certain directors of the Group are also directors, to lease part of office premises of Shimao International in Hong Kong.
- (ii) Shimao Property Management (formerly named as Shanghai Shimao Savills Property Management Co., Ltd.), 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 Property Management at the end of 2009 and Shimao Property Management became a subsidiary of the Group since then.

**40 RELATED PARTY TRANSACTIONS (CONTINUED)**

**(b) Key management compensation**

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Emoluments		
– Salaries and other short-term employee benefits	<b>30,258</b>	24,641
– Retirement scheme contributions	<b>140</b>	161
– Employee share option schemes	<b>–</b>	1,261
	<b>30,398</b>	26,063

**41 SUBSEQUENT EVENTS**

On 8 March 2011, the Company issued a total of US\$350,000,000 senior notes at a fixed interest rate due on 8 March 2018. The Company may at its option to redeem the notes, in whole or in part, by certain dates based on the terms of the notes.

**42 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Company's board of directors on 22 March 2011.