上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Stock Code : 363)

ANNUAL REPORT 2010

CONTENTS

CORPORATE INFORMATION

Directors

Executive Directors

Mr. Teng Yi Long *(Chairman)*
Mr. Cai Yu Tian *(Vice Chairman & Chief Executive Officer)*
Mr. Lu Ming Fang
Mr. Zhou Jie *(Executive Deputy CEO)*
Mr. Qian Shi Zheng *(Deputy CEO)*
Mr. Zhou Jun *(Deputy CEO)*
Mr. Qian Yi *(Deputy CEO)*

Independent Non-Executive Directors

Dr. Lo Ka Shui
Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis

Board Committees

Executive Committee

Mr. Teng Yi Long *(Committee Chairman)*
Mr. Cai Yu Tian
Mr. Lu Ming Fang
Mr. Zhou Jie
Mr. Qian Shi Zheng
Mr. Zhou Jun

Audit Committee

Dr. Lo Ka Shui *(Committee Chairman)*
Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis

Remuneration Committee

Dr. Lo Ka Shui *(Committee Chairman)*
Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis
Mr. Zhang Zhen Bei
Mr. Guo Fa Yong

Company Secretary

Mr. Yee Foo Hei

Qualified Accountant

Mr. Lee Kim Fung, Edward

Authorised Representatives

Mr. Cai Yu Tian
Mr. Yee Foo Hei

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Company Stock Code

Stock Exchange	:	363
Bloomberg	:	363 HK
Reuters	:	0363.HK
ADR	:	SGHIY

Company Website

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Auditor

Deloitte Touche Tohmatsu

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BNY Mellon Shareowner Services
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INFORMATION FOR SHAREHOLDERS

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Investor Relations
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Share Registrar

Tricor Secretaries Limited
Address : 26th Floor, Tesbury Centre,
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Hong Kong
Telephone : (852) 2980 1333
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Dividend

2010 interim dividend of HK50 cents (2009: HK48 cents) per share was paid to shareholders on 30 September 2010.

2010 proposed final dividend of HK58 cents per share (2009: HK60 cents) will be paid to shareholders on or about Tuesday, 31 May 2011 subject to shareholders' approval.

Subject to approval by the shareholders of the final dividend and together with the interim dividend, the total dividend for the year amounts to HK108 cents per share (2009: HK108 cents).

Closure of Register of Members

The register of members of the Company will be closed from Monday, 16 May 2011 to Wednesday, 18 May 2011, both days inclusive, during which period no transfer of shares will be effected. Notice of dividend will be dispatched to shareholders on or about Tuesday, 31 May 2011. In order to qualify for the entitlement of the final dividend and be entitled to attend the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar by 4:30 p.m. on Friday, 13 May 2011.

Financial Calendar

2010 interim results	Announced on Monday, 30 August 2010
2010 final results	Announced on Wednesday, 30 March 2011
2010 annual report	To be posted to shareholders on or about Wednesday, 13 April 2011
2011 annual general meeting	To be held on Wednesday, 18 May 2011 at 3:00 p.m.
Closure of register of members	To be closed from Monday, 16 May 2011 to Wednesday, 18 May 2011, both days inclusive
Ex-dividend date for 2010 final dividend	Thursday, 12 May 2011
Record date for 2010 final dividend	Wednesday, 18 May 2011
Notice of 2010 final dividend	To be dispatched to shareholders on or about Tuesday, 31 May 2011

CHAIRMAN'S STATEMENT

Record high results achieved as core businesses expand

The Group's core businesses continued to grow following the divestment of its non-core businesses completed last year. Significant increases were recorded from operating results of all business segments. Annual profits reached another record high while satisfactory progress was made in asset restructuring, bringing the Group to a new era of growth for its future business development.

For the year ended 31 December 2010, the Group recorded a revenue of HK$12,712 million, and an annual profit of HK$5,278 million, representing increases of 80.0% and 83.9% respectively over last year. Earnings per share were approximately HK$4.89, up 83.8% over last year. As at the end of 2010, the Group's total assets and net assets reached HK$87,831 million and HK$29,760 million, up 36.7% and 19.5% respectively over last year.

The Board of Directors has recommended a final dividend of HK58 cents per share for the year. Together with the interim dividend of HK50 cents per share paid during the year, total dividends for the year amounted to HK108 cents.

During the year, the Group achieved remarkable results and maintained a healthy momentum of earnings growth with all its key projects progressing in an orderly manner. The toll roads business recorded satisfactory growth in toll revenues and traffic flows. Rapid developments were seen in the water business. The infrastructure facilities business recorded a profit of HK$821 million, an increase of 11.0% over last year, and up 73.2% after excluding subsidies obtained in 2009 for the alteration and widening works of the expressways.

Benefiting from property sales from Shanghai Urban Development and profit contributions from the Shanghai Bay project, the real estate business saw a significant increase in its annual profit to HK$946 million, up 29.4% over last year, reflecting the added value and development potential of the business. Losses from SI Urban Development were considerably reduced since the completion of the Group's acquisition of the company at the end of June last year. The profit for the Group's real estate business rose by 42.7% over last year after excluding losses arising from SI Urban Development.

The consumer products segment provided a stable recurrent income to the Group. Nanyang Tobacco's results have been rising steadily; Wing Fat Printing recorded double-digit growth in earnings and further optimized its assets structure during the year. The consumer products business recorded a profit of HK$678 million, representing a year-on-year increase of 8.3% without taking into account disposal gains and profit contributions from projects disposed of last year.

Expanding the scope of infrastructure facilities business and strengthening water investment

The Group owns three key toll roads in Shanghai, providing a stable income and cash flow for its business development. During the year, the alteration and widening works for Jing-Hu Expressway (Shanghai Section) and Hu-Kun Expressway (Shanghai Xinsong Section) were successively completed, and an overall steady growth in toll revenue and traffic flow was seen in all its highways. The Group is keen to expand the scope of its infrastructure facilities business and, as and when appropriate, the scale of investment in its toll roads so as to strengthen the profitability of its core businesses.

The Group has played an active role in water services investment in view of growing demands for water resources and sewage treatment due to rapid developments in the urban and rural areas of China. During the year, the acquisition for the Singapore-listed Asia Water and United Runtong Water, a water supply enterprise in mainland China, was completed, thereby instantly increasing the Group's daily water capacity by 1,950,000 tonnes. As at the end of 2010, the aggregate daily water capacity of its water business reached 6,289,000 tonnes, resulting in a continuous growth in the composite strength of production operation.

Increasing capital operation momentum to integrate real estate business platform

During the year, the Group's real estate business expanded significantly with the acquisitions of equity interests in SI Urban Development completed during the year and also a controlling stake in the Shanghai-listed SI Development being acquired from its parent company. Taking into account the land banks of Shanghai Urban Development and SI Urban Development as well as the Qingpu lands which it already owns, the Group has a planned total gross floor area of 17,620,000 square meters. Upon the completion of the SI Development acquisition transaction and the land lot G, it will have a planned total gross floor area of approximately 23,430,000 square meters with projects covering major cities in China, fulfilling its strategic plans to expand its real estate business throughout the country.

The acquisition of SI Development is expected to be completed within this year. Additional efforts will be put into capital operation this year to fully promote the restructuring and integration of the real estate business. Through assets injection, share placement and joint development, subsequent development will be planned and efforts for brand building will be enhanced in order to maintain the Group's leading position in the domestic real estate industry.

Accelerating project development process and optimizing real estate assets structure

During the year, the Group continued to benefit from profit contributions from its real estate projects with steady income growth from the business segment. In the long run, there is still ample potential for development in the real estate industry in mainland China. Shanghai Urban Development made steady progress during the year, successfully meeting its sales target for the year, and favorable return on investment was maintained for the Shanghai Bay project. Significant improvements were made in the financial structure of SI Urban Development after the Group became its shareholder and, in short, the company has maintained a healthy growth momentum overall.

Continuing with its strategic deployment plan, the Group reached an agreement with Chow Tai Fook group to sell 90% of its equity interest in lots F and G of the Qingpu land project and 77% of its equity interest in the Four Seasons Hotel Shanghai project to the company. Under the agreement, Chow Tai Fook group will become a strategic partner of the Group and will jointly develop approximately a quarter of the Qingpu land lots. In addition, New World Development, a leading developer in mainland China, was appointed to plan and develop the project. Through such integration, the Group has been able to develop the project on its own while bringing in strategic partners to enhance the effectiveness of development. The agreement enables the Group to have flexible available funds for other Qingpu land lots during the development period, in addition to receiving a disposal income of approximately HK$2,867 million in total. All in all, the partnership arrangement has enabled the Group to optimize its real estate assets and cash position which are essential for future mergers and acquisitions related to the Group's core businesses and for improving corporate earnings and return on investment.

Significant results seen in business restructuring with steady improvement in profitability

The consumer products segment whose business has remained stable continued to refine its operation and profit structure in order to seek breakthroughs. Nanyang Tobacco made considerable efforts to revamp its product structure to enhance its current operating strength, to promote its own brands by introducing new products and technical reforms, and to enlarge market share through the offering of high value-added products and creative marketing strategies. During the year, the segment has achieved remarkable results and made a satisfactory contribution to the Group's profits.

During the year, Wing Fat Printing mainly engaged in packaging materials printing, a traditional business that has remained stable over the years, and containerboard operation, a volatile business due to rising cost of waste paper. Under a strategic deployment plan, Wing Fat Printing sold all its shareholdings in Hebei Yongxin Paper earlier this year for a disposal gain of approximately HK$140 million. The plan allows the company to completely withdraw from the containerboard industry and to focus on the development of packaging printing, a more profitable business that helps activate working capital and optimize assets structure.

Prospects

The Group's high-quality core assets – toll roads, water services and consumer products – have provided stable cash flow and healthy profit growth, while its real estate business presents considerable growth potential. In the future, the Group will further strengthen its core businesses, optimize its asset structure and increase its future earnings to create higher values for its shareholders and enhance the return on their investment.

Looking forward, the Group will continue to seek merger and acquisition opportunities for its infrastructure facilities business to further expand the scale of operations. This year, the Group will actively identify toll road projects and high-quality water service assets with profit potential in major cities of China. It will also strive to integrate its water services platforms.

As to the real estate business, this year's focus will be on participation in capital market restructuring and integration. Through this, the Group will endeavor to create a larger-scale operating platform with overall competitive strength to obtain full economies of scale and synergies from its real estate assets and to increase earnings. In addition, the Group will further strengthen its sales and accelerate project development process in view of the real estate policies implemented in the mainland.

For consumer products, the Group will, on the basis of ensuring steady business development, remain committed to enhance its operating strength, actively explore potential markets, achieve sustainable growth in business operating profit and continue to contribute strong earnings and cash flows to the Group.

Lastly, on behalf of the Board of Directors, I wish to thank our Shareholders and business partners for their continued support and patronage, and extend my sincere gratitude to our management team and staff members for their dedication and contributions.

滕一龍

Teng Yi Long
Chairman
Hong Kong, 30 March 2011

GROUP BUSINESS STRUCTURE

As at 30 March 2011

Infrastructure Facilities

Business	Interests held by the Group	Company name	Principal business
Toll roads	100%	Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.	Operation of the Jing-Hu Expressway (Shanghai Section)
	100%	Shanghai Luqiao Development Co., Ltd.	Operation of the Hu-Kun Expressway (Shanghai Section)
	100%	Shanghai Shen-Yu Development Co., Ltd.	Operation of the Hu-Yu Expressway (Shanghai Section)
Water services	50%	General Water of China Co., Ltd.	Water supply and sewage treatment
	73.99%	Asia Water Technology Ltd. (5GB SGX)	Water supply and sewage treatment
	60.4%	United Runtong Water Co., Ltd.	Water supply and sewage treatment

Real Estate

Business	Interests held by the Group	Company name	Principal business
Real estate	59%	Shanghai Urban Development (Holdings) Co., Ltd.	Property development and investment
	45.02%	Shanghai Industrial Urban Development Group Co., Ltd. (563 HKSE)	Property development and investment
	100%	Shanghai Feng Mao Properties Ltd.	Property development and investment
	100%	Shanghai Feng Qi Properties Ltd.	Property development and investment
	100%	Shanghai Feng Tao Properties Ltd.	Property development and investment
Hotel operations	87%	Shanghai SIIC South Pacific Hotel Co., Ltd.	Operation of the Four Seasons Hotel Shanghai

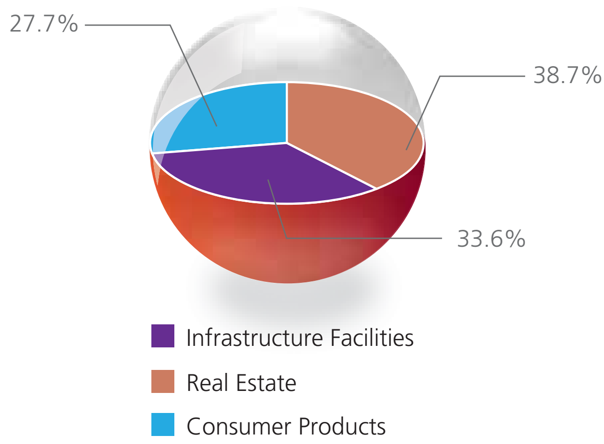
Consumer Products

Business	Interests held by the Group	Company name	Principal business
Tobacco	100%	Nanyang Brothers Tobacco Co., Ltd.	Manufacture and sale of cigarettes
Printing	93.44%	The Wing Fat Printing Co., Ltd.	Manufacture and sale of packaging materials and printed products

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

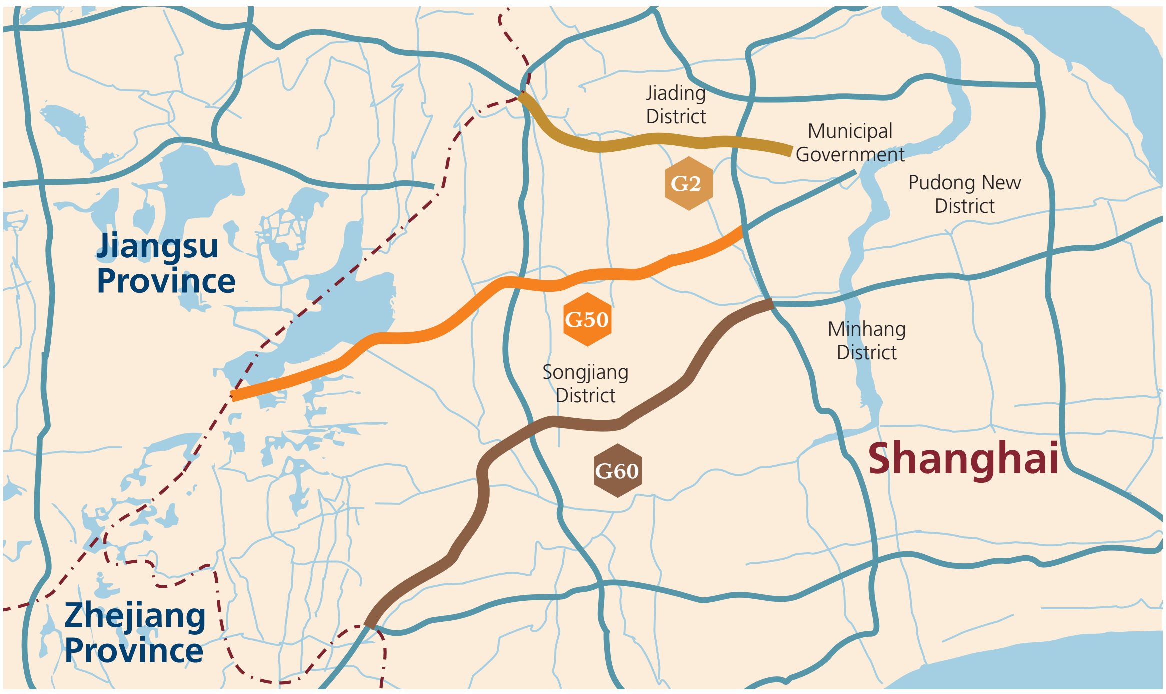
For the year ended 31 December 2010, the Group recorded a profit attributable to owners of the Company of HK$5,278 million, an increase of 83.9% over last year, and a revenue of HK$12,712 million, a year-on-year increase of 80.0%. Operating results hit another historical high. The disposal of all its pharmaceutical assets as announced by the Company in October 2009 was completed in February this year, resulting in a disposal gain of HK$3,198 million for the year.

Profit contributions from the Group's three core businesses



Infrastructure Facilities

Benefiting from the convening of the Shanghai World Expo and increases in the number of private vehicles as well as higher profit contributions from the water services business during the year, the Group's infrastructure facilities business recorded an annual profit of HK$821 million, representing a year-on-year increase of 11.0% and accounting for approximately 33.6% of the Group's Net Business Profit. The increase in profits reached 73.2% after excluding subsidies received in 2009 arising from the expansion and widening works.



G2 Jing-Hu Expressway (Shanghai Section)

G50 Hu-Yu Expressway (Shanghai Section)

G60 Hu-Kun Expressway (Shanghai Section)

Toll Roads

Jing-Hu Expressway (Shanghai Section)

During the year, toll revenue and traffic flow for Jing-Hu Expressway (Shanghai Section) increased to HK$532 million and 32.52 million vehicle journeys, a growth of 10.9% and 14.6% respectively over last year. Hu-Ning Expressway recorded a net profit of HK$286 million for the year, representing an increase of 4.3% after excluding subsidies received in 2009 for the alteration and widening works. During the Shanghai World Expo held during the year, operations and maintenance management of the road sections were strengthened to ensure smooth flow and road safety.

In November 2010, the Company announced the extension of an entrustment agreement between Hu-Ning Expressway and Shanghai Galaxy. Under the agreement, the Group entrusted Shanghai Galaxy to provide investment and financial management services to it for an extended term with guaranteed returns from such services. In February 2011, the Company further announced an increase of capital contribution to Shanghai Galaxy by Hu-Ning Expressway pursuant to which the equity interest therein will be increased by 30% to 50%. It is expected that the transaction will further enhance Hu-Ning Expressway's profit contribution to the Group.

Hu-Kun Expressway (Shanghai Section)

Traffic flow and toll revenue increased rapidly following the reopening of the main lane after the alteration and widening works for the Hu-Kun Expressway (Shanghai Xinsong Section) on 1 January 2010. The number of trade visitors and tourists visiting Shanghai soared during Shanghai World Expo also contributed to a sharp rise in toll revenue and traffic flow to reach HK$736 million and 31.87 million vehicle journeys, representing increases of 101.1% and 132.5% respectively over last year. Annual total toll revenue ranked first among Shanghai road networks.

Excluding subsidies received in 2009 as a result of the alteration and widening works, Luqiao Development's net profit for the year increased to HK$265 million, with a rise of 79.6%. During the year, an orderly implementation of various operation and management measures was carried out by Luqiao Development subsequent to the reopening of the expressway during the year. Proper actions were also taken in response to the large passenger peak flow during World Expo to ensure safe, smooth and effective road operations throughout the year.

Hu-Yu Expressway (Shanghai Section)

The Group completed the acquisition of the operating concession of Hu-Yu Expressway (Shanghai Section) in May 2010. During the year, Shen-Yu Shanghai recorded a net profit of HK$117 million, and its accounts have been consolidated into the Group's accounts according to the merger accounting method.

The traffic flow previously diverted to Hu-Yu Expressway (Shanghai Section) declined following the completion of the alteration and widening works of Hu-Kun Expressway (Shanghai Xinsong Section) during the year. However, underpinned by the Shanghai World Expo and the increase in the number of motor vehicles, annual toll revenue and traffic flow of Hu-Yu Expressway (Shanghai Section) remained stable reaching HK$410 million and 27.72 million vehicle journeys respectively. During the year, Hu-Yu Expressway (Shanghai Section) has fully accomplished the obligation of road safety operation during Shanghai World Expo and further enhanced the overall level of operation and management.

Water Services

General Water of China

During the year, General Water of China recorded an operating revenue of HK$1,040 million, an increase of 62.6% over last year. Corporate profits broke through the hundred million dollar benchmark to reach HK$130 million, a year-on-year increase of 55.0%. As at 31 December 2010, General Water of China had 14 water projects, comprising 18 water supply facilities, 13 sewage treatment facilities and 3 sewage stations with a daily production capacity of 4,339,000 tonnes, as well as two reservoirs with a gross storage tank volume of 18,232 cubic meters and a pipe network of 2,300 kilometers in total.

General Water of China made great strides in business operations during the year with project construction, equipment manufacturing and operation management services becoming drivers of the company's profit growth. The operating efficiency of development projects improved significantly and a number of enterprises successfully raised water prices. Steady progress was made to open up new areas of business including water-related real estate, sludge treatment, industrial wastewater and seawater desalination, etc. The company's self-innovation ability was greatly enhanced with its strategic technological development being incised from the national top-level science and technology. In addition, General Water of China has been recognized as the "Top 10 Most Influential Enterprises in China's Water Industry" for eight consecutive years and received the "Growth Excellence Award" from Frost & Sullivan, a renowned global growth consulting firm, which significantly enhanced the company's influence in the industry and international reputation.

Asia Water

The Group completed the acquisition of an equity stake in Asia Water, a listed company in Singapore, in February of the year under review. Established in 2002 and listed on the Catalist of Singapore Stock Exchange in March 2005, Asia Water is a water treatment specialist providing comprehensive and integrated engineering solutions for urban water supply and city waste water treatment systems. The company currently owns 11 water treatment projects which are mainly located in Hubei, Shanxi, Zhejiang and Anhui of China, with a total capacity of up to 1,015,000 tonnes per day. During the year, Asia Water recorded a revenue of HK$324 million and a net profit of HK$26.78 million. In late December, Asia Water announced a rights issue of 1,217,789,975 shares at S$0.06 each which was completed in the first quarter of this year. Such rights issue has further optimized the company's financial position and provided additional working capital for future business expansions.

Qianchuan sewage treatment project and Panlong sewage treatment project in Huangpo, Wuhan have been added during the year with a total production capacity of 75,000 tonnes per day. Contracts signed during the year comprised the "Condensate Polishing System Project" contract in relation to the provision of equipment and installation services for a 2X600MW sub-critical coal-fired power plant in Tuticorin, India and a contract related to a EPC project to construct a centralized water supply and waste water treatment station in Xinjiang, China, with a total contract sum of up to RMB85.45 million.

United Runtong Water

In September 2010, the Group signed an agreement to acquire a 60.4% equity interest in United Runtong Water for a total consideration of approximately RMB361 million. The transaction was completed in the same year in November. United Runtong Water is principally engaged in sewage treatment, sludge treatment and recycling water treatment, urban water supply and waste disposal, etc. It currently owns one tap water supply project, one water recycling project and 11 sewage treatment projects which are mainly located in Shandong, Hunan, Guangxi and Guangdong, with a total capacity of up to 935,000 tonnes per day as at the end of 2010.

In 2010, United Runtong Water recorded a revenue of HK$332 million and a net profit of HK$55.42 million. In June 2010, United Runtong Water signed a franchise agreement for a sewage treatment centre project in Zecheng District, Zaozhuang City with a planned capacity of 40,000 tonnes per day. In December, the company acquired by way of public bidding a sewage treatment plant BOT project in the new zone of eastern Gaoxin District, Yiyang City with a planned capacity of 60,000 tonnes. In the future, United Runtong Water will seize the rapid economic development opportunities in mainland cities as well as the dual historical opportunities under the market for environmental products and privatization reform while increasing its research and development efforts and profitability to achieve steady and sustainable development.

Set out below is a summary of the water projects of the Group as at 31 December 2010:

	Projects of General Water of China	Project type	Daily production capacity	Interests attributable to General Water of China	Project progress
1	Project on reservoir and water induction works in Tiger Lake, Huzhou, Zhejiang	Water supply	200,000 tonnes	100%	The project is in operation.
2	Sewage treatment project in eastern Wenzhou, Zhejiang	Sewage treatment	100,000 tonnes	100%	The project is in operation.
3	Sewage treatment project in central Wenzhou, Zhejiang	Sewage treatment	200,000 tonnes	70%	• The project is in operation. • Water tariff was adjusted upward by RMB0.0122/tonne to RMB0.7222/tonne, and the adjustment time can be traced back to November 2008.
4	Sewage treatment project in the new district of eastern Huzhou, Zhejiang	Sewage treatment	50,000 tonnes	100%	• The project is in operation. • Water tariff was adjusted upward by RMB0.07/tonne in August 2010 to RMB1.38/tonne.
5	Water supply project in Xiangtan, Hunan	Water supply	425,000 tonnes	70%	• The project is in operation. • Average water selling price was adjusted upward by RMB0.35/tonne to RMB1.68/tonne and the new price was imposed from 1 January 2010 onwards.
6	Sewage treatment project in river east of Xiangtan, Hunan	Sewage treatment	100,000 tonnes	100%	The project is in operation.
7	Water generation project in Xiamen, Fujian	Water generation	1,155,000 tonnes	45%	The project is in operation.
8	Sewage treatment project in Xiamen, Fujian	Sewage treatment	834,000 tonnes	55%	The project is in operation.
9	Water supply project in Bengbu, Anhui	Water supply	430,000 tonnes	60%	The project is in operation.
10	Project on sewage treatment plant in Longhua, Shenzhen, Guangdong	Sewage treatment	150,000 tonnes	90%	The project is in operation.
11	Yinshi Guo Wei water supply project in Xianyang, Shaanxi	Water supply	180,000 tonnes	50%	The project is in preparatory stage.
12	Water generation project in Xianyang, Shaanxi	Water generation	300,000 tonnes	100%	The project was completed and is ready for operation.
13	Project on Wuhua Mountain reservoir and water supply project in Suifenhe, Heilongjiang	Water supply	195,000 tonnes	100%	• Phase I of the water supply project is in operation. • Construction of the Wuhua Mountain reservoir and city sewage treatment plant commenced in the first half of 2010 and is expected to be completed by mid-2013. • It is expected that the construction of the water supply project for the third water treatment plant will commence in April 2011and be completed by mid-2013.
14	City sewage treatment project in Suifenhe, Heilongjiang	Sewage treatment	20,000 tonnes	100%	The project commenced construction in May 2010 with the main construction having been completed and began to receive waste water in November 2010.
Sub-total			4,339,000 tonnes		

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Projects of Asia Water		Project type	Daily production capacity	Interests attributable to Asia Water	Project progress
1	Sewage treatment project in the new district of Wuhan, Hubei	Sewage treatment	60,000 tonnes	100%	The project is in operation.
2	Water supply project in Tianmen, Hubei	Water supply	150,000 tonnes	100%	The project is in operation.
3	Sewage treatment project in Hanxi, Wuhan, Hubei	Sewage treatment	400,000 tonnes	43%	Phase 1 is in operation while phase 2 is now under planning.
4	Drainage network project in Dongxihu, Wuhan, Hubei	Sewage pipelines	N/A	70%	The project is an extension of drainage network covering 101 square kilometers for the sewage treatment project in Hanxi of Wuhan, Hubei. Construction was completed and is now in trail operation.
5	Sewage treatment project in Huangshi, Hubei	Sewage treatment	125,000 tonnes	100%	The project is in operation.
6	Water supply project in Huangpi, Wuhan, Hubei	Water supply	150,000 tonnes	100%	The project is in operation. Other facilities such as the Wuhu water plant are yet to be set up.
7	Sewage treatment project in Qianchuan, Wuhan, Hubei	Sewage treatment	30,000 tonnes	100%	The project is in operation.
8	Sewage treatment project in Panlong, Wuhan, Hubei	Sewage treatment	22,500 tonnes (as adjusted)	100%	Construction has commenced in April 2010. The first stage was basically completed and is in trial operation, while the second stage is yet to be constructed.
9	Sewage treatment project in Taizhou, Zhejiang	Sewage treatment	12,500 tonnes	100%	The first stage of phase 1 project is in operation. The construction of the second and third stages is expected to commence within one to five years.
10	Water supply project in Lvliang, Shanxi	Water supply	55,000 tonnes	100%	The project is in operation.
11	Water supply project in Bengbu, Anhui	Water supply	10,000 tonnes	100%	The project is in operation.
Sub-total			1,015,000 tonnes		

Projects of United Runtong Water	Project type	Daily production capacity	Interests attributable to United Runtong Water	Project progress
1 Sewage treatment plant TOT project in Weifang, Shandong	Sewage treatment	100,000 tonnes	100%	The project is in operation.
2 Sewage treatment plant BOT project in Gaoxin District, Weifang, Shandong	Sewage treatment	50,000 tonnes	100%	The project is in operation.
3 Sewage treatment plant TOT project in Dezhou, Shandong	Sewage treatment	100,000 tonnes	100%	The project is in operation.
4 Sewage treatment plant BOT project in Dalang, Dongguan, Guangdong	Sewage treatment	100,000 tonnes	100%	The project is in operation.
5 Sewage treatment plant BOT project in Beiliu, Guangxi	Sewage treatment	40,000 tonnes	100%	The project is in operation.
6 Sewage treatment plant BOT project in Yiyang, Hunan	Sewage treatment	40,000 tonnes	100%	The project is in operation.
7 Sewage treatment plant BOT project in Taojiang, Hunan	Sewage treatment	20,000 tonnes	100%	The project is in operation.
8 Sewage treatment plant TOT+BOT project in Zecheng District, Zaozhuang, Shandong	Sewage treatment	40,000 tonnes	100%	• Phase I of the TOT project commenced operation in June 2010. • Phase II of the BOT project will start construction soon.
9 Sewage treatment plant BOT project in eastern Luohe City, Henan	Sewage treatment	20,000 tonnes	100%	The project commenced trial operation in December 2010.
10 Sewage treatment plant BOT project in western Weifang, Shandong	Sewage treatment	40,000 tonnes	100%	Operation permit is being applied.
11 Sewage treatment plant BOT project in the new zone of eastern Gaoxin District, Yiyang, Hunan	Sewage treatment	30,000 tonnes	100%	Project obtained from bidding and will start construction soon.
12 Water supply project in Weifang, Shandong	Water supply	320,000 tonnes	68%	The project is in operation.
13 Sewage treatment plant water recycling project in Weifang, Shandong	Water recycling	35,000 tonnes	100%	The project is in operation.
Sub-total		935,000 tonnes		
Total		**6,289,000 tonnes**		

Real Estate

In 2010, the Group's real estate business continued to benefit from profit contributions from Shanghai Urban Development and the Shanghai Bay project, and recorded a profit of approximately HK$946 million, a significant increase of 29.4% over last year and accounting for approximately 38.7% of the Group's Net Business Profit. Losses for SI Urban Development (formerly known as Neo-China) reduced considerably at the latter half of the year since the Group's inception into it at the end of June last year. The business segment recorded an increase of 42.7% after excluding such losses.

Notwithstanding the impact of mainland China's real estate macro control policy, the Group's real estate business made significant progress during the year. In addition to the completion of the acquisition of a 45.02% equity interest in SI Urban Development as well as lot F of Qingpu land, the acquisition of a controlling stake in SI Development was also initiated during the year to broaden the geographical coverage of the Group's land bank in major cities of China and to rapidly expand the scale of its business.

In August 2010, the Company announced the acquisition from its parent company of a 63.65% equity interest in SI Development, a company listed in the A shares market in Shanghai, for a consideration of HK$5,827 million. SI Development currently has 17 real estate investment projects, most of which are located in Shanghai, Huzhou, Harbin, Qingdao, Quanzhou, Chongqing, Chengdu and Dali with a planned total gross floor area of 5,610,600 square meters as at the end of 2010. The company also has the priority right to participate in the development of the East Bay of Chongming Island, Shanghai. The transaction is expected to be completed within this year and the results of SI Development will be consolidated into the Group's accounts according to the merger accounting method. Such acquisition will strengthen the earnings base of the Group's real estate business and further increase the Group's land resources.

On 26 February 2011, the Company also announced its strategic cooperation with Chow Tai Fook group to jointly develop the Qingpu projects in Shanghai and form a joint operation for the Four Seasons Hotel Shanghai, pursuant to which the Group will sell its 90% equity interest in lots F and G of the Qingpu land in Zhujiajiao Town, Shanghai (considerations for the disposal of the two parcels of land were RMB1,131 million and RMB1,305 million respectively) and 77% equity interest in the Four Seasons Hotel Shanghai project for a consideration of HK$1,168 million to Chow Tai Fook group's member companies and the considerations will be paid in cash by installments. In addition to enhancing the branding and quality of the Qingpu project, the transactions will bring in a win-win cooperation for both parties and realize total proceeds of approximately HK$3,526 million to the Group and total after-tax gains of approximately HK$2,867 million upon completion.

Land Reserve

As at the end of 2010, Shanghai Urban Development owned 11 real estate projects mainly in five regions, namely Shanghai, Jiangsu, Anhui, Hunan and Chongqing, with a total land area of approximately 2,386,100 square meters and a planned total gross floor area of approximately 4,528,500 square meters. During the year, an additional land area of 250,570.6 square meters was added to Shanghai Urban Development. In July, the Chongqing project company completed the signing of a land grant contract in relation to a land plot of an area of 163,244 square meters under Phase II of Ivy Aroma Town, and in September the same year, the Mei Long Nanfang Shangcheng (with a land area of 87,326.6 square meters and a floor area ratio of 3.7) and the railway superstructure Xinzhuang block No. 222 located in Xinzhuang Town (with an above-ground floor area of not more than 405,000 square meters) were obtained by way of consortium bidding, of which the land grant contract for Mei Long Nanfang Shangcheng was duly signed in last December. Shanghai Urban Development's equity interests in the two projects, i.e. Mei Long Nanfang Shangcheng and the railway superstructure Xinzhuang Block No. 222 located in Xinzhuang Town, are 40% and 35% respectively.

In 2009, the Group successively acquired from its parent company lots D, E, F and G situated by the lakeside of Dianshan Lake, Zhujiajiao Town, Qingpu District of Shanghai with a total land area of approximately 1,698,500 square meters and planned total gross floor area of approximately 849,300 square meters. At present, lots D, E and F have consolidated into the Group while lot G is still in the approval stage, the transaction of which is due to be completed. The land plots are earmarked for the development of low density luxury residential blocks and villas. Taking into account lots A, B and C of the Qingpu land owned by SI Development, the Group's Qingpu project comprises a huge land area. As mentioned above, the Group will jointly develop about a quarter of the land with Chow Tai Fook group and will adopt a two-thronged approach of both sole development and joint development with strategic partners, thereby enhancing the development effectiveness of the Qingpu project.

The Group's acquisition of an aggregate of a 45.02% equity interest in SI Urban Development was completed in June 2010 and the general offer has not become unconditional and lapsed in July. SI Urban Development currently owns 15 real estate projects in 11 cities with an accumulated land area of approximately 7,462,100 square meters and a planned total gross floor area of approximately 12,716,200 square meters at the end of 2010. In September 2010, a subsidiary of the company and Shanghai Urban Development obtained by way of joint bidding the aforementioned Mei Long Nanfang Shangcheng in Shanghai, with the subsidiary holding a 25% interest therein.

As at 31 December 2010, taking into account the abovementioned lots D, E and F of Qingpu land owned by the Group, together with the land developed by Shanghai Urban Development and SI Urban Development, the Group in aggregate owns a planned total gross floor area of approximately 17,620,000 square meters. Upon injection of SI Development and lot G, the Group's planned total gross floor area will be increased to 23,430,000 square meters.

Set out below is a summary of the main property developments of the Group as at 31 December 2010:

Major Development Properties

Projects of Shanghai Urban Development	Type of property	Interest attributable to Shanghai Urban Development	Approximate site area	Total planned GFA	Total GFA pre-sold	Date of completion
Urban Cradle (萬源城) Minhang District, Shanghai	Residential	90%	943,000 square meters, of which 560,463 square meters are for residential areas at Lots B, C, D, E and F	1,307,369 square meters (included basement carpark and public facilities)	348,000 square meters	2007 to 2015, in phases
Royal Villa (琨城帝景園) Kunshan, Jiangsu	Hotel, commercial and residential	90%	205,017 square meters	268,021 square meters	87,083 square meters	2007 to 2014, in phases
Rose Town City Villa (玫瑰紳城) Hefei, Anhui	Commercial and residential	100%	181,215 square meters (included the site area of a parcel of land in the northern district)	445,551 square meters	144,908 square meters	2008 to 2014, in phases
Toscana (托斯卡納) Changsha, Hunan	Commercial and residential	55%	180,541 square meters	202,425 square meters	145,115 square meters	2006 to 2012, in phases
Ivy Aroma Town (常青藤 • 緹香小鎮) Chongqing	Residential	55%	289,812 square meters (included the land newly acquired during the year)	203,588 square meters	37,893 square meters	2009 to 2014, in phases
Yoooou.net (游站) Kunshan, Jiangsu	Composite	52%	34,223 square meters	129,498 square meters	–	2009 to 2012, in phases
Urban Development International Centre (上海中心 • 城開國際) Wuxi Lihu Economic Development Area	Hotel and commercial	100%	24,041 square meters	191,660 square meters	–	2009 to 2013, in phases
Shanghai Jing City (上海晶城) Minchang District, Shanghai	Residential	100%	259,182 square meters	604,620 square meters	–	2009 to 2013, in phases
Shanghai Jingjie (formerly known as Longxi Commodity Housing) **(上海晶杰)** Xinzhuang Town, Shanghai	Residential	100%	49,764 square meters	125,485 square meters (as adjusted)	–	2010 to 2012, in phases
Sub-total			2,166,795 square meters	3,478,217 square meters	762,999 square meters	

Projects of SI Urban Development	Type of property	Interest attributable to SI Urban Development	Approximate site area	Total planned GFA	Total GFA pre-sold	Date of completion
Youngman Point (青年匯) Chaoyang District, Beijing	Residential and commercial	100%	127,507 square meters	352,905 square meters	232,921 square meters	2007 to 2011, in phases
American Rock (後現代城) Chaoyang District, Beijing	Residential and commercial	100%	121,499 square meters	523,833 square meters	453,279 square meters	Completed
Phoenix Tower (鳳凰大廈) Futian District, Shenzhen	Office	91%	11,038 square meters	106,190 square meters	69,841 square meters	Completed
West Diaoyutai (西釣魚台嘉園) Haidian District, Beijing	Residential and services apartment	90%	42,541 square meters	250,836 square meters	166,821 square meters	2007 to 2012, in phases
Laochengxiang (老城廂) Original Urban Area, Tianjin	Residential, commercial, office and hotel	100%	244,252 square meters	752,883 square meters	497,087 square meters	2006 to 2012, in phases
Jiujiu Youth City (九久青年城) Songjiang District, Shanghai	Apartment and office	100%	57,944 square meters	213,755 square meters	118,968 square meters	2009 to 2012, in phases
Neo Water City (滻灞半島) Chanba River Economic Development Zone, Xian	Residential, commercial and hotel	71.5%	2,073,824 square meters	3,534,736 square meters	1,451,689 square meters	2008 to 2013, in phases
Top City (城上城) Gaoxin District, Chongqing	Residential, commercial, office and hotel	100%	113,268 square meters	802,532 square meters	238,860 square meters	2008 to 2012, in phases
Park Avenue (公園大道) Wenjiang District, Chengdu, Sichuan	Residential and commercial	100%	228,200 square meters	625,670 square meters	190,881 square meters	2011 to 2013, in phases
Forest Garden (森林海) Wangcheng Country, Changzha, Hunan	Residential	70%	667,749 square meters	1,073,600 square meters	139,854 square meters	2007 to 2013, in phases
Tai Yuan Street (太原街) Taiyuan Business Avenue, Shenyang, Liaoning	Services apartment, commercial and hotel	80%	22,651 square meters	244,950 square meters	–	2010 to 2012, in phases
Sub-total			3,710,473 square meters	8,481,890 square meters	3,560,201 square meters	
Total			**5,877,268 square meters**	**11,960,107 square meters**	**4,323,200 square meters**	

Major Future Development Properties

Projects of Shanghai Urban Development	Type of property	Interest attributable to Shanghai Urban Development	Approximate site area	Total planned GFA	Anticipated project commencement and completion date
Xujiahui Centre (徐家匯中心) Xuhui District, Shanghai	Composite	60% (obtained the land use rights of one parcel of land for composite use)	132,000 square meters dividing into six parcels of land (35,343 square meters obtained)	629,000 square meters (320,700 square meters obtained)	2010 to 2018, in phases
Mei Long Nanfang Shangcheng (Note) **(梅隴南方商務區)** Meilong Town, Shanghai	Composite	40%	87,327 square meters	421,300 square meters	2010 to 2015, in phases
Sub-total			219,327 square meters (Note)	1,050,300 square meters (Note)	

Projects of SI Urban Development	Type of property	Interest attributable to SI Urban Development	Approximate site area	Total planned GFA	Anticipated project commencement and completion date
Yanjiao (燕郊) Yanjiao Economic Technology Development Zone, Hebei	Residential, commercial and hotel	100%	333,333 square meters	460,000 square meters	2011 to 2013, in phases
Beichen (北辰) Yixinfu Old Village, Tianjin	Residential, commercial, apartment and hotel	40%	1,115,476 square meters	2,263,000 square meters	2012 to 2014, in phases
Mei Long Nanfang Shangcheng (Note) **(梅隴南方商務區)** Meilong Town, Shanghai	Composite	25%	87,327 square meters	421,300 square meters	2010 to 2015, in phases
Qi Ao Island Qi Ao Island, Zhuhai, Guangdong	Villa, commercial and hotel	100%	2,215,516 square meters	1,090,000 square meters	2012 to 2014, in phases
Sub-total			3,751,652 square meters (Note)	4,234,300 square meters (Note)	

Projects of the Company	Type of property	Interest attributable to the Group	Approximate site area	Total planned GFA	Anticipated project commencement and completion date
Lots D, Zhujiajiao Town Qingpu District, Shanghai	Villa	100%	511,877 square meters	255,939 square meters	Subject to project planning
Lots E, Zhujiajiao Town Qingpu District, Shanghai	Villa	100%	434,855 square meters	217,428 square meters	Subject to project planning
Lots F, Zhujiajiao Town Qingpu District, Shanghai	Villa	100%	350,533 square meters	175,267 square meters	Subject to project planning
Sub-total			1,297,265 square meters	648,634 square meters	
Total			**5,268,244 square meters** (Note)	**5,933,234 square meters** (Note)	

Note: Mei Long Nanfang Shangcheng, Shanghai project is a project obtained by, inter alia, Shanghai Urban Development and SI Urban Development by way of consortium bidding, with the two companies holding 40% and 25% interest therein respectively. Hence, there is double-counting in the total area.

Property Development and Investment

Shanghai Urban Development had newly added construction area during the year amounting to 435,769 square meters. Sales realized in 2010 was HK$4,276 million, a year-on-year increase of 118.6%, involving a total area of 108,890 square meters. A presale amount of HK$2,094 million was recorded for the year, which covered the projects of Urban Cradle in Shanghai, Royal Villa in Kunshan, Toscana in Changsha, Rose Town City Villa in Hefei and Ivy Aroma Town in Chongqing. In 2010, properties held for investment realized an annual total rental income of approximately HK$146 million which included mainly Urban Development International Tower, Huimin Commercial Tower and other retail properties, with a total gross floor area of approximately 77,000 square meters.

During the year, SI Urban Development recorded a revenue of approximately HK$4,110 million, a 7-fold increase as compared to that for the eight months ended December last year. Net loss for the year was HK$750 million, a decrease in loss of HK$1,360 million as compared to the loss of HK$2,110 million for the same period last year. Since the completion of the Group's acquisition of SI Urban Development on 24 June 2010, an adjustment to SI Urban Development's debt structure was carried out during the second half of the year to significantly reduce its debt levels, including the redemption of high interest loans of a total principal amount of RMB1.2 billion. A presale amount of HK$3,430 million was realized for the year which accounted for a gross floor area of approximately 516,000 square meters, including the presale projects of Laochengxiang in Tianjin, Neo Water City in Xian, Top City in Chongqing, Forest Garden in Changsha, Park Avenue in Chengdu and Jiujiu Youth City in Shanghai.

The Group's four residential blocks under development in Shanghai Bay located in the Xuhui District, Shanghai include 396 units with a total gross floor area of approximately 100,000 square meters. Glorious Property is currently responsible for the development, sale and day-to-day management of the properties. The project contributed a profit of HK$442 million to the Group during the year.

Hotel Operations

The successful convening of the Shanghai World Expo has promoted the recovery of the tourism industry in Shanghai, resulting in a significant rebound in the results of the Four Seasons Hotel Shanghai during the year. The hotel capitalized on opportunities arising from the World Expo and increased efforts to expand the local market. Average room rates picked up steadily and the hotel recorded a total annual revenue of HK$286 million, a year-on-year increase of 36.1%. SIIC South Pacific Hotel achieved a net profit of HK$20.65 million for the year, a turnaround from loss position as compared to last year. During the year, the hotel was named as the 2010 World's Top 50 Business Hotels and Top Hotel in Shanghai by Travel + Leisure in the United States, and enlisted in the Hotel Gold List and named as the Best Hotel in China and honored by Readers' Choice Travel Awards as the World's Best Hotels by Conde Nast travel magazine in the United States.

Consumer Products

Profit contribution from the Group's consumer products business for the year was HK$678 million, representing a year-on-year increase of 8.3% after excluding disposal gains and profit contributions from Lianhua Supermarket and Bright Dairy, which were disposed of last year. The profit accounted for approximately 27.7% of the Group's Net Business Profit.

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Tobacco

During the year, Nanyang Tobacco continued to adhere to its main focus of developing high-profit low-tar products while improving the sales and marketing system and promoting technical advancement to its products in order to keep continued improvements to maintain stable development of the company. The company realized a net profit of HK$531 million and a revenue of HK$2,196 million for 2010, an increase of 6.2% and 9.5% respectively over last year. Satisfactory growth rate was recorded for high value-added products under the Double Happiness brand such as Double Happiness Classic Deluxe, Double Happiness Premium and featured memorial cans, which achieved a year-on-year increase of 78.53%, 362% and 25.01% respectively. An overall growth was recorded across all sales markets. The company gradually expanded its overseas markets with the rollout of Double Happiness Classic Deluxe in duty-free shops in Singapore, Indonesia and Tokyo, Japan during the year.

During the year, Nanyang Tobacco actively implemented various projects for technology transformation, which included projects of increasing the production capacity for exquisite cans and deluxe packages, reforming the stem production line and sampling trial production for cut tobacco, etc. It is expected that the projects will be completed successively within this year. Piling works for the Yuen Long storage project was completed in June 2010 while the superstructure and mechanical and electrical works are scheduled to be completed by the middle of this year.

Printing

Wing Fat Printing recorded significant growth during the year with a revenue (including the containerboard business which was disposed of earlier this year) of HK$2,850 million, up 42.7% over last year and a net profit reaching HK$155 million, up 14.8%. The development of the printing business is relatively stable. The new joint venture WF Top Weld Packaging is principally engaged in the manufacture of matt tin can and pop-top cap as well as metal packaging and becomes the company's profit growth driver; Chengdu Wingfat Printing consolidated its customer groups during the year and recorded double-digit growth in the printing business on various brands including Maotai Platinum Wine, Langjiu, Xi Feng Wine and Jin Liu Fu. Moreover, its capability in wine packaging was significantly enhanced with the acquisition of additional printing and processing equipment. Apart from supplying cigarette packaging materials to Nanyang Tobacco, Dongguan Wingfat also successfully expanded its cigarette packaging business on various brands including Lanzhou Cigarette, Hongta, Yuxi, Tianxiaxiu and Heilongjiang and thus achieved another breakthrough in securing orders and customer base.

Hebei Yongxin Paper's newly-built 300,000 tonnes A-grade containerboard production line reached its planned capacity, and the company successfully rebounded to profitability during the year. In January 2011, the Company announced the disposal of all the 78.13% equity interests in Hebei Yongxin Paper held by the Group for a consideration of approximately RMB564 million and its withdrawal from the containerboard industry. The transaction is expected to be completed in the second quarter of this year and the Group received proceeds from the disposal (including shareholder loans to be repaid) totaling HK$1,200 million and a disposal gain of HK$140 million. Wing Fat Printing is able to focus its resources on the development of packaging printing business which generates relatively higher gross profit thereby optimizing its asset structure.

Key Figures

	2010	2009 (restated)	Change %
Results			
Revenue (HK$'000)	12,712,295	7,061,653	80.0
Profit attributable to shareholders (HK$'000)	5,277,752	2,870,132	83.9
Earnings per share – basic (HK$)	4.89	2.66	83.8
Dividend per share (HK cents)	108	108	-
– Interim (paid)	50	48	
– Final (proposed)	58	60	
Dividend payout ratio (note (a))	22.1%	40.6%	
Interest cover (note (b))	9.8 times	16.4 times	
Financial Position			
Total assets (HK$'000)	87,830,776	64,268,957	36.7
Shareholders' equity (HK$'000)	29,759,998	24,901,250	19.5
Net assets per share (HK$)	27.56	23.06	19.5
Net debt ratio (note (c))	29.39%	27.27%	
Gearing ratio (note (d))	36.71%	33.75%	
Number of shares in issue (share)	1,079,785,000	1,079,765,000	

Note (a): The dividend payout ratio for the year of 2010 is 56.0% if the disposal gain from the exit of the medicine business is excluded in the calculation
Note (b): (profit before taxation, interest expenses, depreciation and amortization)/interest expenses
Note (c): (interest-bearing loans – cash)/shareholders' equity
Note (d): interest-bearing loans/(shareholders' equity + non-controlling interests + interest-bearing loans)

Notes

(1) The transactions in connection to the transfer of shareholdings in pharmaceutical companies to Shanghai Pharmaceutical by the Company and the absorption and merger of SI Pharmaceutical with Shanghai Pharmaceutical were completed in February 2010. Upon completion of the transactions, the Company totally withdraw from the medicine business and the medicine business is presented as discontinued operation according to the Hong Kong Financial Reporting Standard 5 "Non-current Assets Held for Sale and Discontinued Operations".

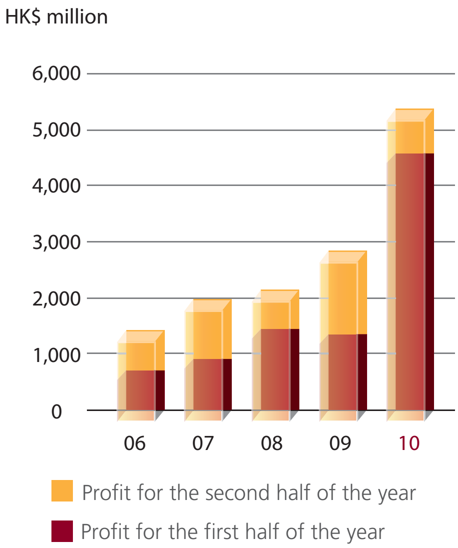
(2) The Company has adopted the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" to account for its acquisitions of Shen-Yu BVI and Feng Tao BVI from SIIC. The comparative figures for 2009 contained in this Financial Review had been restated accordingly.

I Analysis of Financial Results

1 Profit attributable to shareholders of the Company

For the year ended 31st December 2010, the Group recorded a profit attributable to shareholders of HK$5,277.75 million, an increase of HK$2,407.62 million or approximately 83.9% over 2009.

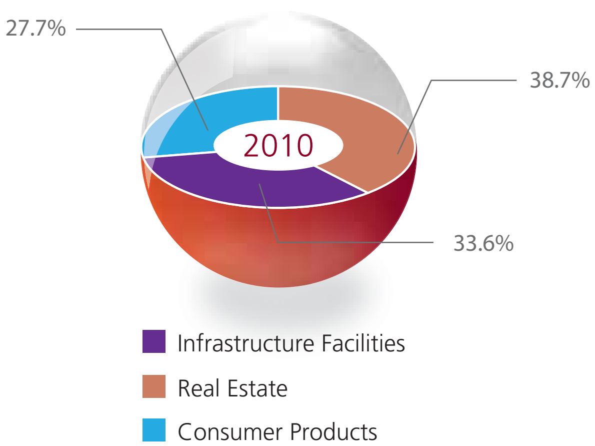
The increase in profit attributable to shareholders for the year was mainly attributable to net gains arising from disposal of the medicine business.

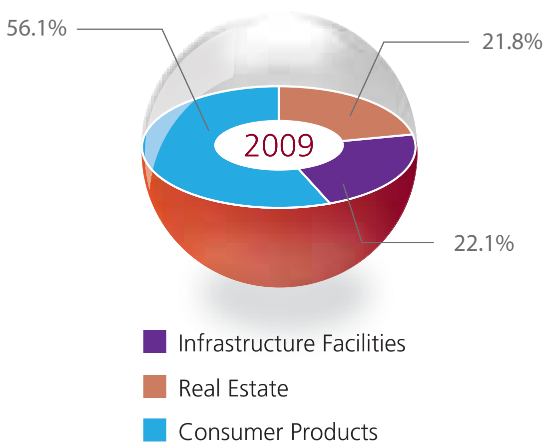


2 Profit Contribution from Each Business

The profit contributed by each business in the Group for the year 2010 and the comparative figures last year was summarized as follows:

	2010 HK$'000	2009 HK$'000	Change %
Continuing operations			
Infrastructure Facilities	821,017	739,376	11.0
Real Estate	945,723	730,982	29.4
Consumer Products	678,432	1,880,656	-63.9
Discontinued operations			
Medicine	3,226,774	638,838	405.1





Net profit from the infrastructure facilities business was approximately HK$821.02 million during the year, representing a year-on-year increase of 11.0%. Profit of HK$116.72 million for the year, in accordance with merger accounting, was attributable to the newly acquired Hu-Yu Expressway (Shanghai Section); a share of gain from bargain purchase of HK$76.00 million was attributable to the completion of the acquisition of Asia Water; and also General Water of China recorded a growth in profit due to the increased subsidy income received by the Suifenhe Project, all contributed to the increase in net profit from the infrastructure facilities business over last year.

The real estate business recorded a net profit of approximately HK$945.72 million, representing an increase of HK$214.74 million over last year, which was mainly attributable to a share of gain from bargain purchase of HK$361.06 million from the completion of the acquisition of 45.02% equity interest in SI Urban Development in last June. However, the magnitude of the increase in the net profit from the real estate business was reduced as a result of an attributable loss of HK$97.17 million recorded after the acquisition of SI Urban Development coupled with the non-occurrence of a property revaluation gain recorded by Shanghai Urban Development in the previous year.

The disposals of Bright Dairy and Lianhua Supermarket were completed in last year and no profit was contributed during the year. However, operating profit from the consumer products business remained stable mainly due to the fact that Nanyang Tobacco recorded a year-on-year increase of 6.6% in average price per box through adjusting product mix and net profit increased to approximately HK$530.93 million. In addition, paper manufacturing turned a loss into a profit as production line no.6 of Hebei Yongxin Paper, a subsidiary of Wing Fat Printing, commenced full operation and that sales of containerboard increased significantly due to the booming consumer market in mainland China, and thus drove an increase in the net profit contributed by Wing Fat Printing to approximately HK$147.51 million.

The disposal of the medicine business was completed in mid-February 2010. A disposal gain of HK$3,198.49 million for the year and a one month's attributable profit of HK$28.28 million were recorded respectively.

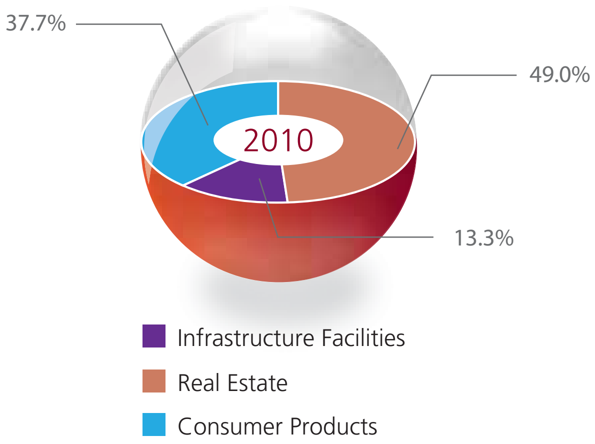
Full details of business operation and development of the respective businesses for 2010 are contained in "Business Review, Discussion and Analysis".

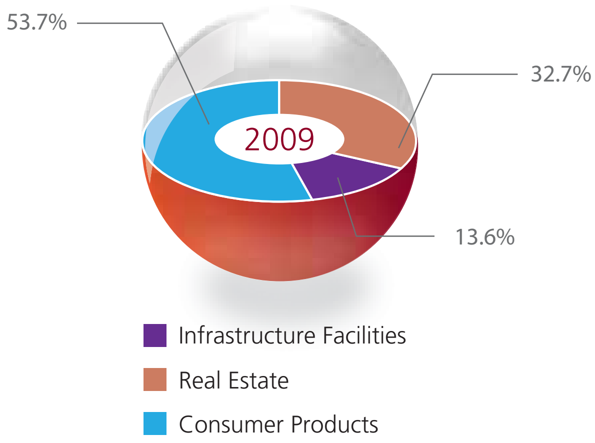
3 Revenue

The Group's revenue by principal activities for the year 2010 and prior year comparatives was summarized as follows:

	2010 HK$'000	2009 HK$'000	Change %
Continuing operations			
Infrastructure Facilities	1,687,270	962,277	75.3
Real Estate	6,227,158	2,309,087	169.7
Consumer Products	4,797,867	3,790,289	26.6
	12,712,295	7,061,653	80.0
Discontinued operations			
Medicine	692,883	5,844,309	

FINANCIAL REVIEW





Sales revenue from continuing operations was approximately HK$12,712.30 million for 2010, representing a significant increase of 80.0% over last year. Considerable growth was also seen in the revenue of all businesses, of which the year-on-year increase in revenue of the infrastructure facilities business was mainly due to a significance increase in toll revenue of Jing-Hu Expressway (Shanghai Section) and Hu-Kun Expressway (Shanghai Section) as the alteration and expansion works were completed and the economy continued to stabilize, and that revenue for the entire year of Hu-Yu Expressway (Shanghai Section) was booked in accordance with merger accounting upon completion of the acquisition in May, thus resulting in an increase of up to 75.3% in revenue.

Sale of real estate recorded a significant year-on-year increase in revenue of approximately HK$2.1 billion or 118.6% over last year due to the sale of Lounge City of Urban Cradle and Hefei Rose Town City Villa were booked by Shanghai Urban Development, of which property sales revenue booked in respect of each projects were Urban Cradle of 159,377 square meters (Lot D Lounge City units and parking spaces of 121,711 square meters and 32,595 square meters respectively; and Lot B Yuxi villa units of 5,071 square meters); Hefei Rose Town City Villa of 137,486 square meters, Kunshan Royal Villa of 31,313 square meters, Changsha Toscana of 31,642 square meters as well as the newly launched Chongqing Ivy Aroma Town of 16,631 square meters. In addition, attributable sales of Shanghai Jiujiu Youth City and Beijing Youngman Point booked for the second half of the year upon completion of the acquisition of SI Urban Development in June also contributed sales of approximately HK$1.4 billion.

Revenue of the consumer products business rose sharply mainly due to the significant year-on-year increase of HK$856.85 million in sales of paper manufacturing as Hebei Yongxin Paper, a subsidiary of Wing Fat Printing, was benefited from the increase in price of containerboard as a result of the booming consumer market in mainland China coupled with the full operation of production line no.6.

As the disposal of the medicine business was completed in mid-February 2010, only one month's revenue was recorded for the year.

4 Profit before Taxation

(1) Gross profit margin

Gross profit margin for the year was 30.7%, a drop of approximately 7.9 percentage points as compared to last year's gross profit margin of 38.6%. The drop in gross profit margin was mainly due to the sales booked in respect of the real estate business for the year were commodity housing which is of lower gross margin while that for the previous year were mainly villa and joint-row houses which are of higher gross margin. Moreover, as SI Urban Development's sale of property was consolidated for the second half of the year while the sale of properties so recorded, namely Shanghai Jiujiu Youth City and Beijing Youngman Point, have completed their presale at the time of acquisition, the acquisition price for the projects has already accounted for most of the profits and as a result, overall gross profit margin for the year was significantly dragged down.

(2) Net investment income

The investment in Shanghai Bay project contributed an investment income of HK$442.07 million for the year.

(3) Other income

Other income decreased as compared to last year mainly due to the fact that compensation was received for the impact on the infrastructure facilities business caused by the alteration and expansion works of expressway last year.

(4) Selling and distribution costs, administrative costs and finance costs

Increase in costs was mainly attributable to the consolidation of SI Urban Development's selling and distribution costs, administrative costs and finance costs for the second half of the year upon completion of its acquisition in June.

(5) Share of results of jointly controlled entities

Benefited from financial subsidies, a significant growth was seen in General Water of China's results. This, together with a share of gain from bargain purchase of HK$76.00 million booked upon completion of the acquisition of equity interest in Asia Water, contributed to a significant increase in the Group's share of results of jointly controlled entities.

(6) Share of results of associates

The Group completed the disposal of its shareholdings in SMIC and Bright Dairy in September and December 2009 respectively and did not share their operating results for the year. In last year, the Group still had to share the loss of SMIC of approximately HK$255.62 million.

(7) Net gain on disposal of interests in subsidiaries, jointly controlled entities and associates

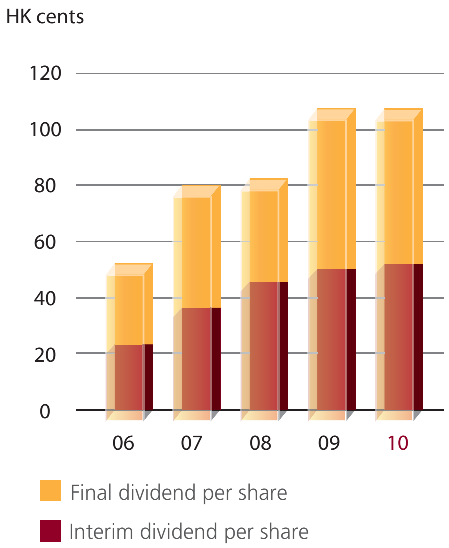
In last year, the Group mainly disposed of 35.176% equity interest in Bright Dairy, 21.17% equity interest in Lianhua Supermarket as well as its entire interest held in SMIC and recorded pre-tax disposal gain totaling HK$988.18 million.

(8) Gain from bargin purchase of interests in subsidiaries and impairment loss on available-for-sale investments

The Group completed the acquisition of 45.02% equity interest in SI Urban Development and recorded a gain from bargain purchase of HK$361.06 million for the year. Impairment loss was provided with reference to the fair value of the available-for-sale investments.

5 Dividends

The Group continued to adopt a stable dividend payout policy. After considering the significant disposal gain for the year, the Board of Directors has proposed to declare a final dividend of HK58 cents per share, together with an interim dividend of HK50 cents per share, the total dividend amounts to HK108 cents per share for 2010, maintain the same total dividend amounts of 2009.

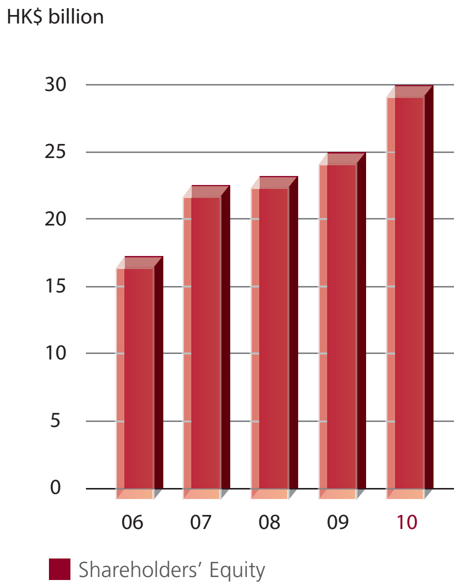


II Financial Position of the Group

1 Capital and Shareholders' Equity

The Group had a total of 1,079,785,000 shares in issue as at 31st December 2010, which was increased by 20,000 shares as compared with 1,079,765,000 shares in issue as at the end of 2009. The increase is mainly attributable to the exercise of share options by an employee.

The Group maintains a sound financial position. The shareholders' equity, reached HK$29,760.00 million as at 31st December 2010, which was attributable to the net profits after deducting the dividend actually paid during the year.



2 Indebtedness

(1) Borrowings

The Group obtained two syndication loan facilities of a total of HK$5.20 billion at the end of last year through a wholly-owned subsidiary, SIHL Finance Limited. These facilities will be applied to repay two syndication loans of a total of HK$5.20 billion which are to be expired in 2011.

As at 31st December 2010, the total borrowings of the Group including bank borrowings, other borrowings, senior notes and convertible notes amounted to approximately HK$24,006.97 million (31st December 2009: HK$17,372.50 million), of which 70.0% (31st December 2009: 63.5%) was unsecured credit facilities.

(2) Pledge of assets

As at 31st December 2010, the following assets were pledged by the Group in order to secure general credit facilities granted to the Group:

(a) investment properties with an aggregate carrying value of HK$2,614,606,000 (31st December 2009: HK$2,114,948,000);

(b) plant and machineries with an aggregate carrying value of HK$66,130,000 (31st December 2009: HK$474,779,000);

(c) leasehold land and buildings with an aggregate carrying value of HK$128,199,000 (31st December 2009: HK$211,825,000);

(d) trade receivables of HK$11,875,000 as at 31st December 2009;

(e) properties under development held for sale with an aggregate carrying value of HK$5,122,497,000 (31st December 2009: HK$1,611,699,000);

(f) properties held for sale with an aggregate carrying value of HK$38,536,000 (31st December 2009: HK$37,109,000);

(g) two toll road operating rights of HK$10,594,414,000 (31st December 2009: HK$9,138,892,000);

(h) receivables under service concession arrangements with an aggregate carrying value of HK$175,560,000 (31st December 2009: Nil);

(i) inventories, other than those included in (e) and (f) above, with an aggregate carrying value of HK$72,592,000 as at 31st December 2009;

(j) bank deposits with an aggregate carrying value of HK$108,862,000 (31st December 2009: HK$911,828,000); and

(k) a motor vehicle with a carrying value of HK$90,000 as at 31st December 2009.

(3) Contingent liabilities

As at 31st December 2010, the guarantees given to banks by the Group in respect of banking facilities utilised by an entity controlled by Xuhui District State Owned Asset Administrative Committee and outsiders amounted to approximately HK$3,813.64 million (31st December 2009: HK$1,599.40 million).

In addition, as at 31st December 2010, SI Urban Development, a subsidiary of the Company, had pledged its interest in an associate as a security for a real estate project held by that associate which SI Urban Development is responsible for the payment of demolishment and re-settlement expenses in excess of the original budget cost of the project.

3 Capital Commitments

As at 31st December 2010, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK$15,834.38 million (31st December 2009: HK$3,964.08 million). The Group had sufficient internal resources to finance its capital expenditures.

4 Bank Deposits and Short-term Investments

As at 31st December 2010, bank balances and short-term investments held by the Group amounted to HK$15,261.56 million (31st December 2009: HK$10,582.20 million) and HK$144.71 million (31st December 2009: HK$158.76 million) respectively. The proportions of US dollars, Renminbi and HK dollars were 6%, 64% and 30% (31st December 2009: 20%, 68% and 12%) respectively. Short-term investments mainly consisted of investments such as bonds, Hong Kong and PRC listed shares.

While having sufficient working capital and a healthy interest cover, the Group is monitoring the market situation and the funding requirements for business development, will seek opportunities to optimize capital structure should need arise.

III Management Policies for Financial Risk

1 Currency Risk

The Group mainly operates in China and the Hong Kong Special Administrative Region and the exposure in exchange rate risks mainly arises from fluctuations in the US dollar, HK dollar and Renminbi exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. As the HK dollar and Renminbi are both under managed floating systems, the Group, after reviewing its exposure for the time being, did not enter into any derivative contracts aimed at minimizing exchange rate risks during the year. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

2 Interest Rate Risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings respectively. In order to exercise prudent management against interest rate risk, the Group held certain structured interest rate hedging contracts to the notional amount of HK$500 million as at 31st December 2010 to hedge interest rate risk of its syndicated loans. The Group will continue to review the market trend, as well as its business operations needs and its financial position, so as to arrange the most effective interest rate risk management tools.

3 Credit Risk

The Group's principal financial assets are bank balances and cash, equity and debt investments, trade and other receivables. The Group's trade and other receivables presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made according to the Group's accounting policy or where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

With respect to the credit risk of the Group's treasury operations, the Group's bank balances and cash, equity and debt investments must be placed and entered into with financial institutions of good reputation. There are strict requirements and restrictions as to the outstanding amount and credit ratings on equity and debt investments to be held, so as to minimize the Group's credit risk exposure.

4 Equity Price Risk

The Group and the Company is exposed to equity price risk through its investment in equity securities classified as either available-for-sale investments or financial assets at fair value through profit or loss. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group and the Company's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange. In addition, management has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

CORPORATE GOVERNANCE REPORT

The Group believes that a set of standardized internal control system and comprehensive risk management guidelines are required to maintain highly effective corporate governance. In addition, strict control over operating and financial risks as well as principles to ensure compliance of business operations can facilitate an orderly corporate management with better use of resources, thereby reducing operating costs and enhancing overall operational efficiency. The Group will keep optimizing its governance structure to ensure healthy corporate growth. Corporate transparency and accountability will be fully reflected through various channels to establish investor confidence and protect shareholders' interests.

Corporate Governance Structure

The Group has a sound corporate governance structure that in the course of making business decisions, the Board has always placed considerable importance on the interests of its shareholders and other stakeholders. Through a sound, solid and rational corporate governance structure, authorities were delegated to respective committees for the implementation of corporate governance measures formulated by the Board:

In respect of information disclosure, the Group follows a principle of strict compliance on internal guidelines for information dissemination to the public to ensure that disclosures to the market are made in a fair, timely and accurate manner. Through different channels, a broad range of business information such as financial reports, operating results and latest business news, etc. is provided to shareholders and investors from time to time.

In accordance with the requirements for the Code on Corporate Governance Practices, the Company has during the year conducted an annual review on the effectiveness of its internal control system as well as that of its subsidiaries, in addition to internal audits currently conducted on all its directly owned entities. The scope of such reviews covered financial, operational and compliance controls and risk management functions. In response to the various mergers and acquisitions completed during the year, professional training and information on laws and regulations applicable to mainland China and Hong Kong in view of changes on regulatory system and legal requirements applicable thereto were given to new member companies.

Compliance with Corporate Governance Practices

During the year ended 31 December 2010, save as disclosed in the sections of Re-election of Directors, Code for Securities Transactions by Directors and Proceedings at Shareholders' Meetings in this report, the Company has applied the principles and complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Details of the principles and practices of governance of the Company and all major work and relevant changes during the year are set out in this report.

Board of Directors

The Board of Directors represents the highest level of authority in the governance structure of the Company. It is mainly responsible for formulating the Group's long term business development strategies and operational direction, monitoring the Group's business and financial performance, as well as leading and supervising the management to ensure thorough implementation of the Board's resolutions and effective performance of their duties.

Composition of the Board

The Board of Directors of the Company has ten members, of which seven are Executive Directors and three are Independent Non-Executive Directors.

Executive Directors:
Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Zhou Jie, Mr. Qian Shi Zheng, Mr. Zhou Jun and Mr. Qian Yi

Independent Non-Executive Directors:
Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis

Mr. Yao Fang resigned as Executive Director of the Company on 1 January 2010. The resolution in relation thereto had been passed by all members of the Board, and relevant disclosures were made in announcement pursuant to the requirements of the Listing Rules.

The members of the Board comprise experts from various professions who have served in relevant government and judiciary authorities, enterprises or financial institutions in mainland China and Hong Kong. They have extensive experience in corporate and financial administration, economic research and asset management. No members of the Board are materially related among themselves in terms of financial, business and family. Brief biographical details of the directors and senior management are set out on pages 47 to 52 of this Annual Report and published on the Company's website. In all corporate communications and the Company's website, the Company had disclosed the composition of the Board according to the categories and duties of the Directors.

Chairman and Chief Executive Officer

Mr. Teng Yi Long and Mr. Cai Yu Tian are the Chairman and the Chief Executive Officer of the Company respectively. The Chairman is mainly responsible for the management of the Board, providing leadership and ensuring that the Board works effectively. The Directors will be properly briefed on issues arising at board meetings and receive adequate information, which are complete and reliable, in a timely manner. The Chief Executive Officer is mainly responsible for the operation and management of the Group's businesses, leading the management executives and members of the management to perform their duties in accordance with the established business strategies and operation directions of the Board. The Company has adopted an Interpretation on the Responsibilities between the Chairman and the Chief Executive Officer for division of responsibilities between the two roles.

Nomination and Appointment of Directors

The nomination of the Directors is principally made by the controlling shareholder of the Company recommending candidates to the Company, and considered by the Board on the basis of the candidates' working experience, profession and academic background, and the time and contribution they are able to devote to the Company. In addition, the Company has provided the information required to newly appointed Directors in respect of their office as well as adequate guidance and advice for the discharge of their responsibilities under the laws and regulations.

Re-election of Directors

According to the provisions of the Code on Corporate Governance Practices, all newly appointed Directors to fill a casual vacancy are subject to election by shareholders at the first general meeting after appointment. Each Director (including those Directors who are appointed with a specific term) is subject to be re-elected by rotation at least once every three years.

At the 2010 annual general meeting held on 18 May 2010, Mr. Qian Shi Zheng, Dr. Lo Ka Shui and Prof. Woo Chia-Wei retired and were re-elected in accordance with the Company's articles of association. Mr. Qian Yi was appointed an Executive Director on 11 November 2009. Although the Company subsequently held an extraordinary general meeting on 16 November 2009, the notice of the meeting was issued before Mr. Qian Yi's appointment. Therefore, Mr. Qian had offered himself for re-election by the shareholders at the general meeting held on 11 January 2010, which was the first general meeting for which notice could be given in respect of his re-election, and was re-elected as director of the Company at the meeting.

At the 2011 annual general meeting to be held on 18 May 2011, Mr. Cai Yu Tian, Mr. Zhou Jie and Mr. Zhou Jun shall retire by rotation in accordance with the articles of association of the Company. All of them, being eligible, have offered themselves for re-election. The biographical details of the Directors to be re-elected at the 2011 annual general meeting are set out in the circular to shareholders regarding proposed general mandates to repurchase shares and to issue shares and re-election of Directors, to be dispatched to shareholders together with this Annual Report, so as to enable the shareholders to make an informed decision on their election.

Term of Directors

According to the Directors' service agreements entered into between the Company and Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Zhou Jie, Mr. Qian Shi Zheng, Mr. Zhou Jun and Mr. Qian Yi (all of whom are Executive Directors) respectively, any party to the agreement may terminate the agreement by giving to the other party prior written notice. In addition, the Company also issued letters of appointment for one Executive Director and three Independent Non-Executive Directors, specifying an appointment term of three years, subject to renewal upon expiry.

None of the Directors has entered into any service agreement 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.

As at the date of this report, the years of service and term of appointment for each member of the Board are as follows:

Name of Directors	Executive positions in the Board	Years of service with the Company	Term of appointment
Executive Directors			
Teng Yi Long	Chairman	3 Years	Any party to the agreement may terminate the agreement by giving to the other party six months' prior written notice.
Cai Yu Tian	Vice Chairman and Chief Executive Officer	5.5 Years	Any party to the agreement may terminate the agreement by giving to the other party six months' prior written notice.
Lu Ming Fang	–	9 Years	Until 31 December 2011, subject to renewal upon expiry.
Zhou Jie	Executive Deputy CEO	9 Years	Any party to the agreement may terminate the agreement by giving to the other party six months' prior written notice.
Qian Shi Zheng	Deputy CEO	9 Years	Any party to the agreement may terminate the agreement by giving to the other party six months' prior written notice.
Zhou Jun	Deputy CEO	5.5 Years	Any party to the agreement may terminate the agreement by giving to the other party six months' prior written notice.
Qian Yi	Deputy CEO	1.5 Years	Any party to the agreement may terminate the agreement by giving to the other party six months' prior written notice.
Independent Non-Executive Directors			
Lo Ka Shui	–	15 Years	Until 31 December 2013, subject to renewal upon expiry.
Woo Chia-Wei	–	15 Years	Until 31 December 2013, subject to renewal upon expiry.
Leung Pak To, Francis	–	15 Years	Until 31 December 2013, subject to renewal upon expiry.

Responsibilities of Directors

Each Director shall from time to time have knowledge of his responsibilities as Director of the Company, as well as the operation, business activities and development of the Company. Briefing sessions and training are given to the Directors whenever necessary during their tenure to ensure that they have a good understanding of the operations and businesses of the Company and are fully aware of their statutory responsibilities under the applicable laws and regulations.

The functions of the Company's Independent Non-Executive Directors include participating in board meetings to bring an independent judgment on issues of strategy, policy, internal control, performance, accountability, resources, key appointments and standards of conduct; taking the lead where potential conflicts of interests arise; scrutinizing the performance of the Company in achieving agreed corporate goals and objectives, and monitoring the reporting of the Company's performance. All Independent Non-Executive Directors are also members of both of the Audit Committee and the Remuneration Committee of the Company. No material commercial transaction has been entered into by them with the Company, its controlling shareholder and their respective subsidiaries, and they have no material interest in the principal operating activities. There was no evidence in any aspect which demonstrated that the guidelines relating to the assessment of the independence of Directors as set out in Rule 3.13 of the Listing Rules were not complied with. Each Independent Non-Executive Director has confirmed his independence according to Rule 3.13 of the Listing Rules for the year.

Maintaining close association with each of the Directors, the Company Secretary is responsible for ensuring that board meeting procedures and all applicable rules and regulations are followed, and offering advice and assistance to the Board members where necessary. Furthermore, the Company has established the Procedures for Directors to Seek Professional Advice in order to assist the Directors to discharge their duties, and the Directors may seek independent professional advice according to such agreed procedures at the expense of the Company.

The Company also arranged liabilities insurance for the Directors and officers of the Company and its subsidiaries, providing certain protection for the legal liabilities risks they may have involved in the discharge of their duties as well as to the possible legal claims made against the respective companies as a result.

Proceedings at Directors' Meetings

Generally, the schedule for convening regular meetings of the Board (in this section it also refers to the board committees) for the whole year will be proposed to each Director at the end of the previous year. The schedule will be provided to all Directors and committee members after it is fixed so that they could make arrangements for attendance. The Board will convene at least four regular meetings each year. Save for non-regular meetings held, during the year 2010, notices of board meetings and relevant materials were given to each Director 14 days and 3 days before the date of the regular meetings in accordance with the requirements of the Code on Corporate Governance. The management shall also ensure delivery of complete and reliable information to the Board. In order to ensure that sufficient time is given to the Directors to review the documents, the Company Secretary is responsible for sending out the relevant materials for board meetings 3 days before the date of the meeting.

The Company Secretary will confirm with the Directors if any matters are required to be included in the agenda for regular board meetings before sending it out. The Directors are given the contact information of the management or relevant employees, so that the Directors may have direct access to them or make further enquiries for better discharge of their duties as members of the Board.

Minutes of the Board and its committee meetings are kept with the Company Secretary and the matters considered and resolved at the meeting, including any concerns raised by Directors or dissenting views expressed will be recorded. Board meeting documents and related materials are open for inspection at any time by any Director. Drafts and full versions of minutes of meeting will be sent to all Directors/committee members by the Company Secretary for their comments and records within a reasonable period of time after the meeting is held.

If a substantial shareholder or a Director has a material conflict of interest in a matter to be considered by the Board, the matter will not be dealt with by circulation of documents and will be catered for at a regular board meeting for all Directors. During the year, when the Board considered transactions involving the controlling shareholder of the Company, full board meetings were convened to discuss and vote on relevant matters and all Independent Non-Executive Directors had attended the meetings. If any resolution of the board meeting involves material interests of any Director or any of his associates, such Director will abstain from voting and will not be counted in the quorum present at the meeting. According to the provisions of the Company's articles of association, a Director holding 5% or more interests in a company is regarded to have material interest in that company.

In 2010, eleven board meetings were held by the Company (five of which were in the form of written resolutions), with an attendance rate of 96%. Please refer to the Business Review, Discussion and Analysis of this Annual Report for material decisions made by the Board during the year. The attendance of individual Directors and committee members in 2010 is set out below:

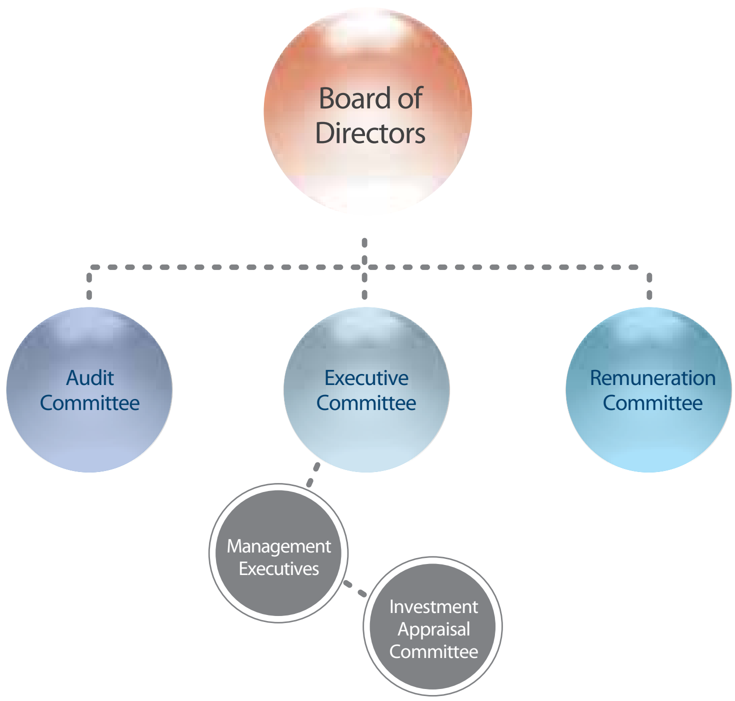
Meetings held in 2010					
	Meetings attended/Meetings held				
	Board	Executive Committee	Remuneration Committee	Audit Committee	General Meeting
Meetings held in the year	**11**	**9**	**5**	**3**	**3**
Executive Directors					
Teng Yi Long	9/11	9/9	–	–	2/3
Cai Yu Tian	11/11	9/9	–	–	3/3
Lu Ming Fang	11/11	9/9	–	–	3/3
Zhou Jie	11/11	9/9	–	–	3/3
Qian Shi Zheng	11/11	9/9	–	–	3/3
Zhou Jun	10/11	9/9	–	–	2/3
Qian Yi	11/11	–	–	–	3/3
Independent Non-Executive Directors					
Lo Ka Shui	10/11	–	5/5	3/3	3/3
Woo Chia-Wei	11/11	–	5/5	3/3	3/3
Leung Pak To, Francis	11/11	–	5/5	3/3	3/3
Committee Members					
Zhang Zhen Bei	–	–	5/5	–	–
Guo Fa Yong	–	–	5/5	–	–
Attendance	**96%**	**100%**	**100%**	**100%**	**93%**

Code for Securities Transactions by Directors

Pursuant to the relevant provisions in the Model Code in Appendix 10 and the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules, the Company has established its own Code for Securities Transactions by Directors or Relevant Employees. The Directors and those employees of the Company who, because of his office or employment, are likely to be in possession of any unpublished price sensitive information in relation to the Company or its securities, and the directors or such employees (and their respective associates) of the Company's subsidiaries or parent company must comply with such code in dealing with the securities of the Company. The code of the Company was set on terms no less exacting than the required standards set out in the Model Code. Having made enquiries with all the Directors and relevant employees, save for an Executive Director who acquired certain securities of the Company during the year but failed to obtain a prior written confirmation in a timely manner from the Company's designated Director as he was out of town for a business trip, each such Director and relevant employee has confirmed that the requirements of the Model Code and the Company's code were fully complied with during the year 2010. The interests of Directors in the securities of the Company and its associated corporations (within the meaning of the SFO) were set out on page 55 of this Annual Report.

Delegation by the Board

The Company has established an Executive Committee, an Audit Committee and a Remuneration Committee under the Board. All committees are responsible to the Board, and shall report to the Board on resolutions or advice they made.



The Executive Committee has given clearly defined scope of duties and responsibilities in respect of the authority to the Management Executives in particular on the Company's daily operation and management, investment projects, finance, audit, human resources and management of investment enterprises. The Management Executives are responsible for supervising the daily operations of various functional departments and report to the Executive Committee/Board. The Board will, in accordance with practical needs, review the delegation of authority where appropriate, to ensure a highly effective and clearly authorized management system.

Executive Committee

Established in 1996, the Executive Committee is a decision-making administrative body under the Board, with the primary responsibility of taking charge of the Company's day-to-day business, to ensure proper execution of the resolutions approved by the Board and at the general meetings, to review major business activities and investments and to report to the Board.

As of the date of this report, all members of the Executive Committee are Executive Directors, namely Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Zhou Jie, Mr. Qian Shi Zheng and Mr. Zhou Jun. Mr. Teng Yi Long is the Chairman of the committee.

Major Work Done by the Executive Committee

During 2010, the Executive Committee held nine meetings, eight of which were in the form of written resolutions, to consider major business activities, acquisitions and disposals carried out by the Company during the year, with an attendance rate of 100%.

Management Executives

The implementation of the decisions of the Executive Committee is delegated to the Management Executives and the functional departments. As of the date of this report, members of the Management Executives are Mr. Cai Yu Tian, Mr. Zhou Jie, Mr. Qian Shi Zheng, Mr. Zhou Jun, Mr. Zhang Zhen Bei, Mr. Ni Jian Da and Mr. Qian Yi. The functional departments of the Company included Administration, Company Secretarial, Corporate Communications, Finance, Human Resources, Internal Audit, Legal, Investment Operations and Shanghai Regional Head Office.

Investment Appraisal Committee

The Company has established an Investment Appraisal Committee to appraise its investment projects from different perspectives with professional competence and views given by various functional departments based on the Company's overall business investment strategies. After thorough analysis and discussion of key project elements, such as industry background, organizational structure, business development plans, return on investment, financial risk and legal risk issues, the committee will form independent professional advice and submit recommendations and reports to the Management Executives. Such appraisals will then be submitted to the Executive Committee for approval according to procedures regarding corporate investment decision-making processes. The Investment Appraisal Committee mainly comprises functional departments at the Hong Kong headquarter. Current members of the committee are: the Head of the Investment Operations Department, the Company Secretary, the Chief Legal and Compliance Officer and the Chief Financial Officer. During the year, the Investment Appraisal Committee conducted appraisals on eight projects.

Remuneration Committee

The Remuneration Committee, established in 2004, is mainly responsible for reviewing the remuneration policy and structure of the Company as a whole and supervises the effective implementation of such policies. The committee also makes recommendations to the Board on the establishment of formal and transparent procedures for setting remuneration policy and structure in regard to the Directors and senior management. The terms of reference for the Company's Remuneration Committee are published on the Company's website.

As of the date of this report, the Remuneration Committee is consisted of three Independent Non-Executive Directors, namely Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis and representatives from the management, namely Mr. Zhang Zhen Bei and Mr. Guo Fa Yong. Dr. Lo Ka Shui is the chairman of the committee while the Company Secretary acts as the committee secretary.

During the year, at the request of the committee members, amendments were made to the number of meetings of the Remuneration Committee to be held in a year. Such amendments were approved by the Broad by way of written resolution, and the amended terms of reference are published on the Company's website.

Major Work Done by the Remuneration Committee

In 2010, the Remuneration Committee held five meetings, two of which were in the form of written resolutions, with a 100% attendance rate. Matters considered included distribution and payment of discretionary bonuses to the Directors, adjustment of remuneration to Directors and senior management, amendments made to Remuneration Committee's terms of reference, grant of share options to the Directors of the Company by its subsidiaries and grant of share options by the Company.

According to the Company's performance appraisal policies, the salaries of the employees will be reviewed annually, taking into account the Company's performance, the individual performance of the staff and industry average to ensure a reasonable and competitive compensation package for its employees. To motivate performance, share options were also granted to employees and Directors.

Determination of Directors' Remuneration

The remuneration of the Directors was determined with reference to the operating results of the Company, industry benchmark and Directors' job responsibilities. Apart from basic salaries, the Directors are entitled to a discretionary bonus subject to the operating results of the Group, prevailing market conditions as well as the performance of the respective Directors. In determining such remuneration packages, the Remuneration Committee will, if necessary, consult the Chairman and/or Chief Executive Officer, or seek advice from professional consultants. For the year ended 31 December 2010, the remuneration of each Director was as follows:

Name of Director	Director's fee and committee remuneration (HK$'000)	Basic salary, allowance and retirement benefits scheme contributions (HK$'000)	Bonus (HK$'000)	Equity-settled share-based payment expenses (HK$'000)	Total (HK$'000)
Executive Director					
Teng Yi Long	–	3,153	2,100	2,059	7,312
Cai Yu Tian	–	2,302	1,995	6,861	11,158
Lu Ming Fang	200	338	–	1,287	1,825
Zhou Jie	–	1,893	945	1,458	4,296
Qian Shi Zheng	–	1,840	840	5,289	7,969
Zhou Jun	–	1,838	840	5,288	7,966
Qian Yi	–	1,832	840	1,287	3,959
Independent Non-Executive Director					
Lo Ka Shui	374	–	–	206	580
Woo Chia-Wei	360	–	–	206	566
Leung Pak To, Francis	360	–	–	206	566
	1,294	**13,196**	**7,560**	**24,147**	**46,197**

Audit Committee

The Audit Committee is a standing committee under the Board and plays a vital role in corporate governance. Established in 1998, the committee is mainly responsible for reviewing accounting policies and practices adopted by the Group. It also discusses matters relating to financial reporting as well as internal control and risk management and makes recommendations to the Board accordingly.

As of the date of this report, the members of the Audit Committee include three Independent Non-Executive Directors, namely Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis. Dr. Lo Ka Shui is the chairman of the committee while the Company Secretary acts as committee secretary.

Major Work Done by the Audit Committee

During 2010, the Audit Committee held three meetings, with a 100% attendance rate. Matters considered at the meetings included review of the Group's results, audit plans of external auditor and fees, audit work and non-audit projects and fees and review of the Company's financial control, internal control, risk management system and internal audit matters. During the year, one meeting was held in the absence of Executive Directors for the Audit Committee to meet with the auditor.

The management shall ensure the completeness and reliability of the information provided to the Audit Committee, so as to allow the committee to effectively perform its duties. The Audit Committee may, if necessary, seek professional advice in accordance with the Procedures for Directors to Seek Professional Advice of the Company at the expense of the Company.

Appointment of External Auditor

In considering the re-appointment of external auditor, the Audit Committee has taken into consideration its relationship with the Company and its independence in the provision of non-audit services. The external auditor has adopted internal policies and procedures for maintaining independence, including but not limited to regular rotation of audit partners and staff. Based on the results of the review and after taking into account the opinion of the management, the Audit Committee recommended the Board to re-appoint Deloitte Touche Tohmatsu as the external auditor of the Company for 2011, subject to approval by the shareholders at the annual general meeting to be held on 18 May 2011. There has never been any former partner of the firm then auditing the accounts of the Company acting as a member of the Company's Audit Committee.

The Company has also established Policies on Provision of Non-audit Services by External Auditor, and reported to the Audit Committee each year on non-audit services provided by the auditor to the Group. The audit fee for the external auditor for 2010 was HK$11,850,000. During the year, non-audit services provided to the Group by the Company's external auditor (including their affiliates) and the relevant fees were as follows:

Non-audit services	2010 (HK$)	2009 (HK$)
Financial due diligence for project acquisitions	2,350,000	1,245,000
Taxation advisory fee	693,000	266,000
Others	26,000	36,000
	3,069,000	1,547,000

Preparation of Financial Statements

The financial statements and interim report of the Company for 2010 were prepared in accordance with disclosure requirements set forth in Appendix 16 to the Listing Rules, Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants. The Board is responsible for preparing and reviewing the Group's accounts to ensure that they give a true and fair view on the financial position as well as the profits and cash flows of the Company. The Board's responsibility to present a balanced, clear and understandable assessment in all shareholders' communications has extended to the results and conditions of the Group, price-sensitive information and other information required to be disclosed under statutory requirements.

During the year, the management has provided the Board with sufficient data to review the Company's accounts, enabling it to make an informed assessment of the financial and other information put forth for approval. The Company has consistently applied applicable accounting policies, and has made prudent and reasonable judgments and estimates, and prepared its accounts on a going concern basis. The external auditor stated in the independent auditor's report its reporting responsibilities on the relevant financial statements, and such report is set out on pages 61 to 62 of this Annual Report.

Internal Control

The Board is responsible for ensuring that the internal control system of the Group is sound, proper and effective so as to safeguard the assets of the Company and the investments of the shareholders. The Board also endeavors to maintain sound risk management and internal control systems for the purpose of providing early warning on risks exposed in business operations and financial management. The rationale behind operations decisions and resources allocation will also be closely monitored. This will allow consistent and effective implementation of the systems and a clear delegation of authority and responsibilities within the structure, ensuring the successful achievement of pre-determined objectives.

An Internal Audit Department has been established for monitoring the internal control system of the Group (including all its major subsidiaries and jointly-controlled entities) to ensure prudent and effective operation of the respective companies. The audit covers financial controls, business operations, legal compliance and risk management. These areas will be constantly reviewed, assessed and followed up, and respective reports will be regularly made to the Audit Committee and the Board on a quarterly basis. The internal audit system is currently conducted in a cycle of three years. Internal audits will be conducted for every major entity under the Group for the purpose of risk assessment according to the significance of the respective projects. All these entities are assigned with designated officers for giving their feedbacks on the audits, made by the Internal Audit Department.

For the year ended 31 December 2010, the Company has collected information and carried out investigation in respect of internal control issues for its subsidiaries. No material deviation in the compliance with guidance on internal controls by the subsidiaries was reported. These subsidiaries have complied with relevant laws and industry regulations in respect of internal control for compliance, and no material non-compliance of rules or material litigation risks were reported. In addition, the Board and the Audit Committee considered the resources allocated, staff qualification and experience in respect of the accounting and financial reporting functions of the Company as well as training programs and budget were adequate and sufficient.

Shareholders

Information for Shareholders and Investors

As at 31 December 2010, SIIC, the controlling shareholder of the Company, held 577,502,371 shares (excluding interests in underlying shares and short positions) of the Company. The percentage of shareholding was approximately 53.48% (excluding underlying shares), and the percentage of public shareholding was approximately 46.52%. In accordance with the SFO, shares held by substantial shareholders of the Company and other persons in the Company and its associated corporations are set forth in the Directors' Report of this Annual Report.

At the annual general meetings, the Directors will communicate directly with the shareholders and address questions raised by them. The general meetings for 2010 were attended by the chairman of the board committees and questions raised by the shareholders were addressed. The Company has from time to time received valuable opinions from the shareholders and investors by way of e-mails, telephone and in writing and such opinions were respectively addressed.

Information Disclosures

To maintain the transparency of the Company, timely information on the development of the Group's business is disseminated through a wide range of channels, including annual and interim reports and results, circulars to shareholders, and results highlights published in Chinese and English newspapers. The latest business development of the Group is also made public through press conferences and press releases as well as on the website of the Company. The Company's website also provides access to the websites of the major entities under the Group. In addition, the senior management of the Company meets regularly with analysts and institutional investors to exchange views on the published business information of the Company. The Company Secretary or senior management in charge of the Company's investor relations is responsible for giving replies to enquiries and suggestions from shareholders, investors, media and the public. To enhance investor relations and facilitate communication, a specific e-mail address *enquiry@sihl.com.hk* was established by the Company.

Investor Relations

The Company accomplished significant breakthrough in real estate investment in 2010 as it made two sizeable acquisitions – SI Urban Development (formerly Neo-China), a Hong Kong listed company, and SI Development, an A-share listed company in Shanghai. Consequently, the scale of investment in real estate has been substantially expanded. In line with these major acquisitions, the Company organized a series of investor relations activities while participating in major investment events held by leading brokerage institutions. The management made efforts to communicate with institutional investors to explain details of asset mergers and acquisitions, as well as future development plans – to enhance their understanding of the Company's strategies.

Altogether we had made presentations in 14 investor conferences in New York, Singapore, Beijing, Shanghai, Guilin, Macau and Hong Kong. In connection with mergers and acquisitions activities, we had organised 15 rounds of investor activities, including one-on-one meetings, luncheon presentations, teleconference calls, and overseas road shows in London and Singapore. Adding the investor relations meetings in the wake of the interim and annual results announcement, and the irregular company visits, a total of 650 investor contacts were made throughout the year. At the invitation of a leading brokerage firm, the management also visited large-scale fund houses in Shanghai and Beijing to facilitate mainland investors' understanding of the Company.

Taking advantage of the occasion of the Shanghai Expo, the Company invited fund managers, key research analysts and financial journalists to Shanghai in June to visit our major investment projects to facilitate their understanding of the Company's core business development and future growth potential.

Proceedings at Shareholders' Meetings

Apart from the 2010 annual general meeting held on 18 May 2010, the Company convened extraordinary general meetings in respect of the following matters pursuant to the Listing Rules:

- *On 11 January 2010*
  - Discloseable and connected transactions in relation to acquisition of land lots F and G in Qingpu land in Shanghai and the Hu-Yu Expressway (Shanghai Section)
  - Election of Director
- *On 20 September 2010*
  - Discloseable and connected transaction in relation to acquisition of shareholdings in SI Development
  - Refreshment of scheme mandate limit of a share option scheme of SI Urban Development

During the year, notices for general meetings were set out in the related circulars to shareholders, which were dispatched to shareholders at least 20 clear business days or 10 clear business days before the date of the annual general meeting or extraordinary general meetings respectively in accordance with requirements.

At the 2010 annual general meeting held on 18 May 2010, Mr. Teng Yi Long, the Chairman, did not attend the meeting as he was away for a business trip. Mr. Cai Yu Tian, the Vice Chairman, was then elected to be chairman of the meeting by the shareholders who attended the meeting. The chairman of the board committees also attended the 2010 annual general meeting to answer questions raised by the shareholders. The Chairman and the chairman of the board committees attended the extraordinary general meetings held on 11 January 2010 and 20 September 2010 respectively, to answer questions raised by the attending shareholders.

Pursuant to the provisions of the Listing Rules, all voting at general meetings were conducted by way of poll, and the Chairman had provided the detail procedures for conducting a poll and answered all questions raised regarding voting at the commencement of the general meetings. Separate resolutions were proposed at the meetings on each separate issue. Tricor Secretaries Limited, the share registrar of the Company, was appointed as the scrutineer for the meetings and was responsible for the arrangement of the voting procedures. The Company announced the poll results in the evening of the same day and uploaded the same on the website of the Company and the HKExnews website of the Stock Exchange for perusal by the shareholders.

Trading Platform of the Company's Shares

The Company maintains trading platforms in both the Hong Kong and New York stock markets. Investors can trade ADR Level 1 shares set up by the Company in the over-the-counter market in the US. Each ADR represents 10 ordinary shares of the Company. The Bank of New York Mellon is the depositary of the Company's ADR. Investors in Hong Kong can obtain ADR quotes for each trading day of the Company's shares through the media. The Company is a constituent stock of the MSCI China Free Index and HSC Index.

Human Resources

Remuneration and Benefits Policies

Through its performance appraisal mechanism, the Company carries out annual reviews in accordance with its business performance, individual staff performance and industry average, in order to provide a reasonable and competitive compensation package for its employees.

Staff (including Directors) salaries, allowances and bonuses totaled HK$638 million for the year (2009: HK$990 million). In order to ensure effective recruitment and successful retention of talents, the Company offers, in addition to salaries, allowances and bonuses, a compensation package to its staff that includes cash allowances, medical and personal accident insurance. The Company operates a defined contribution pension scheme for its qualified employees. Furthermore, in compliance with the Mandatory Provident Fund Schemes Ordinance, all employees are required to participate in the mandatory provident fund scheme. The assets of the two schemes are administered separately by independent custodian(s) in accordance with relevant laws and regulations.

Share Options

The Group grants share options as incentives to Directors, employees and other eligible persons for their contributions to the Group. Pursuant to the SIHL Scheme adopted by the Company on 31 May 2002, the Company has granted share options in four batches and a total of 68,150,000 share options have been granted. As at the date of this report, the exercisable period of the first, second and third batches of share options were expired, and the fourth batch of share options was granted on 2 November 2010 with a total of 25,900,000 share options at an exercise price of HK$36.60 per share. For the year ended 31 December 2010, 20,000 share options were exercised while 25,880,000 share options were unexercised.

During the year, the Company has completed its acquisition of 45.02% interest in SI Urban Development, a company which is principally engaged in property development, property investment and hotel operations and is deemed to be a subsidiary of the Company by virtue of the Company's control over it. The primary purpose for the SI Urban Development Scheme was to enable the company to grant options to participants as incentives and rewards for their contributions made to the company. Pursuant to the SI Urban Development Scheme adopted by SI Urban Development on 12 December 2002, SI Urban Development has successively granted share options equivalent to a total of 125,625,000 share options after the share consolidation made on 29 October 2007 became effective and such share options were lapsed during the year. Upon refreshment of the scheme mandate limit by SI Urban Development during the year, a total of 111,500,000 share options were granted on 24 September 2010 at an exercise price of HK$2.98 per share. For the year ended 31 December 2010, no share options granted under the SI Urban Development were exercised.

On 12 February 2010, the Company completed the disposal of its pharmaceutical assets, which included the 70.41% interest in Mergen Biotech indirectly owned by it. Mergen Biotech is thus no longer a subsidiary of the Company. Mergen Biotech's major asset is a 100% stake in Sunway Biotech. Sunway Biotech is principally engaged in the development and production of anti-cancer drugs. The primary purpose for Mergen Biotech to adopt its share option scheme was to offer relevant employees the opportunity to acquire a stake in Mergen Biotech, encouraging them to perform their work with the aim to appreciate Mergen Biotech's value. Pursuant to the Mergen Biotech Scheme adopted by the Company on 28 May 2004, the first batch of share options for 63,400 Mergen Biotech shares was granted in December 2004, of which share options for 58,000 Mergen Biotech shares were lapsed. During the year and up to the date of completion of the abovementioned disposal of interest, no Mergen Biotech share options have been granted or exercised under the Mergen Biotech Scheme.

Details of the SIHL Scheme, SI Urban Development Scheme and Mergen Biotech Scheme are set out in note 40 to the financial statements.

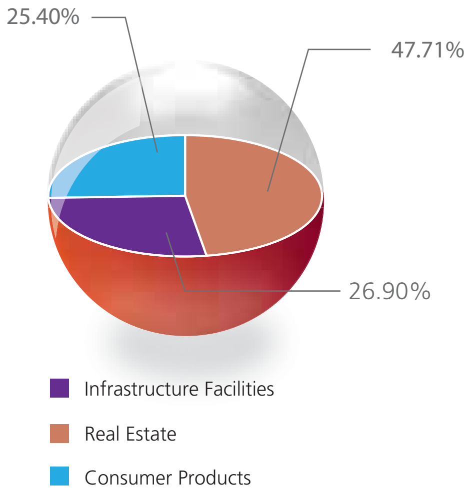
Human Resources

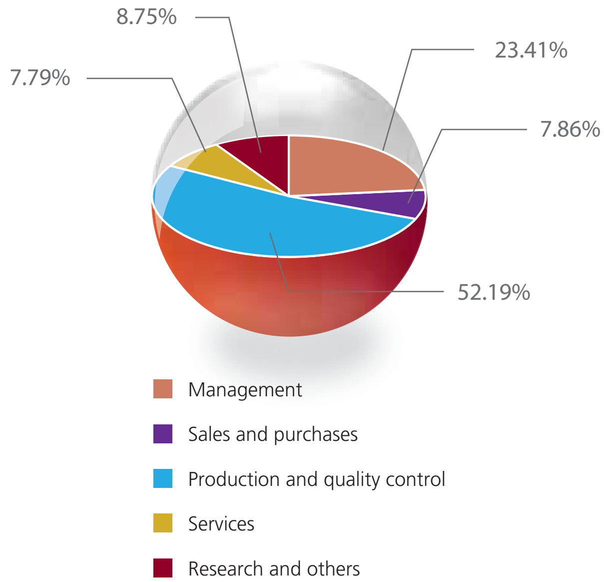
The Group has an outstanding team of employees who have complied with various working rules, codes, principles and moral standards established by the Company. The continued and due diligence efforts of the employees taking up respective responsibilities are the key driving forces behind the sustainable growth of the Group.

As at 31 December 2010, the Company has completed the acquisitions of an equity stake in SI Urban Development, Asia Water and United Runtong Water giving rise to an increase in the number of employees, while on the other hand, the Company also completed the disposal of certain pharmaceutical enterprises. Accordingly, the number of employees of the Group has dropped from 15,141 employees as at last year end to 7,540 employees as at the end of this year, representing a decrease of 50.2% over last year. Of all the employees, about 91.63% were stationed in mainland China (2009: 96%) and the remaining 8.37% (2009: 4%) were Hong Kong and overseas employees. The ratio of male to female staff was 59.5:40.5 (2009: 55:45). Below is the employee profile by age, years of service and academic qualifications:

	2010	**2009**
Average age	36	34
Average years of service	6	9
% of employees holding a university degree or above	23%	21%

The distributions of employees according to business segment or work nature were as follows:





Employee Relationship and Training

With a strong commitment to staff relationship and training, arrangement was made during the year for our Hong Kong staff to visit the Shanghai World Expo in order to strengthen the interaction between Hong Kong and Shanghai. Apart from that, a number of staff training programs were also offered by the Group which covered corporate governance and case studies, business development planning and analysis, interpersonal communication skills, interpretation of laws and regulations, print production licence and occupational safety. Subsidies were given to staff at various levels to enroll in appropriate courses through the sponsorship scheme for further studies established by the Company, so as to encourage employees at head office to continue their education, adding value both for themselves and for the Company.

Corporate Social Responsibilities

Environmental Protection

Complying with relevant environmental protection laws and regulations the Company's headquarters and the Group's respective subsidiaries have passed prescribed environmental audits for years. Currently, certified eco-friendly paper is used in documents prepared by the Company such as annual and interim reports and circulars to shareholders. The Company is committed to upgrading its stationery and equipment, reducing the use of paper and implementing paperless initiatives to reduce reckless consumption of environmental resources. A clean office environment is constantly promoted to provide a pleasant working environment for its staff to improve work efficiency.

During the year, member companies of the Group have allocated resources for the improvement of environmental protection facilities, recycling of waste while ensuring the quality of afforestation. Wing Fat Printing took part in World Wildlife Fund's Low Carbon Office Operation Program certification to economize the use of paper and electricity, recycling of industrial and electronic waste, recycling of plastic bottles and garbage classification, etc. Dongguan Wingfat allocated resources to upgrade its environmental protection facilities within the plant area while environmental waste was periodically collected. Nanyang Tobacco actively promoted a "paperless office" and initiated environmental publicity. Wuhan Kaidi Water Technology reduced emissions of pollutants and energy during sewage treatment processes to achieve recycling of natural resources. SIUD Wuxi Real Estate organized activities to promote low-carbon healthy living in Wuxi. United Runtong Weifang Sewage Treatment Plant received Environmental Pollution Facilities Operation Class A Qualification; Dezhou Sewage Plant has been repeatedly awarded the honorary title of emission reduction, SIUD Jingjie organized overall contracting units to carry out environment rectification within the work area to eliminate light and reduce noise.

Social Welfare

Apart from taking part in general social charity activities such as A Day for Charity Donation, World Expo Volunteers and Transportation Volunteers, a number of member companies of the Group also mobilized its staff members to donate money and supplies to the earthquake victims after major earthquakes in Yushu, Qinghai in April. In addition, a volunteer team comprising staff from Shanghai Urban Development paid regular visits to elderly and child welfare homes, bringing warm wishes and loving care to the inmates. Orphans and disabled children were invited to enjoy a guided tour of Shanghai World Expo while charity bazaars are organized quarterly to raise funds for the poor children. Wanyuan Real Estate was named Star of Charity by Shanghai Charity Foundation Minhang District Branch in recognition of its donations to the city. Wing Fat Printing was awarded the Caring Company recognition by the Hong Kong Council of Social Service for eight consecutive years in recognition of its support given to underprivileged groups.

The Group will continue its focus on environmental protection and take an active role in charity and welfare activities for the well-being of the society.

By Order of the Board
Yee Foo Hei, Jackson
Company Secretary

30 March 2011

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

Directors

Executive Directors

Mr. TENG Yi Long ***Executive Director, Chairman***
(Appointed on 30 May 2008 ~ Present)

Mr Teng, aged 63, is the chairman of Shanghai Industrial Investment (Holdings) Co. Ltd. He graduated from Shanghai Jiaotong University majoring in industrial engineering management and East China University of Politics and Law majoring in civil and commercial law. He held top management position in Sichuan Diesel Engine Factory and was the Deputy Director of Sichuan Sixth Machinery Industrial Bureau under the Sixth Machinery Industrial Ministry. Also he held top management position in Shanghai Jiangnan Shipyard and was the chairman of Shanghai Municipal Federation of Trade Unions, a vice chairman of All China Federation of Trade Unions and the President of the Shanghai High People's Court. He has over 20 years of experience in the management of large enterprises and has over 10 years of judicial experience. He has extensive experience in economics, legal matters, enterprise management and shipbuilding, and in organizing and implementing key technological R&D projects. Mr. Teng is currently a member of the National Committee of the Chinese People's Political Consultative Conference and the Consultative Committee of the Supreme People's Court of the PRC, an adjunct professor of East China University of Political Science and Law and Shanghai University of Engineering Science, an honorary researcher of Shanghai Academy of Social Sciences, the vice chairman of Commercial Aircraft Corporation of China, Ltd. and an honorary president of The Hong Kong Chinese Enterprises Association.

Mr. CAI Yu Tian ***Executive Director, Vice Chairman, Chief Executive Officer***
(Appointed on 19 December 2005 ~ Present)

Mr. Cai, aged 61, is an executive director and the president of Shanghai Industrial Investment (Holdings) Co. Ltd. Concurrently he is an executive director and the chairman of Shanghai Industrial Urban Development Group Ltd., the chairman of Shanghai Urban Development (Holdings) Co., Ltd., Shanghai SIIC South Pacific Hotel Co., Ltd., General Water of China Co., Ltd., the non-executive chairman of Asia Water Technology Ltd., and a director of certain other subsidiaries of the Group. Mr. Cai obtained a master's degree from East China Normal University with major in world economics, and was a research associate. Mr. Cai had been the chief executive officer of Zhong Hua Enterprises Co. During the period from September 1987 to November 2005, he had been the Deputy Director and the Director of the Shanghai Municipal Housing Administration Bureau, the Director of the Shanghai Municipal Housing and Land Administration Bureau and the Director of the Shanghai Municipal Housing, Land and Resources Administration Bureau respectively. Mr. Cai has more than 20 years' experience in real estate, economic and administrative management.

Mr. LU Ming Fang ***Executive Director***
(Appointed on 5 January 2002 ~ Present)

Mr. Lu, aged 54, is an executive director of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC") and a director of certain other subsidiaries of the Group. He graduated from Fudan University with a master's degree in economics and The Chinese University of Hong Kong with a master's degree in professional accountancy, and is designated a senior economist. Mr. Lu joined SIIC in July 1995. He is the chairman of Shanghai Pharmaceutical (Group) Co., Ltd. and Shanghai Pharmaceuticals Holding Co., Ltd. and was the Chief Executive Officer of the Company, deputy general manager of the assets management department of SIIC, a director and executive deputy general manager of Shanghai S.I. Capital Co. Ltd., director and general manager of Shanghai Industrial United Holdings Co. Ltd., general manager of the finance and planning department, assistant president and vice president of SIIC. He has over 30 years' management experience, including nearly 20 years' working experience in investment banking and listed companies.

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

Mr. ZHOU Jie ***Executive Director, Executive Deputy CEO***
(Appointed on 5 January 2002 ~ 18 January 2004
Re-appointed on 19 November 2007 ~ Present)

Mr. Zhou, aged 43, is an executive director and the executive vice president of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC") and a director of The Wing Fat Printing Co., Ltd. and certain other subsidiaries of the Group. Mr. Zhou graduated from Shanghai Jiaotong University with a master's degree in management science and engineering. He is a non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. and Semiconductor Manufacturing International Corporation, and the chairman of the supervisory committee of Shanghai Pharmaceuticals Holding Co., Ltd. He was the deputy general manager of the investment banking head office of Shanghai Wanquo Holdings Ltd. (now Shenyin & Wanguo Securities Co., Ltd.). He joined SIIC in May 1996 and had held the positions of the chairman and general manager of Shanghai S.I. Capital Co., Ltd. He has over 10 years' experience in investment banking and capital markets operation.

Mr. QIAN Shi Zheng ***Executive Director, Deputy CEO***
(Appointed on 5 January 2002 ~ Present)

Mr. Qian, aged 58, is a vice president of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC") and an executive director of Shanghai Industrial Urban Development Group Ltd., a director of Shanghai Urban Development (Holdings) Co., Ltd. and certain other subsidiaries of the Group. He graduated from Fudan University with a master's degree in economics and a doctorate degree in management and had taught at Fudan University. He joined SIIC in January 1998, and served as chief accountant and the general manager of the internal audit department. Currently, he is the vice chairman of Haitong Securities Co., Ltd. and an independent non-executive director of Lonking Holdings Ltd. and Changsha Zoomlion Heavy Industry Science and Technology Development Co., Ltd. He has over 20 years' experience in theory and practice of finance and accounting.

Mr. ZHOU Jun ***Executive Director, Deputy CEO***
(Appointed on 15 April 2009 ~ Present)

Mr. Zhou, aged 42, is an executive director of Shanghai Industrial Urban Development Group Ltd., a non-executive director of Asia Water Technology Ltd., the chairman of SIIC Management (Shanghai) Ltd., Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Luqiao Development Co., Ltd., Shanghai Shen-Yu Development Co., Ltd. and United Runtong Water Co., Ltd., and a director of Shanghai Urban Development (Holdings) Co., Ltd., General Water of China Co., Ltd. and certain other subsidiaries of the Group. He graduated from Nanjing University and Fudan University with a bachelor's and a master's degree in economics (international finance), and is designated an economist. He was appointed as a Deputy CEO of the Company in December 2005 and currently is a vice president of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC") and the chairman of Shanghai Galaxy Investment Co., Ltd. ("Shanghai Galaxy"), and is a member of the Shanghai Municipal People's Congress. He worked for Guotai Securities Co., Ltd. (now Guotai Junan Securities Co.) before joining SIIC in April 1996. The management positions he had held within the SIIC group of companies were deputy general manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., deputy general manager of Shanghai United Industrial Co., Ltd., director and general manager of Shanghai Galaxy and general manager of the strategic investment department of SIIC. Mr. Zhou has more than 10 years' professional experience in securities, finance, real estate and project planning.

Mr. QIAN Yi ***Executive Director, Deputy CEO***
(Appointed on 11 November 2009 ~ Present)

Mr. Qian, aged 57, is the chairman and the general manager of Nanyang Brothers Tobacco Co., Ltd., the chairman of The Wing Fat Printing Co., Ltd. and a director of certain other subsidiaries of the Group. He graduated from Fudan University with a bachelor's degree in enterprise management and obtained a master's degree in business administration from East China Normal University. He holds the designation of senior economist. Mr. Qian was appointed a Deputy CEO of the Company in July 2009. He served as the vice chairman and the executive president of Shanghai Sunway Biotech Co., Ltd., deputy head of Shanghai Boiler Works Ltd., deputy chief economist of Shanghai Electric (Group) Corp. and the head of Shanghai Heavy Machinery Plant. He has extensive experience in enterprise management.

Independent Non-Executive Directors

Dr. LO Ka Shui ***Independent Non-Executive Director***
(Appointed on 15 March 1996 ~ Present)

Dr. Lo, aged 64, is the Chairman and Managing Director of Great Eagle Holdings Limited and the Non-executive Director and Chairman of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust). He is a Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited and an Independent Non-executive Director of Phoenix Satellite Television Holdings Limited, China Mobile Limited and some other publicly listed companies in Hong Kong. He is also a Vice President of The Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, a Board Member of the Hong Kong Airport Authority and the Chairman of The Chamber of Hong Kong Listed Companies. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has more than 30 years' experience in property and hotel development and investment both in Hong Kong and overseas.

Prof. WOO Chia-Wei ***Independent Non-Executive Director***
(Appointed on 15 March 1996 ~ Present)

Prof. Woo, aged 73, is currently Senior Advisor of Shui On Holdings Limited and President Emeritus of the Hong Kong University of Science and Technology. In addition, Prof. Woo is an independent non-executive director of First Shanghai Investments Limited, Lenovo Group Limited and Trony Solar Holdings Company Limited (all listed on the Hong Kong Stock Exchange).

Mr. LEUNG Pak To, Francis ***Independent Non-Executive Director***
(Appointed on 15 March 1996 ~ Present)

Mr. Leung, aged 56, has over 30 years of experience in corporate finance involving in capital raisings, mergers and acquisitions, corporate restructuring and reorganisation, investments and other general corporate finance advisory activities in Hong Kong and China. He is a non-executive director and the chairman of Imagi International Holdings Limited and a non-executive director of Sun Hung Kai & Co. Limited. In 1980, Mr. Leung graduated with a master's degree in business administration from University of Toronto, Canada.

Senior Management

Mr. ZHANG Zhen Bei
Mr. Zhang, aged 56, was appointed a Deputy CEO of the Company in November 2007. He is also an assistant president and the general manager of the human resources department of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC"). Being a graduate of Shanghai University, Mr. Zhang also has a master's degree in business administration and holds the designation of international business engineer (Economist). Mr. Zhang joined SIIC in 1992, and had held the positions of the personnel director and vice president of Shanghai Overseas Company, and vice president of Shanghai International Holding Corp. GMBH (Europe). He had also been appointed as section officer and deputy personnel director of Shanghai Foreign Economic Relations & Trade Commission. Mr. Zhang has more than 20 years' experience in international business and human resources management.

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

Mr. NI Jian Da

Mr. Ni, aged 48, was appointed a Deputy CEO of the Company in March 2008. He is also an executive director and the president of Shanghai Industrial Urban Development Group Ltd., a director and the president of Shanghai Urban Development (Holdings) Co., Ltd. ("Shanghai Urban Development"). He graduated from Shanghai University and La Trobe University of Australia with a master's degree in business administration. Mr. Ni was the general manager of Shanghai Xuhui Real Estate Management Co., Ltd., a deputy general manager of Shanghai Urban Development and the general manager of the real estate department of China Huayuan Group Ltd., and has more than 20 years' professional experience in the real estate, economic and management. Mr. Ni was elected member of the Shanghai Municipal People's Congress in 2003, and received the honors as one of the 25 Chinese Entrepreneurs with Most Reforming Ideas, among the Top Ten Persons of the Year Elected by the 2006 China International Real Estate and Archi-tech Fair, one of the 2007 Boao Forum Most Influential Persons in China's Real Estate Industry in 20 Years and one of the Top Ten Entrepreneurs in the Shanghai Real Estate Sector in 18 Years in 2005. He was a vice chairman of Shanghai Youth Federation and is currently the chairman of Shanghai Young Entrepreneurs Association and a vice chairman of Shanghai Real Estate Association.

Mr. YANG Jian Wei

Mr. Yang, aged 39, was appointed an Assistant CEO of the Company in October 2009. He graduated from Huazhong University of Science and Technology and Shanghai Jiaotong University with a bachelor's degree of engineering, master's degree in management engineering and doctor's degree in management, and is designated an economist. He worked for China National Nonferrous Materials Co., Ltd. and Hong Yuan Securities Co., Ltd. Mr. Yang joined Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC") in June 2004, and was assistant general manager of Shanghai Galaxy Investment Co., Ltd., assistant general manager of the board of directors' office and secretary to chairman of SIIC. He has more than 10 years' experience of financial investment, securities research, investment banking and project planning.

Mr. SHU Chang

Mr. Shu, aged 52, was appointed an Assistant CEO of the Company in December 2009. He is also a vice president of Shanghai Industrial Urban Development Group Ltd. He graduated from Beijing Second Foreign Languages Institute and New York University in U.S. with a master's degree in French literature and a master's degree in economics respectively. Mr. Shu was a director of the Europe Second Division of the Chinese People's Association for Friendship with Foreign Countries, manager of JPMorgan Co., a director and president of China Brillance International E-Business Co., the chairman of Jun An Investment Holding Co., the chief of the financial department and assets operation department of Shanghai Motors Co., a director of SAIC Motor Corporation Ltd., a director and chief investment officer of JinJiang International Holdings Co. Ltd. and a deputy general manager of Beijing Automobile Investment Co., Ltd. He has more than 20 years' experience in corporate management and finance.

Mr. YEE Foo Hei, Jackson

Mr. Yee, aged 47, joined the Company in September 2010. He is as the Company Secretary of the Company. He graduated from City Polytechnic of Hong Kong (now City University of Hong Kong) and University of Wolverhampton, UK with a professional diploma in company secretaryship and administration and a LLB degree respectively. Mr. Yee is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries & Administrators and the Association of Chartered Certified Accountants. Mr. Yee has more than 20 years' practical company secretarial experience in international accountancy firm, multi-national conglomerate and large-scale PRC stated-owned enterprise.

Mr. LEUNG Lin Cheong, Roger

Mr. Leung, aged 57, joined the Company in March 1996. He is the Chief Legal and Compliance Officer of the Company. He is also the general manager of the legal and compliance department of Shanghai Industrial Investment (Holdings) Co. Ltd. He is a Fellow of The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries, The Chartered Institute of Management Accountants and the Hong Kong Institute of Certified Public Accountants and a professional member of the Hong Kong Institute of Human Resource Management. He also holds a master's degree in laws from University of London and a master's degree in business administration from Brunel University in U.K. in conjunction with Henley Management College. Prior to joining the Company, he was an executive director and group secretary of a group of Hong Kong listed companies. He has many years of management experience in legal affairs and compliance, listed corporate secretarial practice and administration.

Ms. CHAN Yat Ying, Cherie

Ms. Chan, aged 43, joined the Company in November 1996. She is the Chief Financial Officer of the Company. Ms. Chan is also a deputy general manager of the finance and planning department of Shanghai Industrial Investment (Holdings) Co. Ltd. She graduated from University of Hong Kong with a bachelor's degree in social sciences. She also holds a master's degree in financial management awarded by the University of London. Ms. Chan is a member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants. She has extensive working experience in banking and accounting professions.

Senior Management of Member Companies

Mr. XU Xiao Bing

Mr. Xu, aged 44, is a director and the general manager of SIIC Management (Shanghai) Ltd. ("SIIC Management"), a director of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Luqiao Development Co., Ltd., Shanghai Shen-Yu Development Co., Ltd., Shanghai SIIC South Pacific Hotel Co., Ltd., and United Runtong Water Co., Ltd., and the chief representative of Shanghai Representative Office of the Company. Mr. Xu graduated from Peking University with a master degree in business administration. He was an investment and financial analyst of Beijing Jingfang Investment Management & Consultant Co., Ltd. under the Beijing Capital Group, and the deputy head of the investment planning department, the head of the enterprise management department and the deputy general manager of SIIC Management. He has over 10 years' experience in corporate management and investment planning.

Mr. DAI Wei Wei

Mr. Dai, aged 42, is a director and the general manager of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. and Shanghai Shen-Yu Development Co., Ltd. as well as a director of Shanghai Luqiao Development Co., Ltd. Mr. Dai graduated from Shanghai Tongji University and Fudan University and obtained a bachelor's degree in engineering and a master's degree in business administration respectively. He worked in Shanghai Mass Transit Railway Corporation, Shanghai Municipal Engineering Administration, Shanghai Jiajin Highway Development Co., Ltd. and SIIC Management (Shanghai) Ltd. He has over 10 years' experience in infrastructure construction and management.

Ms. ZHOU Ya Dong

Ms. Zhou, aged 39, is a director and the general manager of Shanghai Luqiao Development Co., Ltd., a director of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. ("Hu-Ning Expressway") and Shanghai Shen-Yu Development Co., Ltd. Ms. Zhou graduated from East China Normal University majored in international finance, and obtained a master's degree in professional accountancy from The Chinese University of Hong Kong. Ms. Zhou is a non-practising member of The Chinese Institute of Certified Public Accountants. She was the deputy head of the investment department of SIIC Management (Shanghai) Ltd., a director of Zhejiang Jinhua Yongjin Expressway Co., Ltd. and a director and the deputy general manager of Hu-Ning Expressway. She has many years of experience in investment planning and expressway management.

Mr. YANG Chang Min

Mr. Yang, aged 48, is a director and the general manager of United Runtong Water Co., Ltd. Mr. Yang graduated from Tongji University with a bachelor's degree in environmental engineering and the Economic and Management College of Qinghua University with a master's degree in EMBA. He was the general manager of Shenzhen Longgang Baolong Industrial Co. and the chairman and general manager of Shenzhen Longgang Guotong Industrial Co., Ltd. Mr. Yang was the founder of United Runtong Water Co. in the year 2003 and had been the chairman and general manager for years. He has over 20 years' experience in the operation and management of water and environmental protection investment as well as project and administrative management.

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

Mr. YANG Yun Zhong

Mr. Yang, aged 56, is a director and the general manager of Shanghai Feng Mao Properties Ltd., Shanghai Feng Qi Properties Ltd. and Shanghai Feng Tao Properties Ltd. Mr. Yang graduated from Macau University of Science and Technology with a master's degree, and is designated an senior economist. He had held the positions of the Deputy Director and the Director of the Shanghai Administration of Grain (Huang Pu District), officer of Huang Pu Housing Construction Office, the chairman of Shanghai Jin Wai Tan Group, the chairman of SIIC Real Estate Holdings (Shanghai) Co., Ltd., a director and vice president of SIIC Shanghai Holdings Co., Ltd. and Shanghai Industrial Development Co., Ltd. He has many years of experience in enterprise management

Ms. XUE Lian

Ms. Xue, aged 54, is a director and the general manager of Shanghai SIIC South Pacific Hotel Co., Ltd. She graduated from Shanghai Municipal Tourism College and studied an advanced hotel management course of Cornell University in U.S, where she subsequently studied for a MBA program and obtained a master's degree in economics. Ms. Xue was section chief and deputy head of the foreign affairs department of Shanghai Municipal Tourism Bureau, and was a director and deputy general manager of the South Pacific Hotel Hong Kong. She has nearly 30 years' experience in tourism and hotel management.

Mr. ZUO Min

Mr. Zuo, aged 49, is the vice chairman and chief executive officer of The Wing Fat Printing Co., Ltd. He graduated from West China University of Medical Science with a bachelor's degree, and obtained a master's degree in management from Fudan University. Mr. Zuo holds the designation of senior economist. He was the chairman and general manager of Nine Stars Printing and Packaging Co., Ltd., the vice general manager of 999 Group and the vice president of China Resources Medications Group Ltd. He has over 20 years' experience in the printing and packaging industry.

Mr. JIN Guo Ming

Mr. Jin, aged 50, is a director and the general manager of The Wing Fat Printing Co., Ltd. He is the chairman of Chengdu Wingfat Printing Co., Ltd. and Zhejiang Rongfeng Paper Co., Ltd. He graduated from Zhejiang Institute of Metallurgy Economic and obtained a master's degree in business management from South Australia University. He holds the designation of international business engineer. Mr. Jin has over 20 years of experience in the printing and packaging industry.

Mr. JIANG Zu Ming

Mr. Jiang, aged 48, is a director and the general manager of Chengdu Wingfat Printing Co., Ltd. He graduated from Shanghai Publishing and Printing College, majored in printing technologies and obtained a secondary qualification. He then furthered his studies at Sichuan University and obtained a master's degree in business administration. He has over 20 years' experience in production, operation and management of printing enterprises.

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 December 2010.

Principal Activities

The Group is principally engaged in the business of infrastructure facilities, real estate and consumer products.

Principal Subsidiaries, Jointly Controlled Entities and Associates

Details of the principal subsidiaries, jointly controlled entities and associates as at 31 December 2010 are set out in notes 53, 54 and 55 to the consolidated financial statements respectively.

Results and Appropriations

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 63 of this Annual Report.

An interim dividend of HK50 cents per share amounting to HK$539,882,500 was paid to the shareholders during the year. The Directors recommend the payment of a final dividend of HK58 cents per share to the shareholders whose names appear on the register of members of the Company on 18 May 2011.

Financial Summary

A summary of the financial information of the Group for the year ended 31 December 2010 and the previous four years is set out on page 193 of this Annual Report.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 39 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 41 to the consolidated financial statements respectively.

Investment Properties

As at 31 December 2010, the investment properties of the Group were revalued by independent property valuers by reference to net rental income allowing for reversionary income potential and market evidence of transaction of similar properties in similar locations and conditions, where appropriate, at approximately HK$5,221 million. Details are set out in note 17 to the consolidated financial statements.

Particulars of the Group's major properties held for investment purposes as at 31 December 2010 are set out on page 194 of this Annual Report.

Property, Plant and Equipment

Details of movements during the year in the property, plant and equipment of the Group and the Company are set out in note 18 to the consolidated financial statements.

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Teng Yi Long	*(Chairman)*	
Cai Yu Tian	*(Vice Chairman & Chief Executive Officer)*	
Lu Ming Fang		
Zhou Jie	*(Executive Deputy CEO)*	
Qian Shi Zheng	*(Deputy CEO)*	
Zhou Jun	*(Deputy CEO)*	
Qian Yi	*(Deputy CEO)*	
Yao Fang		*(resigned on 1 January 2010)*

Independent Non-Executive Directors:

Lo Ka Shui
Woo Chia-Wei
Leung Pak To, Francis

The biographical details of the Directors are set out on pages 47 to 49 of this Annual Report. Details of Directors' emoluments are set out in note 14 to the consolidated financial statements.

In accordance with the Company's articles of association, the Directors of the Company (including Independent Non-Executive Directors) shall be subject to retirement by rotation at each annual general meeting. Mr. Cai Yu Tian, Mr. Zhou Jie and Mr. Zhou Jun shall retire by rotation at the forthcoming annual general meeting. All of them, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

Mr. Qian Yi who was appointed director of the Company on 11 November 2009 was subject to re-election in accordance with the Company's articles of association, and offered himself for re-election at the extraordinary general meeting held on 11 January 2010. He was re-elected as Director of the Company at the said meeting.

None of the 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.

Disclosure under Rule 13.51B(1) of the Listing Rules

Changes in Directors' information since the date of the interim report 2010 up to the date of this report are set out below:

Mr. Qian Shi Zheng
- Being an independent non-executive director of Changsha Zoomlion Heavy Industry Science and Technology Development Co., Ltd., which was listed on the Main Board of the Stock Exchange on 23 December 2010.

Mr. Zhou Jun
- Appointed as director and chairman of United Runtong Water on 26 October 2010 and 20 March 2011 respectively.

- Appointed as chairman of SIIC Management (Shanghai) Ltd. on 15 November 2010.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2010, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), 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, were as follows:

(I) Interests in shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of issued ordinary shares held	Approximate percentage of total issued share capital
Cai Yu Tian	Beneficial owner	Personal	722,000	0.07%
Lu Ming Fang	Beneficial owner	Personal	586,000	0.05%
Zhou Jie	Beneficial owner	Personal	333,000	0.03%
Qian Shi Zheng	Beneficial owner	Personal	679,000	0.06%
Zhou Jun	Beneficial owner	Personal	195,000	0.02%
Lo Ka Shui	Beneficial owner	Personal	966,560	0.09%

All interests stated above represented long positions.

(II) Interests in shares of associated corporations

Shanghai Pharmaceuticals

Name of Director	Capacity	Nature of interests	Number of issued ordinary shares held	Approximate percentage of total issued share capital
Lu Ming Fang	Beneficial owner	Personal	37,674 (Note)	0.002%

Note: Pursuant to the Share Swap Merger Agreement, SI Pharmaceutical, previously a subsidiary of the Company and delisted in February 2010, had merged with Shanghai Pharmaceuticals at a swap rate of issued shares at 1:1.61 during the year. The number of issued shares held by Mr. Lu Ming Fang in the company (now renamed as Shanghai Pharmaceuticals) was converted from 23,400 to 37,674 accordingly.

All interests stated above represented long positions.

Save as disclosed above, none of the Directors nor chief executives of the Company had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2010.

Share Options

Particulars of the share option schemes adopted by the Group are set out in note 40 to the consolidated financial statements.

(I) SIHL Scheme

The SIHL Scheme shall be valid and effective for a period of 10 years commencing the date of adoption of the scheme. During the year, the movements in the share options to subscribe for the Company's shares were as follows:

			Number of shares issuable under the share options			
	Date of grant	Exercise price per share HK$	Outstanding at 1.1.2010	Granted during the year	Exercised during the year	Outstanding at 31.12.2010
Category 1: Directors						
Teng Yi Long	2.11.2010	36.60	–	1,200,000	–	1,200,000
Cai Yu Tian	2.11.2010	36.60	–	1,000,000	–	1,000,000
Lu Ming Fang	2.11.2010	36.60	–	750,000	–	750,000
Zhou Jie	2.11.2010	36.60	–	850,000	–	850,000
Qian Shi Zheng	2.11.2010	36.60	–	750,000	–	750,000
Zhou Jun	2.11.2010	36.60	–	750,000	–	750,000
Qian Yi	2.11.2010	36.60	–	750,000	–	750,000
Lo Ka Shui	2.11.2010	36.60	–	120,000	–	120,000
Woo Chia-Wei	2.11.2010	36.60	–	120,000	–	120,000
Leung Pak To, Francis	2.11.2010	36.60	–	120,000	–	120,000
Total			–	6,410,000	–	6,410,000
Category 2: Employees						
	2.11.2010	36.60	–	13,240,000	(20,000)	13,220,000
Category 3: Others						
	2.11.2010	36.60	–	6,250,000	–	6,250,000
Total for all categories			–	25,900,000	(20,000)	25,880,000

Share options granted in November 2010 under the SIHL Scheme are exercisable during the period from 3 November 2010 to 2nd November 2015 in three batches, being:

- 3 November 2010 to 2 November 2011 (up to 40% of the share options granted are exercisable)
- 3 November 2011 to 2 November 2012 (up to 70% of the share options granted are exercisable)
- 3 November 2012 to 2 November 2015 (all share options granted are exercisable)

(II) SI Urban Development Scheme

As detailed in note 43A to the consolidated financial statements, the Group newly acquired SI Urban Development as a subsidiary during the year and SI Urban Development itself also runs a share option scheme. SI Urban Development Scheme shall be valid and effective for a period of 10 years commencing the date of adoption of the scheme. During the year, the movements in the share options to subscribe for SI Urban Development's shares were as follows:

			Number of shares issuable under the share options			
	Date of grant	Exercise price per share HK$	As at 1.1.2010	Granted during the year	Cancelled during the year	Outstanding at 31.12.2010
Category 1: Directors of SI Urban Development, who are also Directors of the Company						
Cai Yu Tian	24.09.2010	2.98	–	9,000,000	–	9,000,000
Qian Shi Zheng	24.09.2010	2.98	–	7,000,000	–	7,000,000
Zhou Jun	24.09.2010	2.98	–	7,000,000	–	7,000,000
Total			–	23,000,000	–	23,000,000
Category 2: Other Directors of SI Urban Development						
	04.04.2006	3.60	8,625,000	–	(8,625,000)	–
	17.11.2006	3.72	21,950,000	–	(21,950,000)	–
	14.03.2007	3.92	7,500,000	–	(7,500,000)	–
	24.09.2010	2.98	–	33,000,000	–	33,000,000
Total			38,075,000	33,000,000	(38,075,000)	33,000,000
Category 3: Employees						
	04.04.2006	3.60	4,500,000	–	(4,500,000)	–
	17.11.2006	3.72	43,050,000	–	(43,050,000)	–
	14.03.2007	3.92	40,000,000	–	(40,000,000)	–
	24.09.2010	2.98	–	55,500,000	–	55,500,000
Total			87,550,000	55,500,000	(87,550,000)	55,500,000
Total for all categories			125,625,000	111,500,000	(125,625,000)	111,500,000

Share options granted in September 2010 under the SI Urban Development Scheme are exercisable during the period from 24 September 2010 to 23 September 2020 in three batches, being:

- 24 September 2010 to 23 September 2011 (up to 40% of the share options granted are exercisable)
- 24 September 2011 to 23 September 2012 (up to 70% of the share options granted are exercisable)
- 24 September 2012 to 23 September 2020 (all share options granted are exercisable)

(III) Mergen Biotech Scheme

The Mergen Biotech Scheme should be valid and effective for a period of 10 years commencing the date of adoption of the scheme. During the year, the Group disposed of its entire 70.41% interest in Mergen Biotech and the transaction was completed on 12 February 2010. Mergen Biotech was not a subsidiary of the Company since then. The following table discloses details of the options granted to employees and qualified participants of Mergen Biotech and its subsidiaries under the Mergen Biotech Scheme during the year:

Date of grant	Exercise price per share	Outstanding at 1.1.2010 and up to the date preceding the completion of disposal of Mergen Biotech
31.12.2004	US$8.22	5,400

Pursuant to the offer letter issued by Mergen Biotech on 31 December 2004, 55% of the share options granted are exercisable since 30 June 2005. Subject to the fulfillment of certain performance targets as determined by the board of directors of Mergen Biotech by the grantees, the rest of the 45% share options granted are exercisable in three batches (each with 15% of the share options granted) for every six months interval from 1 January 2005 until 30 May 2014.

Arrangements to Purchase Shares or Debentures of the Company

Save as disclosed under the section of Share Options above, at no time during the year was the Company or any of its holding companies or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company 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 and Other Persons in Shares and Underlying Shares

As at 31 December 2010, the interests and short positions of the substantial shareholders of the Company and other persons 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:

Name of shareholder	Capacity	Nature of interests	Number of issued ordinary shares beneficially held	Approximate percentage of total issued share capital
SIIC	Interests held by controlled corporations	Corporate	578,711,371 (notes 1 & 2)	53.60%

Notes:

1 SIIC through its wholly-owned subsidiaries, namely Shanghai Investment Holdings Ltd., SIIC Capital (B.V.I.) Ltd., SIIC Treasury (B.V.I.) Ltd., Shanghai Industrial Financial (Holdings) Co., Ltd., SIIC Trading Co. Ltd., Billion More Investments Ltd., South Pacific International Trading Ltd., SIIC CM Development Funds Ltd., The Tien Chu Ve Tsin (Hong Kong) Co. Ltd. and SIIC CM Development Ltd. held 466,644,371 shares, 80,000,000 shares. 14,171,000 shares, 13,397,000 shares, 1,161,000 shares, 800,000 shares, 650,000 shares, 469,000 shares, 200,000 shares and 10,000 shares of the Company respectively, and was accordingly deemed to be interested in the respective shares held by the aforementioned companies.

2 SIIC through its subsidiaries, SIIC Trading Co. Ltd. and The Tien Chu Ve Tsin (Hong Kong) Co. Ltd. held 759,000 and 450,000 underlying shares of the Company respectively.

3 All interests stated above represented long positions.

Save as disclosed above, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2010.

Connected Transactions

Details of the connected transactions and continuing connected transactions for the year are set out in note 50 to the consolidated financial statements. Save as disclosed therein, there were no other connected transactions and continuing connected transactions other than those exempt from the reporting, announcement and independent shareholders' approval requirements, which need to be disclosed as connected transactions in accordance with the requirements of Appendix 16 to the Listing Rules.

The Independent Non-Executive Directors have reviewed the continuing connected transactions set out in note 50(I) to the consolidated financial statements and in their opinion, those transactions were entered into by the Group:

(i) in the ordinary course of business of the Group;
(ii) on normal commercial terms or terms no less favourable to the Group than terms available to or from independent third parties; and
(iii) in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Related Party Transactions

Details of the related party transactions for the year are set out in note 50(II) to the consolidated financial statements.

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company, its holding companies, subsidiaries or any of its fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Major Customers and Suppliers

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

Purchase, Sale or Redemption of the Company's Listed Securities

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

Donations

During the year, the Group made charitable and other donations amounting to HK$8,536,000.

Retirement Benefits Schemes

Details of the Group's retirement benefits schemes are set out in note 49 to the consolidated financial statements.

Events after the Reporting Period

Details of the significant events occurring after the reporting period are set out in note 56 to the consolidated financial statements.

Sufficiency of Public Float

As at the date of this Annual Report, based on publicly available information and within the knowledge of the Directors of the Company, 46.1% of the issued share capital of the Company is held by the public.

The Company has maintained a sufficient public float throughout the year ended 31 December 2010.

Corporate Governance

The corporate governance principles and practices adopted by the Company are set out in the Corporate Governance Report on pages 31 to 46 of this Annual Report.

Auditor

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

滕一龍

Teng Yi Long
Chairman

Hong Kong, 30 March 2011

Deloitte.
德勤

TO THE MEMBERS OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED
上海實業控股有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shanghai Industrial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 192, which comprise the consolidated and Company's statements of financial position as at 31st December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 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, in accordance with section 141 of the Hong Kong Companies Ordinance, 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 the 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.

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 31st 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 Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30th March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2010

	NOTES	2010 HK$'000	2009 HK$'000 (restated)
Continuing operations			
Revenue	6	12,712,295	7,061,653
Cost of sales		(8,805,878)	(4,333,281)
Gross profit		3,906,417	2,728,372
Net investment income	7	720,347	764,864
Other income		575,961	903,400
Selling and distribution costs		(839,592)	(490,142)
Administrative expenses		(1,354,905)	(672,568)
Finance costs	8	(414,264)	(281,425)
Share of results of jointly controlled entities		151,949	43,552
Share of results of associates		45,392	(155,776)
Gain from bargain purchase of interests in subsidiaries	43A	361,060	–
Net gain on disposal of interests in subsidiaries, jointly controlled entities and associates	9	5,754	988,176
Impairment loss on available-for-sale investments	10	(284,224)	–
Profit before taxation		2,873,895	3,828,453
Income tax expense	11	(719,859)	(1,102,330)
Profit for the year from continuing operations		2,154,036	2,726,123
Discontinued operations			
Profit for the year from discontinued operations	12	3,269,339	1,005,177
Profit for the year	13	5,423,375	3,731,300
Profit for the year attributable to			
– Owners of the Company		5,277,752	2,870,132
– Non-controlling interests		145,623	861,168
		5,423,375	3,731,300

		HK$	HK$ (restated)
Earnings per share	16		
From continuing and discontinued operations			
– Basic		4.89	2.66
– Diluted		4.89	2.66
From continuing operations			
– Basic		1.90	2.07
– Diluted		1.90	2.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2010

	2010 HK$'000	2009 HK$'000 (restated)
Profit for the year	5,423,375	3,731,300
Other comprehensive income (expense)		
Exchange differences arising on translation of foreign operations		
– subsidiaries	1,195,447	(11,715)
– jointly controlled entities	44,785	–
– associates	33,324	–
Fair value adjustment on available-for-sale investments		
– subsidiaries	(57,792)	4,150
– an associate	69,965	–
Impairment loss on available-for-sale investments	194,524	–
Fair value gain (loss) on cash flow hedges	4,301	(15,013)
Reclassification of other comprehensive income upon disposals of		
– available-for-sale investments	–	10,168
– the disposal group held for sale/interest in a subsidiary (exchange difference included in translation reserve)	(351,866)	(15,271)
– interests in associates (exchange difference included in translation reserve)	–	(166,075)
Other comprehensive income (expense) for the year	1,132,688	(193,756)
Total comprehensive income for the year	6,556,063	3,537,544
Total comprehensive income attributable to:		
– Owners of the Company	6,045,182	2,676,376
– Non-controlling interests	510,881	861,168
	6,556,063	3,537,544

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December 2010

	NOTES	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000 (restated)
Non-Current Assets				
Investment properties	17	5,221,079	2,135,393	1,986,896
Property, plant and equipment	18	2,680,953	4,348,707	3,811,167
Prepaid lease payments – non-current portion	19	386,496	339,689	556,673
Toll road operating rights	20	14,289,125	12,858,011	9,681,461
Other intangible assets	21	560,922	120,222	145,216
Goodwill	22	–	19,453	400,692
Interests in jointly controlled entities	25	1,204,498	1,026,433	1,152,494
Interests in associates	26	584,891	298,734	4,044,789
Investments	27	3,192,154	3,256,718	584,274
Receivables under service concession arrangements – non-current portion	28	897,284	–	–
Loan receivables		–	–	3,085
Deposits paid on acquisition of property, plant and equipment	29	55,092	149,111	857,057
Restricted bank deposits	30	76,476	73,376	73,109
Deferred tax assets	31	144,700	96,953	86,631
		29,293,670	24,722,800	23,383,544
Current Assets				
Inventories	32	36,655,225	17,954,421	14,353,180
Trade and other receivables	33	3,564,038	3,677,171	4,150,592
Prepaid lease payments – current portion	19	13,737	11,896	26,697
Investments	27	144,710	158,759	162,715
Receivables under service concession arrangements – current portion	28	224,821	–	–
Prepaid taxation		482,210	65,543	2,616
Pledged bank deposits	34	108,862	911,828	800,541
Short-term bank deposits	34	3,060,563	262,234	1,547,332
Bank balances and cash	34	12,092,133	9,408,136	7,289,127
		56,346,299	32,449,988	28,332,800
Assets classified as held for sale	12	2,190,807	7,096,169	–
		58,537,106	39,546,157	28,332,800
Current Liabilities				
Trade and other payables	35	7,388,742	6,412,619	7,046,578
Customer deposits from sales of properties	35	9,831,780	3,299,299	299,140
Convertible notes	36	2,607	–	–
Derivative financial instrument – warrants	37	16,600	–	–
Taxation payable		2,296,945	852,077	614,651
Bank and other borrowings	38	9,516,906	3,490,737	3,824,193
		29,053,580	14,054,732	11,784,562
Liabilities associated with assets classified as held for sale	12	1,033,800	1,734,249	–
		30,087,380	15,788,981	11,784,562
Net Current Assets		28,449,726	23,757,176	16,548,238
Total Assets less Current Liabilities		57,743,396	48,479,976	39,931,782

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December 2010

	NOTES	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000 (restated)
Capital and Reserves				
Share capital	39	107,979	107,977	107,644
Share premium and reserves		29,652,019	24,793,273	23,293,714
Equity attributable to owners of the Company		29,759,998	24,901,250	23,401,358
Non-controlling interests		11,622,046	9,196,106	8,479,654
Total Equity		41,382,044	34,097,356	31,881,012
Non-Current Liabilities				
Provision for major overhauls	28	74,579	–	–
Senior notes	37	3,071,744	–	–
Bank and other borrowings	38	9,597,238	12,124,720	5,829,901
Deferred tax liabilities	31	3,617,791	2,257,900	2,220,869
		16,361,352	14,382,620	8,050,770
Total Equity and Non-Current Liabilities		57,743,396	48,479,976	39,931,782

The consolidated financial statements on pages 63 to 192 were approved and authorised for issue by the board of directors on 30th March 2011 and are signed on its behalf by:

Cai Yu Tian
Chief Executive Officer

Qian Shi Zheng
Deputy CEO

STATEMENT OF FINANCIAL POSITION

At 31st December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-Current Assets			
Property, plant and equipment	18	4,571	3,508
Investments in subsidiaries	24	5,288,857	5,288,857
Investment in a jointly controlled entity	25	–	–
Amount due from a subsidiary	42	350,000	350,000
		5,643,428	5,642,365
Current Assets			
Deposits, prepayments and other receivables		9,058	7,624
Amounts due from subsidiaries	42	21,443,049	19,559,771
Investments	27	–	482
Bank balances and cash	34	2,428,407	1,848,240
		23,880,514	21,416,117
Current Liabilities			
Other payables and accrued charges		31,109	33,010
Amounts due to subsidiaries	42	4,096,987	6,388,571
		4,128,096	6,421,581
Net Current Assets		19,752,418	14,994,536
		25,395,846	20,636,901
Capital and Reserves			
Share capital	39	107,979	107,977
Share premium and reserves	41	25,287,867	20,528,924
		25,395,846	20,636,901

Cai Yu Tian
Chief Executive Officer

Qian Shi Zheng
Deputy CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2010

	Attributable to non-controlling interests													Attributable to owners of the Company				
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Capital redemption reserve HK$'000	Other revaluation reserve HK$'000 (note i)	Other reserve HK$'000 (note ii)	Merger reserve HK$'000 (note iii)	Hedging reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 (note iv)	Retained profits HK$'000	Sub-total HK$'000	Convertible notes equity reserve of a listed subsidiary HK$'000	Share options reserve of a listed subsidiary HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 1st January 2009	107,644	13,285,440	10,035	1,071	13,668	-	(1,210,049)	-	(50,846)	1,995,765	475,571	8,773,059	23,401,358	-	-	8,479,654	8,479,654	31,881,012
Profit for the year (restated)	-	-	-	-	-	-	-	-	-	-	-	2,870,132	2,870,132	-	-	861,168	861,168	3,731,300
Exchange differences arising on translation of foreign operations of subsidiaries	-	-	-	-	-	-	-	-	-	(11,715)	-	-	(11,715)	-	-	-	-	(11,715)
Fair value adjustment on available-for-sale investments	-	-	-	-	-	-	-	-	4,150	-	-	-	4,150	-	-	-	-	4,150
Fair value loss on cash flow hedges	-	-	-	-	-	-	-	(15,013)	-	-	-	-	(15,013)	-	-	-	-	(15,013)
Transfer to profit or loss on disposal of available-for-sale investments	-	-	-	-	-	-	-	-	10,168	-	-	-	10,168	-	-	-	-	10,168
Reclassified on disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	-	(15,271)	-	-	(15,271)	-	-	-	-	(15,271)
Reclassified on disposal of interests in associates	-	-	-	-	-	-	-	-	-	(166,075)	(93,590)	93,590	(166,075)	-	-	-	-	(166,075)
Total comprehensive income for the year (restated)	-	-	-	-	-	-	-	(15,013)	14,318	(193,061)	(93,590)	2,963,722	2,676,376	-	-	861,168	861,168	3,537,544
Issue of shares upon exercise of share options	333	53,671	-	-	-	-	-	-	-	-	-	-	54,004	-	-	-	-	54,004
Release of share options reserve on exercise of share options	-	5,843	(5,843)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses incurred in connection with the issue of new shares	-	(68)	-	-	-	-	-	-	-	-	-	-	(68)	-	-	-	-	(68)
Share options lapsed	-	-	(101)	-	-	-	-	-	-	-	-	101	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-	95,103	(95,103)	-	-	-	-	-	-
Capital contributions by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	121,328	121,328	121,328
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(200,994)	(200,994)	(200,994)
Acquisition of subsidiaries	-	-	-	-	-	-	(326,731)	-	-	-	-	-	(326,731)	-	-	-	-	(326,731)
Acquisition of a subsidiary (note 43A)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,564	1,564	1,564
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(66,614)	(66,614)	(66,614)
Acquisition of an associate	-	-	-	-	-	2,944	-	-	-	-	-	-	2,944	-	-	-	-	2,944
Dividends paid (note 15)	-	-	-	-	-	-	-	-	-	-	-	(906,633)	(906,633)	-	-	-	-	(906,633)
At 31st December 2009 (restated)	107,977	13,344,886	4,091	1,071	13,668	2,944	(1,536,780)	(15,013)	(36,528)	1,802,704	477,084	10,735,146	24,901,250	-	-	9,196,106	9,196,106	34,097,356

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2010

	Attributable to non-controlling interests													Attributable to owners of the Company				
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Capital redemption reserve HK$'000	Other revaluation reserve HK$'000 (note i)	Other reserve HK$'000 (note ii)	Merger reserve HK$'000 (note iii)	Hedging reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 (note iv)	Retained profits HK$'000	Sub-total HK$'000	Convertible notes equity reserve of a listed subsidiary HK$'000	Share options reserve of a listed subsidiary HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 1st January 2010	107,977	13,344,886	4,091	1,071	13,668	2,944	(1,536,780)	(15,013)	(36,528)	1,802,704	477,084	10,735,146	24,901,250	-	-	9,196,106	9,196,106	34,097,356
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	5,277,752	5,277,752	-	-	145,623	145,623	5,423,375
Exchange differences arising on translation of foreign operations																		
– subsidiaries	-	-	-	-	-	-	-	-	-	830,189	-	-	830,189	-	-	365,258	365,258	1,195,447
– jointly controlled entities	-	-	-	-	-	-	-	-	-	44,785	-	-	44,785	-	-	-	-	44,785
– associates	-	-	-	-	-	-	-	-	-	33,324	-	-	33,324	-	-	-	-	33,324
Fair value adjustment on available-for-sale investments																		
– subsidiaries	-	-	-	-	-	-	-	-	(57,792)	-	-	-	(57,792)	-	-	-	-	(57,792)
– an associate	-	-	-	-	-	-	-	-	69,965	-	-	-	69,965	-	-	-	-	69,965
Impairment loss on available-for-sale investments	-	-	-	-	-	-	-	-	194,524	-	-	-	194,524	-	-	-	-	194,524
Fair value gain on cash flow hedges	-	-	-	-	-	-	-	4,301	-	-	-	-	4,301	-	-	-	-	4,301
Reclassified on disposal of the disposal group held for sale	-	-	-	-	-	-	-	-	(80,212)	(264,442)	-	-	(344,654)	-	-	-	-	(344,654)
Reclassified on disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	-	(7,212)	-	-	(7,212)	-	-	-	-	(7,212)
Total comprehensive income for the year	-	-	-	-	-	-	-	4,301	126,485	636,644	-	5,277,752	6,045,182	-	-	510,881	510,881	6,556,063
Recognition of equity-settled share-based payments	-	-	44,441	-	-	-	-	-	-	-	-	-	44,441	-	63,743	-	63,743	108,184
Issue of shares upon exercise of share options	2	730	-	-	-	-	-	-	-	-	-	-	732	-	-	-	-	732
Release of share options reserve on exercise of share options	-	100	(100)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses incurred in connection with the issue of new shares	-	(1)	-	-	-	-	-	-	-	-	-	-	(1)	-	-	-	-	(1)
Transfers	-	-	-	-	-	-	-	-	-	-	53,889	(53,889)	-	-	-	-	-	-
Capital contributions by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	205,390	205,390	205,390
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(109,533)	(109,533)	(109,533)
Acquisition of subsidiaries (note 2)	-	-	-	-	-	-	(156,988)	-	-	-	-	-	(156,988)	-	-	-	-	(156,988)
Acquisition of SI Urban Development (note 43A)	-	-	-	-	-	-	-	-	-	-	-	-	-	2,580	227,080	4,388,075	4,617,735	4,617,735
Acquisition of United Water (note 43A)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	350,386	350,386	350,386
Acquisition of additional interest in a subsidiary	-	-	-	-	-	262	-	-	-	-	-	-	262	-	-	(26,178)	(26,178)	(25,916)
Disposal of the disposal group held for sale (note 12)	-	-	(4,091)	-	-	-	14,255	-	-	-	(157,302)	156,616	9,478	-	-	(2,995,913)	(2,995,913)	(2,986,435)
Disposal of subsidiaries (note 44)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(87,187)	(87,187)	(87,187)
Transfer to retained profits upon redemption of convertible notes of a listed subsidiary	-	-	-	-	-	-	-	-	-	-	-	1,153	1,153	(2,560)	-	1,407	(1,153)	-
Transfer to retained profits upon cancellation of share options of a listed subsidiary	-	-	-	-	-	-	-	-	-	-	-	102,231	102,231	-	(227,080)	124,849	(102,231)	-
Dividends paid (note 15)	-	-	-	-	-	-	-	-	-	-	-	(1,187,742)	(1,187,742)	-	-	-	-	(1,187,742)
At 31st December 2010	107,979	13,345,715	44,341	1,071	13,668	3,206	(1,679,513)	(10,712)	89,957	2,439,348	373,671	15,031,267	29,759,998	20	63,743	11,558,283	11,622,046	41,382,044

Notes:

(i) Other revaluation reserve represents fair value adjustment on acquisition of subsidiaries relating to interests previously held by the Group as associates/ jointly controlled entities.

(ii) Other reserve arising during the year ended 31st December 2009 and as at 1st January 2010 represented the difference between the amount of cash consideration paid to the ultimate parent, Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), for the acquisition of 20% equity interest in an associate, 上海星河數碼投資有限公司, and the net assets of this company.

During the year ended 31st December 2010, the Group acquired additional interest in a subsidiary at a consideration of HK$25,916,000 and the difference between the consideration paid and the carrying amount of non-controlling interests, amounting to HK$262,000, was recognised as an equity transaction in other reserve.

(iii) Merger reserve represents the difference in the fair value of the consideration paid to SIIC for the acquisition of subsidiaries/businesses controlled by SIIC and the share capital of the subsidiaries under the acquisitions.

(iv) The People's Republic of China, other than Hong Kong, (the "PRC") statutory reserves are reserves required by the relevant PRC laws applicable to the Group's PRC subsidiaries, jointly controlled entities and associates.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December 2010

	NOTES	2010 HK$'000	2009 HK$'000 (restated)
OPERATING ACTIVITIES			
Profit for the year		5,423,375	3,731,300
Income tax expense from continuing operations		719,859	1,102,330
Income tax expense from discontinued operations		13,007	130,291
		6,156,241	4,963,921
Adjustments for:			
Amortisation of other intangible assets		4,813	6,321
Amortisation of toll road operating rights		469,680	248,030
Depreciation of property, plant and equipment		294,855	320,675
Release of prepaid lease payments		13,492	26,696
Change in fair value of a financial asset designated as at FVTPL under the Transaction	27	(428,176)	(408,905)
Change in fair value of Warrants 2012	37	(15,700)	–
Contracted income from available-for-sale investments		–	(2,110)
Dividend income from listed equity investments		(5,282)	(1,438)
Dividend income from unlisted equity investments		–	(9,472)
Gain on disposal of held-to-maturity investments		(3,654)	–
(Gain) loss on disposal of available-for-sale investments		(4,829)	10,168
Equity-settled share-based payment expense		108,184	–
Finance costs		415,212	297,379
Gain from bargain purchase of interests in subsidiaries	43A	(361,060)	–
Gain on disposal of the Disposed Business	12	(3,198,489)	–
Impairment loss on available-for-sale investments		284,224	–
Impairment loss on bad and doubtful debts		20,265	2,937
Impairment loss on goodwill relating to a subsidiary		5,730	17,759
Impairment loss on interests in associates		57,434	–
Impairment loss on property, plant and equipment		4,056	–
Increase in fair value of investment properties		(4,341)	(224,216)
Interest income		(224,825)	(290,219)
Loss on disposal of investment properties		–	10,339
Loss on disposal of property, plant and equipment		19,663	5,384
Loss on redemption of Convertible Notes 2011	36	3,163	–
Net gain on disposal of interests in subsidiaries, jointly controlled entities and associates		(5,754)	(1,371,142)
Provision for major overhauls		1,213	–
Reversal of impairment loss on bad and doubtful debts		(15,782)	(7,464)
Share of results of associates		(45,392)	148,768
Share of results of jointly controlled entities		(153,558)	(78,645)
Operating cash flows before movements in working capital		3,391,383	3,664,766
Increase in inventories		(346,223)	(4,123,452)
Decrease (increase) in financial assets at fair value through profit or loss		435,240	(123,064)
Decrease in trade and other receivables		805,030	443,276
Decrease in receivables under service concession arrangements		4,694	–
Increase (decrease) in trade and other payables		1,882,727	(422,841)
(Decrease) increase in customer deposits from sales of properties		(1,954,558)	3,000,159
Cash generated from operations		4,218,293	2,438,844

For the year ended 31st December 2010

	NOTES	2010 HK$'000	2009 HK$'000 (restated)
PRC income tax paid		(1,012,417)	(870,819)
Hong Kong Profits Tax paid		(82,067)	(95,875)
Hong Kong Profits Tax refunded		–	336
NET CASH FROM OPERATING ACTIVITIES		3,123,809	1,472,486
INVESTING ACTIVITIES			
(Increase) decrease in bank deposits		(1,873,127)	318,391
Acquisition of subsidiaries under common control	2	(1,595,350)	(445,749)
Acquisition of United Water	43A	(325,967)	–
Acquisition of SI Urban Development	43A	18,775	–
Acquisition of subsidiaries	43A	–	(653,408)
Acquisition of assets through acquisition of a subsidiary	43B	–	(2,271,234)
Disposal of the Disposed Business	12	3,332,886	–
Disposal of subsidiaries	44	19,109	2,665,377
Purchase of property, plant and equipment		(303,842)	(2,312,292)
Additions to toll road operating rights		(119,474)	–
(Increase) decrease in deposits paid on acquisition of property, plant and equipment		(38,921)	707,946
Increase in prepaid lease payments		(34,050)	(16,142)
Purchase of available-for-sale investments		(33,771)	(629,659)
Interest received		392,663	122,381
Dividends received from associates		40,730	78,712
Proceeds from held-to-maturity investments upon disposal/maturity		32,858	117,173
Proceeds from disposal of property, plant and equipment		22,257	52,022
Proceeds from disposal of available-for-sale investments		19,326	432,751
Dividends received from listed equity investments		5,282	1,438
Repayment of loan receivables		2,895	190
Dividends received from jointly controlled entities		1,523	8,834
Proceeds from disposal of interests in associates		523	1,314,005
Decrease in consideration payables		–	(2,773,156)
Acquisition of an associate		–	(18,173)
Dividends received from unlisted equity investments		–	9,472
Proceeds from disposal of investment properties		–	6,017
Contracted income received from available-for sale investments		–	2,110
Proceeds from disposal of interests in jointly controlled entities		–	916
NET CASH USED IN INVESTING ACTIVITIES		(435,675)	(3,282,078)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December 2010

	NOTE	2010 HK$'000	2009 HK$'000 (restated)
FINANCING ACTIVITIES			
Repayment of bank and other borrowings		(15,133,107)	(9,497,369)
Dividends paid		(1,187,742)	(906,633)
(Repayment to) advance from a fellow subsidiary		(890,898)	1,249,427
Interest paid		(571,578)	(491,059)
Dividends paid to non-controlling interests		(109,533)	(208,468)
Payment for redemption of Convertible Notes 2011	36	(65,408)	–
Acquisition of additional interests in subsidiaries		(25,916)	(80,537)
Expenses incurred in connection with the issue of shares		(1)	(68)
Borrowings raised		15,587,121	15,692,708
Capital contributions by non-controlling interests		205,390	121,328
Proceeds from issue of shares		732	54,004
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(2,190,940)	5,933,333
NET INCREASE IN CASH AND CASH EQUIVALENTS		497,194	4,123,741
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		11,412,868	7,289,127
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		234,117	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		12,144,179	11,412,868
Represented by:			
Bank balances and cash		12,092,133	9,408,136
Bank balances and cash classified as assets held-for-sale		52,046	2,004,732
		12,144,179	11,412,868

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate parent is Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), a private limited company also incorporated in Hong Kong. The addresses of the registered office and the principal place of business of the Company are disclosed in the section of "Corporate Information" of the annual report.

The consolidated financial statements are presented in Hong Kong dollar, which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries, jointly controlled entities and associates are set out in notes 53, 54 and 55, respectively.

2. MERGER ACCOUNTING AND RESTATEMENTS

The Group accounts for all its business combinations involving entities under common control under the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In current year, the Group acquired S.I. Feng Tao Properties (BVI) Limited ("Feng Tao (BVI)") together with its subsidiaries, S.I. Feng Tao Properties Limited ("Feng Tao (HK)") and Shanghai Feng Tao Properties Company Limited ("Shanghai Feng Tao"), (see note (i)) and S.I. Shen-Yu Development Limited ("Shen-Yu") together with its subsidiaries, S.I. Infrastructure (Shen-Yu) Limited ("Infrastructure (Shen-Yu)") and Shanghai Shen-Yu Development Company Limited ("Shanghai Shen-Yu"), (see note (iii)) from wholly-owned subsidiaries of its ultimate parent, SIIC and accordingly, the Group has applied the principles of merger accounting in accordance with the requirements set out in AG 5 to the acquisitions.

Feng Tao (BVI), Feng Tao (HK), Shen-Yu and Infrastructure (Shen-Yu) were incorporated on 18th March 2009, 30th March 2009, 11th August 2009 and 25th August 2009, respectively. Shanghai Feng Tao was established on 1st June 2009. In addition, Shanghai Shen-Yu was first under common control since its acquisition by SIIC on 31st August 2009.

The consolidated statement of financial position of the Group as at 31st December 2009 has been restated to include the assets and liabilities of Feng Tao (BVI) and Shen-Yu and their respective subsidiaries as if they were within the Group on that date (see below for the financial impact). The consolidated income statement and the consolidated statement of comprehensive income for the year ended 31st December 2009 have also been restated to include the results of Shen-Yu and its subsidiaries since their respective dates of establishment (also see below for the financial impact on the consolidated income statement). The consolidated statement of cash flows for the year ended 31st December 2009 has been restated to include the cash flows of Feng Tao (BVI) and Shen-Yu and their respective subsidiaries since their respective dates of establishment. The application of merger accounting on acquisition of Feng Tao (BVI) does not have any significant effect on the consolidated income statement and consolidated statement of comprehensive income for the two years ended 31st December 2009 and 31st December 2010.

2. MERGER ACCOUNTING AND RESTATEMENTS (Continued)

The effects of the application of merger accounting on the consolidated income statement for the year ended 31st December 2009 are as follows:

	HK$'000 (originally stated)	Adjustments on merger accounting HK$'000 (note iv)	HK$'000 (restated)
Continuing operations			
Revenue	6,917,885	143,768	7,061,653
Cost of sales	(4,247,154)	(86,127)	(4,333,281)
Gross profit	2,670,731	57,641	2,728,372
Net investment income	763,324	1,540	764,864
Other income	902,051	1,349	903,400
Selling and distribution costs	(490,142)	–	(490,142)
Administrative expenses	(668,403)	(4,165)	(672,568)
Finance costs	(238,398)	(43,027)	(281,425)
Share of results of jointly controlled entities	43,552	–	43,552
Share of results of associates	(155,776)	–	(155,776)
Net gain on disposal of interests in subsidiaries, jointly controlled entities and associates	988,176	–	988,176
Profit before taxation	3,815,115	13,338	3,828,453
Income tax expense	(1,098,996)	(3,334)	(1,102,330)
Profit for the year from continuing operations	2,716,119	10,004	2,726,123
Discontinued operations			
Profit for the year from discontinued operations	1,005,177	–	1,005,177
Profit for the year	3,721,296	10,004	3,731,300
Profit for the year attributable to			
– Owners of the Company	2,860,128	10,004	2,870,132
– Non-controlling interests	861,168	–	861,168
	3,721,296	10,004	3,731,300

	HK$ (originally stated)	HK$	HK$ (restated)
Earnings per share			
From continuing and discontinued operations			
– Basic	2.65	0.01	2.66
– Diluted	2.65	0.01	2.66
From continuing operations			
– Basic	2.06	0.01	2.07
– Diluted	2.06	0.01	2.07

2. MERGER ACCOUNTING AND RESTATEMENTS (Continued)

The effects of the application of merger accounting and amendments to HKAS 17 "Leases" (see note 3) on the consolidated statement of financial position as at 31st December 2009 are summarised below:

	HK$'000 (originally stated)	Adjustments on merger accounting HK$'000 (note ii)	Adjustments on merger accounting HK$'000 (note iv)	After merger accounting HK$'000	Adjustments on application of amendments to HKAS 17 "Leases" HK$'000	HK$'000 (restated)
ASSETS						
Property, plant and equipment	4,260,054	–	16,850	4,276,904	71,803	4,348,707
Prepaid lease payments	423,388	–	–	423,388	(71,803)	351,585
Toll road operating rights	9,467,968	–	3,390,043	12,858,011	–	12,858,011
Goodwill	13,723	–	5,730	19,453	–	19,453
Inventories	17,487,594	466,827	–	17,954,421	–	17,954,421
Trade and other receivables	3,668,144	–	9,027	3,677,171	–	3,677,171
Bank balances and cash	9,256,359	33,984	117,793	9,408,136	–	9,408,136
Other assets	15,651,473	–	–	15,651,473	–	15,651,473
	60,228,703	500,811	3,539,443	64,268,957	–	64,268,957
LIABILITIES						
Trade and other payables	4,379,856	500,811	1,531,952	6,412,619	–	6,412,619
Bank and other borrowings	13,627,724	–	1,987,733	15,615,457	–	15,615,457
Deferred tax liabilities	2,248,146	–	9,754	2,257,900	–	2,257,900
Other liabilities	5,885,625	–	–	5,885,625	–	5,885,625
	26,141,351	500,811	3,529,439	30,171,601	–	30,171,601
NET ASSETS	34,087,352	–	10,004	34,097,356	–	34,097,356
CAPITAL AND RESERVES						
Share capital and reserves	24,891,246	–	10,004	24,901,250	–	24,901,250
Non-controlling interests	9,196,106	–	–	9,196,106	–	9,196,106
	34,087,352	–	10,004	34,097,356	–	34,097,356

Notes:

(i) Pursuant to the equity transfer agreement entered into on 8th December 2009, S.I. Urban Development Holdings Limited, a wholly-owned subsidiary of the Company, agreed to acquire from Glory Shine Holdings Limited ("Glory Shine"), a wholly-owned subsidiary of SIIC, the 100% equity interest in Feng Tao (BVI) and to take an assignment of the unsecured and interest-free loan owing by Feng Tao (BVI) to Glory Shine for a cash consideration of approximately HK$207 million.

Feng Tao (BVI), through its subsidiaries, owns a development project on a piece of land located at Qingpu District in Shanghai, the People's Republic of China (the "PRC").

(ii) The adjustments are to include the assets and liabilities of Feng Tao (BVI), Feng Tao (HK) and Shanghai Feng Tao as at 31st December 2009.

2. MERGER ACCOUNTING AND RESTATEMENTS (Continued)

Notes: (Continued)

(iii) Pursuant to the sale and purchase agreement entered into on 8th December 2009, S.I. Infrastructure Holdings Limited, a wholly-owned subsidiary of the Company, agreed to acquire 100% equity interest in Shen-Yu and to take an assignment of the non-interest bearing shareholder's loan due from Shen-Yu to SIIC, at an aggregate consideration of approximately HK$1,388 million.

Shen-Yu, through a subsidiary, holds 100% equity interest in Shanghai Shen-Yu, which in turn owns concession for operation rights of Hu-Yu Expressway (Shanghai Section) till 31st December 2027.

SIIC itself acquired the entire 100% equity interest in Shanghai Shen-Yu from two independent third parties on 31st August 2009. The acquisition of Shanghai Shen-Yu was accounted for using the purchase method of accounting by SIIC and included in the Group's consolidated financial statements as if the Group had acquired Shanghai Shen-Yu on that day. Details of which are set out in note 43A.

(iv) The adjustments are to include the assets and liabilities of Shen-Yu, Infrastructure (Shen-Yu) and Shanghai Shen-Yu as at 31st December 2009 and their relevant results in the year then ended.

Since Feng Tao (BVI) and Shen-Yu and their respective subsidiaries are all companies newly set up after 1st January 2009, the application of merger accounting does not have any effect on the Group's equity as at 1st January 2009.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised standards and interpretations applied in the current year

In the current year, the Group has applied the following new and revised standards and interpretations issued by the HKICPA.

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains Repayment on Demand Clause

Except as described below, the application of the new and revised standards and interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKFRS 5 clarify that the disclosure requirements in HKFRSs other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and the disclosures are not already provided in the consolidated financial statements.

Disclosures in these consolidated financial statements have been modified to reflect the above clarification.

HKAS 27 (as revised in 2008) "Consolidated and Separate Financial Statements"

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, goodwill or bargain purchase gain, as appropriate, arising from increases in interests in existing subsidiaries was calculated as the difference between the cost of additional interest acquired and the increase in the Group’s share of the carrying amount of the identifiable assets, liabilities and contingent liabilities; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1st January 2010 in accordance with the relevant transitional provisions.

The application of the revised standard has affected the accounting for the Group's acquisition of additional interest of 19% in a non wholly-owned subsidiary, namely Chengdu Wing Fat Printing Co., Ltd. in the current year. The change in policy has resulted in the difference of HK$262,000 between the consideration paid of HK$25,916,000 and the non-controlling interests derecognised of HK$26,178,000 being recognised directly in equity, instead of in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the year of HK$262,000. In addition, the cash consideration paid has been included in cash flows used in financing activity. Previously, such cash flows are classified as investing activity.

Amendments to HKAS 17 "Leases"

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 17 "Leases" (Continued)

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant, and equipment retrospectively. This resulted in prepaid lease payments with the carrying amounts of HK$73,686,000 and HK$71,803,000 as at 1st January 2009 and 31st December 2009 respectively being reclassified to property, plant and equipment. The effect of this change in accounting policy on the consolidated statement of financial position as at 31st December 2009 is set out in note 2.

As at 31st December 2010, leasehold land that qualifies for finance lease classification with the carrying amount of HK$69,920,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

New and revised standards and interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 24 (as revised in 2009)	Related Party Disclosures[5]
HKAS 32 (Amendments)	Classification of Rights Issues[6]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[7]

1 Effective for annual periods beginning on or after 1st July 2010 or 1st January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1st July 2011.
3 Effective for annual periods beginning on or after 1st January 2013.
4 Effective for annual periods beginning on or after 1st January 2012.
5 Effective for annual periods beginning on or after 1st January 2011.
6 Effective for annual periods beginning on or after 1st February 2010.
7 Effective for annual periods beginning on or after 1st July 2010.

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised standards and interpretations issued but not yet effective (Continued)

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. The recognition and measurement of the Group's unlisted available-for-sale equity investments which are stated at cost less impairment will be affected.

HKFRS 9 is effective for annual periods beginning on or after 1st January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the financial year ending 31st December 2013. Based on an analysis of the Group's financial assets as at 31st December 2010, the application of the new standard will affect the measurement of the Group's available-for-sale equity investments stated at cost less impairment but will not have a significant impact on the amounts reported in respect of the Group’s other financial assets.

The amendments to HKAS 12 titled "Deferred Tax: Recovery of Underlying Assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model.

HKAS 24 "Related Party Disclosures" (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) may affect the Group because the Group is a government-related entity. In addition, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods.

The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

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

The results of subsidiaries (except those accounted for as business combination involving entities under common control) acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1st January 2010
Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1st January 2010
Goodwill or bargain purchase gain, as appropriate, arising from increases in interests in existing subsidiaries was calculated as the difference between the cost of additional interest acquired and the increase in the Group's share of the carrying amount of the identifiable assets, liabilities and contingent liabilities. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Business combinations (except for combinations involving entities under common control)

Business combinations that took place on or after 1st January 2010
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (except for combinations involving entities under common control) (Continued)

Business combinations that took place on or after 1st January 2010 (Continued)
Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1st January 2010
Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (except for combinations involving entities under common control) (Continued)

Business combinations that took place prior to 1st January 2010 (Continued)
The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Merger accounting for business combination involving entities under common control

Business combination involving entities under common control includes acquisition of subsidiaries/businesses controlled by SIIC.

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

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

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

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of previous reporting period or when they first came under common control, whichever is shorter.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Interests in jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in jointly controlled entities are initial recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognised the Group's share of the profit and loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in jointly controlled entities (Continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Interests in associates

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

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Service concession agreements

Consideration given by the grantor
A financial asset (receivable under service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the pubic service; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out for "Financial instruments" below.

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible assets" below.

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

Operating services
Revenue and costs relating to operating services are accounted for in accordance with the policy for "Revenue recognition" below.

Contractual obligations to restore the infrastructure to a specified level of serviceability
The Group has contractual obligations which it must fulfil as a condition of its licence, that is (a) to maintain the sewage and water treatment plants it operates to a specified level of serviceability and/or (b) to restore the plans to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the sewage and water treatment plants are recognised and measured in accordance with the policy set out for "Provisions" below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

Revenue from the sale of goods (including water supplied under service concession arrangements) is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Service income including that from operating service provided under service concession arrangements and hotel operation is recognised when services are provided.

Toll fee income from the operation of toll roads, net of business tax payable in the PRC, is recognised at the time of usage and when the toll fee is received.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Contracted income from available-for-sale investments attributable to the current year is recognised when the Group's right to receive payment is established.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including properties under construction for such purpose. Investment properties include land held for undetermined future use, which is regard as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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

Property, plant and equipment

Property, plant and equipment including hotel property and land and buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress as described below, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes (i.e. construction in progress) are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets or liabilities acquired arising on an acquisition of a foreign operation on or after 1st January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost less accumulated amortisation and any accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

Toll road operating right
Toll road operating right is stated at cost less amortisation and any accumulated impairment losses. Amortisation is provided to write off the cost of toll road operating right on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the periods for which the Group is granted the rights to operate the toll road.

Operating concessions
Operating concessions represent the rights to operate sewage and water treatment plants and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the respective periods of the operating concessions granted to the Group of 20 to 30 years.

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Inventories

Properties held for sale and properties under development held for sale
Properties held for sale and properties under development held for sale are stated at the lower of cost and net realisable value on an individual basis. Cost comprises the acquisition cost and other direct costs attributable to such properties.

Others
Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including receivables under service concession arrangements, loan receivables, restricted bank deposits, trade and other receivables, pledged bank deposits, short-term bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets (Continued)

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for the financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)
The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments
Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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

Interest expense is recognised on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

The Group's financial liabilities, including trade and other payables, convertible notes, bank and other borrowings and senior notes, are subsequently measured at amortised cost, using the effective interest method.

Convertible notes

Convertible notes issued by a subsidiary of the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the subsidiary's own equity instruments is classified as an equity instrument by the subsidiary.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity of the subsidiary (convertible notes equity reserve). The convertible notes equity reserve is classified as and grouped under non-controlling interests by the Group on consolidation.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the subsidiary, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium of the subsidiary). On consolidation, the Group will account for the dilution as an equity transaction in accordance with HKAS 27 by the assumption that the exercise of embedded option doesn't constitute a loss of the Group's control over that subsidiary. Where the option remains unexercised at the expiry date or on redemption, the balance stated in convertible notes equity reserve will be released to the retained profits of the subsidiary. Whereas on consolidation, the amount released will be reallocated to the retained profits of the Group and non-controlling interests' share of net assets of that subsidiary according to the proportion of interests held by the Group and non-controlling shareholder. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Hedge accounting
The Group designates certain derivatives as hedging instruments for cash flow hedges.

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

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

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

Derecognition
Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

Equity-settled share-based payment transactions

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

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

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

In case of share options granted by a subsidiary, the share options reserve of the subsidiary is classified as and grouped under non-controlling interests by the Group on consolidation. At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium of that subsidiary. The Group will account for the dilution as an equity transaction in accordance with HKAS 27 if the exercise of share options doesn't constitute a loss of the Group's control over that subsidiary. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits of the Group and non-controlling interests' share of net assets of that subsidiary according to the proportion of interests held by the Group and non-controlling shareholder on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Amortisation of toll road operating rights

Toll road operating rights amounting to approximately HK$14,289 million as at 31st December 2010 (31.12.2009: HK$12,858 million, as restated) is amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the operating period of the toll road. If the actual traffic volume differs from the original projection, such difference will impact the amortisation for the remaining period to be amortised.

Allowance for properties under development and properties held for sale

Management regularly reviews the recoverability of the Group's properties under development and properties held for sale with reference to the current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. Appropriate allowance for properties under development and properties held for sale is made if the estimated recoverable amount is lower than its carrying amount. As at 31st December 2010, the aggregate carrying amount of properties under development and properties held for sale was approximately HK$35,781 million (31.12.2009: HK$16,861 million, as restated).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated cost of each phase as a percentage of the total estimated cost of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

Estimated fair value of financial asset designated as at FVTPL

The fair value of a financial asset designated as at FVTPL obtained under the Transaction (defined in note 27) is estimated using a discounted future cash flows analysis. The discounted future cash flows analysis requires the Group to estimate the credit rating and apply a suitable discount rate to calculate the fair value. As at 31st December 2010, the fair value of the financial asset was estimated at HK$2,798,675,000 (31.12.2009: HK$2,680,600,000). Details of the Transaction are disclosed in note 27.

PRC Land Appreciation Tax ("LAT")

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights, borrowing costs and all property development expenditures.

The Group is subject to LAT in the PRC which has been included in income tax of the Group. However, the Group has not finalised its land appreciation tax returns with the tax authorities for certain of its property development projects. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. 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 income tax provisions in the period in which such determination is made. As at 31st December 2010, the carrying amount of LAT provision (included in taxation payable) was approximately HK$1,097 million (31.12.2009: HK$325 million).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment of trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the aging of the trade and other receivables balance, debtor credit-worthiness, and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. 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. As at 31st December 2010, the aggregate carrying amount of trade and other receivables was approximately HK$3,564 million (31.12.2009: HK$3,677 million, as restated).

6. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties and an analysis of the Group's revenue for the year from continuing operations is as follows:

	2010 HK$'000	2009 HK$'000 (restated)
Sales of goods	4,797,867	3,790,289
Sales of properties and rental income	5,941,282	2,099,098
Income from infrastructure facilities	1,687,270	962,277
Income from hotel operation	285,876	209,989
	12,712,295	7,061,653

7. NET INVESTMENT INCOME

	2010 HK$'000	2009 HK$'000 (restated)
Continuing operations		
Interest on bank deposits	135,547	75,479
Interest on financial assets at FVTPL	30,702	11,421
Other interest income	56,025	167,845
Total interest income	222,274	254,745
Gain (loss) on disposal of available-for-sale investments	4,829	(10,168)
Gain on disposal of held-to-maturity investments	3,654	–
Dividend income from unlisted equity investments	–	9,270
Dividend income from listed equity investments	5,282	1,131
Change in fair value of financial assets designated as at FVTPL	448,836	422,725
Change in fair value of financial assets classified as held-for-trading	35,112	84,755
Rental income from property, plant and equipment	360	296
Contracted income from available-for-sale investments	–	2,110
	720,347	764,864

Net investment income earned on financial assets, analysed by category of asset, is as follows:

	2010 HK$'000	2009 HK$'000 (restated)
Continuing operations		
Financial assets at FVTPL	519,932	520,032
Loans and receivables (including cash and bank balances)	191,572	241,320
Held-to-maturity financial assets	3,654	2,004
Available-for-sale financial assets	4,829	1,212
	719,987	764,568
Investment income earned on non-financial assets	360	296
	720,347	764,864

Included above is gain from listed investments (other than impairment loss) of HK$40,394,000 (2009: HK$87,890,000) and income from unlisted investments of HK$488,021,000 (2009: HK$435,358,000).

8. FINANCE COSTS

	2010 HK$'000	2009 HK$'000 (restated)
Continuing operations		
Interest on bank and other borrowings		
– wholly repayable within five years	482,380	368,264
– not wholly repayable within five years	166,650	120,893
Interest on convertible notes	1,791	–
Interest on senior notes	169,652	–
	820,473	489,157
Less: amounts capitalised in		
– construction in progress	–	(37,235)
– properties under development held for sale	(406,209)	(170,497)
	(406,209)	(207,732)
	414,264	281,425

Borrowing costs capitalised during the year arose on specific borrowings on qualifying assets.

9. NET GAIN ON DISPOSAL OF INTERESTS IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

	2010 HK$'000	2009 HK$'000
Continuing operations		
Gain (loss) on disposal of interests in subsidiaries (note 44)	5,555	(230,171)
Gain on disposal of interests in associates (note)	199	1,216,326
Gain on deemed disposal of interests in associates	–	2,209
Loss on disposal of interests in jointly controlled entities	–	(188)
	5,754	988,176

Note: The amount for the year ended 31st December 2009 included a gain on disposal of 35.176% equity interest in a listed associate, 光明乳業股份有限公司 (Bright Dairy and Food Co., Ltd.) ("Bright Dairy") amounted to HK$1,210,666,000. The Group disposed of the equity interest in Bright Dairy by two batches. In June 2009, 5% equity interest of Bright Dairy was disposed of through the A Shares Market of the Shanghai Stock Exchange at a consideration of HK$390,087,000. In December 2009, the Group's remaining 30.176% equity interest in Bright Dairy was disposal of to an independent third party for a consideration of HK$1,755,820,000.

10. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

The amount includes an impairment loss of HK$194,524,000 (2009: Nil) recognised in respect of the Group's equity investment in Glorious Properties Holdings Limited ("Glorious Properties"), a public limited company listed on the Stock Exchange. The whole amount was reclassified from investment revaluation reserve upon the recognition of the impairment loss after assessing the performance of Glorious Properties' share price during the year. The remaining amount of HK$89,700,000 represents impairment losses recognised on certain unlisted equity investments.

11. INCOME TAX EXPENSE

	2010 HK$'000	2009 HK$'000 (restated)
Continuing operations		
Current tax		
– Hong Kong	122,365	75,563
– PRC LAT	326,992	251,243
– PRC Enterprise income tax ("PRC EIT") (including PRC withholding tax of HK$30,215,000 (2009: HK$41,526,000))	416,730	764,562
	866,087	1,091,368
Under(over)provision in prior years		
– Hong Kong	25,210	(1,015)
– PRC LAT (note)	(74,878)	–
– PRC EIT	32,312	(1,028)
	(17,356)	(2,043)
Deferred taxation for the year (note 31)	(128,872)	13,005
	719,859	1,102,330

Note: During the current year, a group entity completed the tax clearance of a property project in Beijing and resulted in an overprovision of LAT of HK$74,878,000 and an underprovision of related PRC EIT of HK$18,720,000.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January 2008 onwards. For companies that were qualified under old law or regulations for incentive tax rate of 15%, the tax rate will progressively increase from 18% in year 2008 to 20%, 22%, 24% and 25% in years 2009, 2010, 2011 and 2012, respectively. For companies that were still entitled to certain exemption and reliefs ("Tax Benefit") from PRC income tax, the EIT Law allowed the companies to continue to enjoy the Tax Benefit and afterwards change the tax rate to 25%.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights, borrowing costs and all property development expenditures.

11. INCOME TAX EXPENSE (Continued)

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

	2010 HK$'000	2009 HK$'000 (restated)
Profit before taxation (from continuing operations)	2,873,895	3,828,453
Tax at PRC statutory tax rate of 25%	718,474	957,113
Tax effect of share of results of jointly controlled entities and associates	(49,336)	28,056
Tax effect of expenses not deductible for tax purpose	215,330	245,449
Tax effect of income not taxable for tax purpose	(278,529)	(193,300)
Overprovision in prior years	(17,356)	(2,043)
Tax effect of tax losses not recognised as deferred tax assets	50,325	4,747
Utilisation of tax losses previously not recognised as deferred tax assets	(2,403)	(48)
Effect of Tax Benefit granted to PRC subsidiaries	(45,607)	(89,120)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(60,678)	(34,543)
PRC LAT	326,992	251,243
Overprovision of PRC LAT in prior years	(74,878)	–
Tax effect of LAT deductible for PRC EIT	(63,029)	(62,811)
Deferred tax charge (credit) on dividend withholding tax	553	(2,390)
Others	1	(23)
Income tax expense for the year (relating to continuing operations)	719,859	1,102,330

12. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

Discontinued operations and disposal group held for sale as at 31st December 2009

On 15th October 2009, the Company, SIIC Shanghai (Holdings) Co., Ltd. ("SIIC Shanghai"), a wholly-owned subsidiary of SIIC, and Shanghai Pharmaceutical Co., Ltd. ("Shanghai Pharmaceutical"), a subsidiary of SIIC listed on the A Shares Market of the Shanghai Stock Exchange, entered into a share issue and asset acquisition agreement, under which (1) SIIC Shanghai would subscribe for 169,028,200 A shares in Shanghai Pharmaceutical at RMB11.83 per share, and (2) the entire equity interest in a subsidiary, SIIC Medical Science and Technology (Group) Limited ("SIIC MedTech"), a 70.41% equity interest in a subsidiary, Mergen Biotech Limited ("Mergen Biotech"), and a 9.28% equity interest in an available-for-sale investment, Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd., (collectively referred to as "Subject Equity Interests") would be transferred by subsidiaries of the Company to Shanghai Pharmaceutical at a consideration of RMB1,999,604,000 (equivalent to approximately HK$2.27 billion).

12. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

Discontinued operations and disposal group held for sale as at 31st December 2009 (Continued)

On the same day, SI Pharmaceutical entered into a share swap merger agreement with Shanghai Pharmaceutical and Zhongxi Pharmaceutical Co., Ltd. ("Zhongxi Pharmaceutical"), a subsidiary of SIIC listed on the A Shares Market of the Shanghai Stock Exchange, pursuant to which SI Pharmaceutical and Zhongxi Pharmaceutical would merge with Shanghai Pharmaceutical by way of share swap (the "Absorption Merger"). Shanghai Pharmaceutical would issue new A shares and offer a cash option alternative to the existing shareholders of SI Pharmaceutical and Zhongxi Pharmaceutical. Upon completion of the Absorption Merger, Shanghai Pharmaceutical would be the surviving entity, and SI Pharmaceutical and Zhongxi Pharmaceutical would be de-registered. The Company had undertaken to procure Shanghai Industrial YKB Limited ("Shanghai YKB"), a subsidiary of the Company and the immediate holding company of SI Pharmaceutical to fully exercise the cash option in respect of all its shares held in SI Pharmaceutical under the Absorption Merger. Upon completion of the Absorption Merger, the Group would not hold any equity interest in Shanghai Pharmaceutical.

The Subject Equity Interests and SI Pharmaceutical (collectively the "Disposed Business") carried out the Group's operations in medicine business segment. The disposal was effected to realign the Group's business focus and resources in other businesses and was in line with the Group's business strategy, and has been completed in February 2010.

Details of above transactions are set out in an announcement of the Company dated 15th October 2009.

The results and assets and liabilities attributable to the Disposed Business have been classified as discontinued operations and a disposal group held for sale as at 31st December 2009 and are presented separately in the consolidated income statement and the consolidated statement of financial position, respectively.

The profit from the Disposed Business for the year is analysed as follows:

	2010 HK$'000	2009 HK$'000
Profit for the year	70,850	1,005,177
Gain on disposal	3,198,489	–
	3,269,339	1,005,177

Details of the Disposed Business at the date of disposal were as follows:

	HK$'000
Consideration received:	
Cash received	5,359,421

12. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

Discontinued operations and disposal group held for sale as at 31st December 2009 (Continued)

	31st January 2010 HK$'000
Analysis of assets and liabilities over which control was lost:	
Investment properties	117,553
Property, plant and equipment	1,328,530
Prepaid lease payments	236,876
Other intangible assets	18,673
Goodwill	383,133
Interests in jointly controlled entities	39,643
Interests in associates	16,471
Investments	241,203
Deferred tax assets	8,626
Inventories	743,657
Trade and other receivables	1,289,720
Pledged bank deposits	22,944
Short-term bank deposits	832,209
Bank balances and cash	2,026,535
Total assets	7,305,773
Trade and other payables	1,459,812
Taxation payable	76,990
Bank and other borrowings	270,678
Deferred tax liabilities	6,272
Total liabilities	1,813,752
Net assets disposed of	5,492,021
Gain on disposal:	
Consideration received	5,359,421
Net assets disposed of	(5,492,021)
Non-controlling interests	2,995,913
Reclassification of cumulative reserves upon disposal	335,176
Gain on disposal	3,198,489
Net cash inflow arising on disposal:	
Cash consideration received	5,359,421
Less: bank balances and cash disposed of	(2,026,535)
	3,332,886

12. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

Discontinued operations and disposal group held for sale as at 31st December 2009 (Continued)

The results of the Disposed Business for the relevant period/year were as follows:

	One month ended 31st January 2010 HK$'000	Year ended 31st December 2009 HK$'000
Revenue	692,883	5,844,309
Cost of sales	(401,451)	(3,453,912)
Gross profit	291,432	2,390,397
Net investment income	2,551	41,791
Other income	3,190	72,130
Selling and distribution costs	(149,996)	(1,157,344)
Administrative expenses	(63,981)	(602,860)
Finance costs	(948)	(15,954)
Share of results of jointly controlled entities	1,609	35,093
Share of results of associates	–	7,008
Gain on disposal of interest in a subsidiary	–	382,966
Impairment loss on goodwill relating to a subsidiary	–	(17,759)
Profit before taxation	83,857	1,135,468
Income tax expense	(13,007)	(130,291)
Profit for the period/year from discontinued operations	70,850	1,005,177
Attributable to		
– Owners of the Company	28,285	638,838
– Non-controlling interests	42,565	366,339
	70,850	1,005,177

12. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

Discontinued operations and disposal group held for sale as at 31st December 2009 (Continued)

Profit for the relevant period/year from discontinued operations has been arrived at after charging (crediting):

	One month ended 31st January 2010 HK$'000	Year ended 31st December 2009 HK$'000
Employee benefits expense, including directors' emoluments:		
Basic salaries and allowances	44,059	557,653
Bonuses	–	25,487
Retirement benefits scheme contributions	–	12,884
	44,059	596,024
Amortisation of other intangible assets (included in administrative expenses)	–	5,132
Depreciation of property, plant and equipment	–	84,456
Release of prepaid lease payments	–	14,881
Total depreciation and amortisation	–	104,469
Auditor's remuneration	–	2,117
Impairment loss on bad and doubtful debts	–	426
Increase in fair value of investment properties	–	(3,407)
Loss on disposal of investment properties	–	16,205
Loss on disposal of property, plant and equipment	–	6,239
Operating lease rentals in respect of land and buildings	951	14,679
Research and developments costs	6,970	85,129
Share of PRC income tax of jointly controlled entities (included in share of results of jointly controlled entities)	520	8,001
Share of PRC income tax of associates (included in share of results of associates)	–	1,195
Net foreign exchange losses	–	104
Cost of inventories recognised as an expense	401,451	3,453,912

12. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

Discontinued operations and disposal group held for sale as at 31st December 2009 (Continued)

	One month ended 31st January 2010 HK$'000	Year ended 31st December 2009 HK$'000
Net cash flows (used in) from operating activities	(10,650)	746,510
Net cash flows (used in) from investing activities	(48,929)	365,269
Net cash flows from financing activities	81,382	127,176
Net cash flows	21,803	1,238,955

The major classes of assets and liabilities of the Disposed Business as at 31st December 2009, which have been presented separately in the consolidated statement of financial position, are as follows:

	HK$'000
Investment properties	117,553
Property, plant and equipment	1,345,906
Prepaid lease payments	218,116
Other intangible assets	18,673
Goodwill	383,133
Interests in jointly controlled entities	38,034
Interests in associates	16,471
Investments	210,154
Loan receivables	2,895
Deferred tax assets	2,917
Inventories	749,434
Trade and other receivables	1,132,998
Pledged bank deposits	22,944
Short-term bank deposits	832,209
Bank balances and cash	2,004,732
Total assets classified as held for sale	7,096,169
Trade and other payables	1,411,829
Taxation payable	68,120
Bank and other borrowings	248,028
Deferred tax liabilities	6,272
Total liabilities associated with assets classified as held for sale	1,734,249

The investment properties are situated in the PRC and held under medium-term land use rights. Included in property, plant and equipment are properties of HK$29,720,000 erected on land held under medium-term land use rights in the PRC.

12. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

Discontinued operations and disposal group held for sale as at 31st December 2009 (Continued)

The carrying amount of the bank and other borrowings shown above is repayable:

	HK$'000
Within one year	184,889
More than one year but not more than two years	60,614
More than two years but not more than five years	2,064
Over five years	461
	248,028

Disposal group held for sale as at 31st December 2010

In October 2010, the Group resolved to dispose of its entire 78.13% equity interest in a subsidiary, namely 河北永新紙業有限公司 (Hebei Yongxin Paper Co., Ltd.) ("Hebei Yongxin"). Hebei Yongxin is a sino-foreign equity joint venture enterprise established in the PRC and is engaged in the containerboard business. Negotiations with several interested parties have taken place by the end of the reporting period and subsequently in January 2011, the Group entered into an agreement with certain independent third parties (the "Counterparties") pursuant to which the Group would dispose of the said interest for an aggregate consideration of RMB564,000,000 (equivalent to HK$665,251,000) while the Counterparties and their connected persons have the obligation to procure Hebei Yongxin to repay the shareholders' loan of RMB466,141,000 (equivalent to HK$549,824,000) due to the Group in full within 10 business days from the date of completion of this disposal. The assets and liabilities attributable to Hebei Yongxin, which are expected to be sold within twelve months from the end of the reporting period, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). Hebei Yongxin is included in the Group's consumer products business for segment reporting purposes (see note 57). The net proceeds of disposal exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

12. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

Disposal group held for sale as at 31st December 2010 (Continued)

The major classes of assets and liabilities of Hebei Yongxin as at 31st December 2010, which have been presented separately in the consolidated statement of financial position, are as follows:

	HK$'000
Property, plant and equipment	1,402,770
Prepaid lease payments	36,696
Other intangible assets	6,779
Goodwill	13,723
Inventories	185,150
Trade and other receivables	493,643
Bank balances and cash	52,046
Total assets classified as held for sale	2,190,807
Trade and other payables	324,240
Taxation payable	1,846
Bank and other borrowings	707,714
Total liabilities associated with assets classified as held for sale	1,033,800

An amount of approximately HK$65 million relating to the disposal group classified as held for sale has been recognised in other comprehensive income and accumulated in equity.

Included in property, plant and equipment are properties of HK$269,286,000 erected on land held under medium-term land use rights in the PRC.

13. PROFIT FOR THE YEAR

	2010 HK$'000	2009 HK$'000 (restated)
Continuing operations		
Profit for the year has been arrived at after charging (crediting):		
Employee benefits expense, including directors' emoluments:		
Basic salaries and allowances	508,043	335,894
Bonuses	50,584	26,552
Equity-settled share-based payment expense	97,460	–
Retirement benefits scheme contributions, net of forfeited contributions of HK$2,051,000 for the year ended 31st December 2009 (2010: Nil)	34,981	31,612
	691,068	394,058
Amortisation of toll road operating rights (included in cost of sales)	469,680	248,030
Amortisation of other intangible assets (included in administrative expenses)	4,813	1,189
Depreciation of property, plant and equipment	294,855	236,219
Release of prepaid lease payments (note)	13,492	11,815
Total depreciation and amortisation	782,840	497,253
Auditor's remuneration	11,850	6,654
Equity-settled share-based payment expense in respect of options granted to eligible participants other than employees	10,724	–
Impairment loss on bad and doubtful debts	20,265	2,511
Impairment loss on interests in associates	57,434	–
Impairment loss on property, plant and equipment	4,056	–
Reversal of impairment loss on bad and doubtful debts	(15,782)	(7,464)
Impairment loss on goodwill relating to a subsidiary	5,730	–
Provision for major overhauls (included in cost of sales)	1,213	–
Increase in fair value of investment properties (included in other income)	(4,341)	(220,809)
Gain on disposal of investment properties (included in other income)	–	(5,866)
Loss (gain) on disposal of property, plant and equipment	19,663	(855)
Operating lease rentals in respect of land and buildings to		
– ultimate holding company	–	1,289
– fellow subsidiaries	9,947	34,892
– others	63,444	41,784
Research and development costs	3,842	–
Loss on redemption of Convertible Notes 2011 (defined in note 36)	3,163	–
Change in fair value of Warrants 2012 (defined in note 37)	(15,700)	–
Share of PRC income tax of jointly controlled entities (included in share of results of jointly controlled entities)	10,639	12,247
Share of PRC income tax of associates (included in share of results of associates)	16,892	31,662
Net foreign exchange gains	(38,751)	(19,115)
Cost of inventories recognised as an expense	7,087,715	3,771,912

Note: Upon the application of amendments to HKAS 17 "Leases" (see note 3) during the current year, the Group reclassified an amount of HK$1,883,000 from release of prepaid lease payments to depreciation of property, plant and equipment for the year ended 31st December 2009.

14. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the eleven (2009: thirteen) directors were as follows:

	Teng Yi Long HK$'000	Cai Yu Tian HK$'000	Lu Ming Fang HK$'000	Zhou Jie HK$'000	Qian Shi Zheng HK$'000	Zhou Jun HK$'000	Qian Yi HK$'000	Yao Fang HK$'000 (note i)	Lo Ka Shui HK$'000	Woo Chia-Wei HK$'000	Leung Pak To, Francis HK$'000	2010 HK$'000
Independent non-executive directors:												
Directors' fees and committee remuneration	–	–	–	–	–	–	–	–	374	360	360	1,094
Equity-settled share-based payment expense	–	–	–	–	–	–	–	–	206	206	206	618
Executive directors:												
Directors' fee and committee remuneration	–	–	200	–	–	–	–	–	–	–	–	200
Basic salaries and allowances	3,103	2,251	262	1,847	1,797	1,797	1,797	–	–	–	–	12,854
Bonuses	2,100	1,995	–	945	840	840	840	–	–	–	–	7,560
Equity-settled share-based payment expense	2,059	6,861	1,287	1,458	5,289	5,288	1,287	–	–	–	–	23,529
Retirement benefits scheme contributions	50	51	76	46	43	41	35	–	–	–	–	342
Total directors' emoluments	7,312	11,158	1,825	4,296	7,969	7,966	3,959	–	580	566	566	46,197

	Teng Yi Long HK$'000	Cai Yu Tian HK$'000	Lu Ming Fang HK$'000	Zhou Jie HK$'000	Qian Shi Zheng HK$'000	Zhou Jun HK$'000	Qian Yi HK$'000	Yao Fang HK$'000 (note i)	Ding Zhong De HK$'000 (note ii)	Tang Jun HK$'000 (note iii)	Lo Ka Shui HK$'000	Woo Chia-Wei HK$'000	Leung Pak To, Francis HK$'000	2009 HK$'000
Directors' fees and committee remuneration of independent non-executive directors	–	–	–	–	–	–	–	–	–	–	374	360	360	1,094
Executive directors:														
Directors' fee and committee remuneration	–	–	200	–	–	–	–	200	–	58	–	–	–	458
Basic salaries and allowances	3,103	2,251	524	1,847	1,797	1,277	249	–	1,577	–	–	–	–	12,625
Bonuses	2,000	1,900	–	900	800	569	111	–	689	–	–	–	–	6,969
Retirement benefits scheme contributions	174	132	125	110	106	61	5	–	106	–	–	–	–	819
Total directors' emoluments	5,277	4,283	849	2,857	2,703	1,907	365	200	2,372	58	374	360	360	21,965

Notes:

(i) Yao Fang resigned as a director of the Company on 1st January 2010.

(ii) Ding Zhong De retired as a director of the Company on 11th November 2009.

(iii) Tang Jun resigned as a director of the Company on 15th April 2009.

14. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' emoluments (Continued)

In the two years ended 31st December 2010, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any emoluments during the two years.

Bonuses were determined with reference to the Group's operating results, individual performance and comparable market statistics.

Employees' emoluments

The five highest paid individuals of the Group for both years were all directors of the Company and details of their emoluments are set out above.

15. DIVIDENDS

	2010 HK$'000	2009 HK$'000
Dividends recognised as distribution during the year:		
2010 interim dividend of HK50 cents		
(2009: 2009 interim dividend of HK48 cents) per share	647,859	518,287
2009 final dividend of HK60 cents		
(2009: 2008 final dividend of HK36 cents) per share	539,883	388,346
	1,187,742	906,633

The final dividend of HK58 cents in respect of the year ended 31st December 2010 (2009: final dividend of HK60 cents in respect of the year ended 31st December 2009) per share, amounting to approximately HK$626.3 million (2009: HK$647.9 million) in total, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

16. EARNINGS PER SHARE

For continuing and discontinued operations

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

	2010 HK$'000	2009 HK$'000 (restated)
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	5,277,752	2,870,132
Effect of dilutive potential ordinary shares		
– adjustment to the share of results of a jointly controlled entity based on potential dilution of its earnings per share (note)	N/A	(284)
Earnings for the purpose of diluted earnings per share	5,277,752	2,869,848

	2010	2009
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,079,767,795	1,078,637,764
Effect of dilutive potential ordinary shares		
– share options of the Company	8	779,832
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,079,767,803	1,079,417,596

The computation of diluted earnings per share for the current year does not assume:

i) the exercise of certain of the Company's outstanding options because the exercise price of those options was higher than the average market price for the corresponding period;

ii) the conversion of outstanding convertible notes issued by SI Urban Development (defined in note 43A) since they are anti-dilutive; and

iii) the exercise of options/warrants issued by SI Urban Development because the options/warrants are anti-dilutive.

16. EARNINGS PER SHARE (Continued)

For continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	2010 HK$'000	2009 HK$'000 (restated)
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company	5,277,752	2,870,132
Less: profit for the year from discontinued operations attributable to owners of the Company	(28,285)	(638,838)
gain on disposal of the Disposed Business	(3,198,489)	–
Earnings for the purpose of basic earnings per share from continuing operations	2,050,978	2,231,294
Effect of dilutive potential ordinary shares		
– adjustment to the share of results of a jointly controlled entity based on potential dilution of its earnings per share (note)	N/A	(284)
Earnings for the purpose of diluted earnings per share from continuing operations	2,050,978	2,231,010

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operations is HK$2.99 per share (2009: HK$0.59 per share) and diluted earnings per share for the discontinued operations is HK$2.99 per share (2009: HK$0.59 per share), based on the profit for the year from the discontinued operations attributable to owners of the Company and gain on disposal of the Disposed Business of HK$3,226,774,000 (2009: HK$638,838,000) and the denominators detailed above for basic and diluted earnings per share.

Note: The dilutive impact on the share of results of a jointly controlled entity was effected from share options issued by the jointly controlled entity, which has been disposed of in prior year.

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January 2009	1,986,896
Transfer from property, plant and equipment	58,190
Disposals	(16,356)
Net increase in fair value recognised in profit or loss	224,216
Reclassified as held-for-sale	(117,553)
At 31st December 2009	2,135,393
Exchange adjustments	208,719
Acquired on acquisition of SI Urban Development (note 43A)	2,872,626
Increase in fair value recognised in profit or loss	4,341
At 31st December 2010	5,221,079

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties are situated in the PRC and are held under medium-term land use rights.

The fair values of the Group's investment properties at 31st December 2010 have been arrived at on the basis of valuations carried out on that date by Messrs. Debenham Tie Leung Limited and Messrs. Savills Valuation and Professional Services Limited, independent firms of qualified professional valuers not connected with the Group. The fair value of the Group's investment properties at 31st December 2009 was arrived at on the basis of a valuation carried out on that date by Messrs. Debenham Tie Leung Limited. Messrs. Debenham Tie Leung Limited and Messrs. Savills Valuation and Professional Services Limited are members of the Institute of Valuers. The valuations were arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate.

The property rental income earned by the Group from its investment properties (excluding those classified as a part of a disposal group), which are either held for rental income under operating leases or for capital appreciation purpose, amounted to HK$134,628,000 (2009: HK$132,908,000) with negligible direct operating expenses.

18. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST							
At 1st January 2009 (originally stated)	510,824	1,028,161	582,974	168,627	3,167,272	477,099	5,934,957
Effect of change in accounting policy (note 3)	–	86,056	–	–	–	–	86,056
At 1st January 2009 (restated)	510,824	1,114,217	582,974	168,627	3,167,272	477,099	6,021,013
Acquired on acquisition of subsidiaries (restated)	–	2,584	7,586	814	2,632	6,361	19,977
Additions (restated)	–	2,373	32,915	22,287	83,017	2,208,935	2,349,527
Transfers/reclassifications	9,864	231,793	50,891	2,528	1,047,549	(1,450,602)	(107,977)
Reclassified as held-for-sale (note 12)	–	(409,003)	(121,013)	(73,536)	(1,194,422)	(57,694)	(1,855,668)
Disposals	–	(24,672)	(19,055)	(19,516)	(93,435)	–	(156,678)
At 31st December 2009 (restated)	520,688	917,292	534,298	101,204	3,012,613	1,184,099	6,270,194
Exchange adjustments	29,846	18,063	20,943	4,059	61,147	13,973	148,031
Acquisition of SI Urban Development (note 43A)	216,748	–	235,138	22,011	–	365,419	839,316
Acquisition of United Water (note 43A)	–	7,514	1,207	6,361	–	18,168	33,250
Additions	5,353	6,747	34,096	17,355	68,515	171,776	303,842
Transfers/reclassifications	–	23,261	26,499	386	22,752	(1,200,547)	(1,127,649)
Reclassified as held-for-sale (note 12)	–	(323,306)	(4,903)	(9,155)	(1,183,005)	(76,571)	(1,596,940)
Disposals	(8,555)	(10,996)	(8,462)	(17,514)	(31,859)	–	(77,386)
Disposal of subsidiaries (note 44)	–	(32,898)	(7,512)	(11,848)	(129,419)	(331)	(182,008)
At 31st December 2010	764,080	605,677	831,304	112,859	1,820,744	475,986	4,610,650
DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1st January 2009 (originally stated)	149,853	228,349	415,032	89,058	1,315,184	–	2,197,476
Effect of change in accounting policy (note 3)	–	12,370	–	–	–	–	12,370
At 1st January 2009 (restated)	149,853	240,719	415,032	89,058	1,315,184	–	2,209,846
Provided for the year (restated)	22,749	45,563	38,395	22,243	191,725	–	320,675
Reclassified as held-for-sale (note 12)	–	(111,882)	(72,346)	(41,572)	(283,962)	–	(509,762)
Eliminated on disposals	–	(1,442)	(17,872)	(15,775)	(64,183)	–	(99,272)
At 31st December 2009 (restated)	172,602	172,958	363,209	53,954	1,158,764	–	1,921,487
Exchange adjustments	7,601	3,146	7,649	1,735	16,611	–	36,742
Provided for the year	43,492	33,795	28,758	18,413	170,397	–	294,855
Reclassified as held-for-sale (note 12)	–	(48,272)	(2,462)	(2,978)	(140,458)	–	(194,170)
Eliminated on disposals	(4,056)	(3,416)	(7,398)	(14,107)	(23,865)	–	(52,842)
Eliminated on disposal of subsidiaries (note 44)	–	(12,455)	(3,330)	(7,312)	(57,334)	–	(80,431)
Impairment loss recognised	–	–	–	–	4,056	–	4,056
At 31st December 2010	219,639	145,756	386,426	49,705	1,128,171	–	1,929,697
CARRYING VALUES							
At 31st December 2010	544,441	459,921	444,878	63,154	692,573	475,986	2,680,953
At 31st December 2009 (restated)	348,086	744,334	171,089	47,250	1,853,849	1,184,099	4,348,707
At 1st January 2009 (restated)	360,971	873,498	167,942	79,569	1,852,088	477,099	3,811,167

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31st December 2010, leasehold land and buildings included certain assets carried at cost of HK$5,189,000 (31.12.2009: HK$3,550,000) in aggregate with accumulated depreciation of HK$1,430,000 (31.12.2009: HK$1,284,000) in respect of assets rented out under operating leases. Depreciation charged in respect of those assets in the year amounted to HK$146,000 (2009: HK$97,000).

	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE COMPANY				
COST				
At 1st January 2009	2,803	25,002	8,799	36,604
Additions	–	296	541	837
Disposals	–	(24)	(1,917)	(1,941)
At 31st December 2009	2,803	25,274	7,423	35,500
Additions	–	937	1,668	2,605
Disposals	–	(1,895)	(2,436)	(4,331)
At 31st December 2010	2,803	24,316	6,655	33,774
DEPRECIATION				
At 1st January 2009	821	23,670	8,438	32,929
Provided for the year	112	669	223	1,004
Eliminated on disposals	–	(24)	(1,917)	(1,941)
At 31st December 2009	933	24,315	6,744	31,992
Provided for the year	112	667	753	1,532
Eliminated on disposals	–	(1,895)	(2,426)	(4,321)
At 31st December 2010	1,045	23,087	5,071	29,203
CARRYING VALUES				
At 31st December 2010	1,758	1,229	1,584	4,571
At 31st December 2009	1,870	959	679	3,508

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Hotel property	Over the period of the lease term
Leasehold land and buildings	The shorter of 4%-5% or over the period of the lease term
Furniture, fixtures and equipment	10%-33$^{1}/_{3}$% or over the period of the lease in case of fixtures in rented premises
Motor vehicles	10%-30%
Plant and machinery	5%-20%

	THE GROUP			THE COMPANY	
	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000 (restated)	31.12.2010 HK$'000	31.12.2009 HK$'000
The carrying values of property interests comprises properties erected on land held under:					
– medium-term land use rights in the PRC	690,146	769,885	901,480	1,758	1,870
– medium-term leases in Hong Kong	314,216	321,596	332,002	–	–
– medium-term leases in Macau	–	939	987	–	–
	1,004,362	1,092,420	1,234,469	1,758	1,870

19. PREPAID LEASE PAYMENTS

	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000 (restated)
The Group's prepaid lease payments comprise medium-term land use rights in the PRC	400,233	351,585	583,370
Analysed for reporting purposes as:			
Current portion	13,737	11,896	26,697
Non-current portion	386,496	339,689	556,673
	400,233	351,585	583,370

20. TOLL ROAD OPERATING RIGHTS

	HK$'000
COST	
At 1st January 2009	10,181,703
Acquisition of a subsidiary (restated)	3,424,580
At 31st December 2009 (restated)	13,606,283
Exchange adjustments	575,700
Additions	238,738
Transfer from construction in progress (note 18)	1,127,649
At 31st December 2010	15,548,370
AMORTISATION	
At 1st January 2009	500,242
Charged for the year (restated)	248,030
At 31st December 2009 (restated)	748,272
Exchange adjustments	41,293
Charged for the year	469,680
At 31st December 2010	1,259,245
CARRYING VALUES	
At 31st December 2010	14,289,125
At 31st December 2009 (restated)	12,858,011
At 1st January 2009	9,681,461

The toll road operating rights represent:

(a) the right to receive toll fees from vehicles using the Shanghai section of the Jing-Hu Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 25 years ending in 2028;

(b) the right to receive toll fees from vehicles using the Shanghai section of the Hu-Kun Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 30 years ending in 2030; and

(c) the right to receive toll fees from vehicles using the Shanghai section of Hu-Yu Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 20 years ending in 2027.

The Group's rights to operate the toll roads are amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the period for which the Group is granted the rights to operate the toll roads.

21. OTHER INTANGIBLE ASSETS

	Operating concessions HK$'000	Premium on prepaid lease payments HK$'000	Trademark HK$'000	Patents HK$'000	Total HK$'000
COST					
At 1st January 2009	–	69,463	58,196	57,486	185,145
Reclassified as held-for-sale	–	–	–	(57,486)	(57,486)
At 31st December 2009	–	69,463	58,196	–	127,659
Exchange adjustments	7,639	2,162	2,227	–	12,028
Acquisition of United Water (note 43A)	440,580	–	–	–	440,580
Reclassified as held-for-sale	–	(7,643)	–	–	(7,643)
At 31st December 2010	448,219	63,982	60,423	–	572,624
AMORTISATION					
At 1st January 2009	–	6,248	–	33,681	39,929
Charged for the year	–	1,189	–	5,132	6,321
Reclassified as held-for-sale	–	–	–	(38,813)	(38,813)
At 31st December 2009	–	7,437	–	–	7,437
Exchange adjustments	61	255	–	–	316
Charged for the year	3,612	1,201	–	–	4,813
Reclassified as held-for-sale	–	(864)	–	–	(864)
At 31st December 2010	3,673	8,029	–	–	11,702
CARRYING VALUES					
At 31st December 2010	444,546	55,953	60,423	–	560,922
At 31st December 2009	–	62,026	58,196	–	120,222
At 1st January 2009	–	63,215	58,196	23,805	145,216

Operating concessions represent the rights to operate sewage and water treatment plants and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on straight-line basis over the respective periods of the operating concessions granted to the Group of 20 to 30 years. Details of these operating concessions are set out in note 28.

Premium on prepaid lease payments represents the premium on acquisition of prepaid lease payments which is to be amortised over the period of the lease of the related prepaid lease payments on a straight-line basis.

The trademark has a legal life of 10 years from September 2001 to September 2011 but is renewable upon expiry. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

21. OTHER INTANGIBLE ASSETS (Continued)

As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing, trademark with definite useful lives set out above has been allocated to the individual cash generating unit ("CGU"), comprising one subsidiary in the real estate segment. During the year ended 31st December 2010, management of the Group determines that there is no impairment (2009: Nil) of the CGU containing trademark by reference to the recoverable amount of the CGU, which has been determined based on a value in use calculation.

Patents were held to produce pharmaceutical products for a period ranging from 5 to 10 years and were amortised on a straight-line basis over useful lives ranging from 5 to 10 years. As at 31st December 2009, the Group's patents relating to the Disposed Business as mentioned in note 12 were reclassified as held-for-sale.

22. GOODWILL

	2010 HK$'000	2009 HK$'000
COST		
At 1st January	19,453	565,981
Arising on acquisition of a subsidiary (restated)	–	5,730
Arising on acquisition of additional interests in subsidiaries	–	13,923
Reclassified as held-for-sale	(13,723)	(566,181)
At 31st December	5,730	19,453
IMPAIRMENT		
At 1st January	–	165,289
Impairment loss recognised for the year	5,730	17,759
Reclassified as held-for-sale	–	(183,048)
At 31st December	5,730	–
CARRYING AMOUNTS		
At 31st December 2010		–
At 31st December 2009 (restated)		19,453
At 1st January 2009		400,692

Particulars regarding impairment testing on goodwill are disclosed in note 23.

23. IMPAIRMENT TESTING ON GOODWILL WITH INDEFINITE USEFUL LIVES

For the purpose of impairment testing, goodwill acquired in business combinations as set out in note 22 was allocated, at acquisition, to the individual cash-generating units that are expected to benefit from that business combination. The carrying amount of goodwill was allocated as follows:

	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000
Sale and manufacture of Chinese medicine and health food	–	–	277,574
Sale and manufacture of biomedicine	–	–	123,118
Sale of container board	–	13,723	–
Others	–	5,730	–
	–	19,453	400,692

During the year ended 31st December 2009, in view of the continuous operating losses incurred by an entity which is engaged in sale and manufacture of biomedicine, the Group revised its cash flow forecasts and as a result, an impairment loss of HK$17,759,000 was recognised.

Sale of container board

As at 31st December 2009, the recoverable amount of this unit was determined from value in use calculations. The key assumptions for the value in use calculations were those regarding the discount rates, growth rates and expected changes to budgeted sales and gross margin during that year. Management estimated discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to this unit. Changes in budgeted sales and gross margin were based on past practices and expectations of future changes in the market.

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by management covering a five year period with zero growth rate. The rate used to discount the forecast cash flows was 5%.

24. INVESTMENTS IN SUBSIDIARIES

	31.12.2010 HK$'000	31.12.2009 HK$'000
Unlisted shares, at cost	5,288,857	5,288,857

Details of the Company's principal subsidiaries are set out in note 53.

25. INTERESTS IN JOINTLY CONTROLLED ENTITIES/INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	THE GROUP			THE COMPANY	
	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000	31.12.2010 HK$'000	31.12.2009 HK$'000
Cost of unlisted investments in jointly controlled entities	497,983	547,586	576,469	–	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	785,894	608,054	667,198	–	–
	1,283,877	1,155,640	1,243,667	–	–
Less: Impairment loss recognised	(79,379)	(91,173)	(91,173)	–	–
	1,204,498	1,064,467	1,152,494	–	–
Interests in jointly controlled entities classified as held-for-sale	–	(38,034)	–	–	–
	1,204,498	1,026,433	1,152,494	–	–

At 1st January 2009, included in the cost of investments was goodwill of HK$17,146,000 arising on acquisition of interests in jointly controlled entities in prior years. The movements of goodwill are set out below:

	THE GROUP HK$'000
COST	
At 1st January 2009	84,515
Released upon disposal of a jointly controlled entity	(11,236)
Reclassified as held-for-sale	(17,704)
At 31st December 2009 and 2010	55,575
IMPAIRMENT	
At 1st January 2009	67,369
Reclassified as held-for-sale	(11,794)
At 31st December 2009 and 2010	55,575
CARRYING VALUES	
At 31st December 2010	–
At 31st December 2009	–
At 1st January 2009	17,146

25. INTERESTS IN JOINTLY CONTROLLED ENTITIES/INVESTMENT IN A JOINTLY CONTROLLED ENTITY (Continued)

The summarised financial information in respect of the Group's interests in jointly controlled entities which are accounted for using the equity method is set out below:

	THE GROUP 31.12.2010 HK$'000	THE GROUP 31.12.2009 HK$'000
Group's share of the total assets of jointly controlled entities	3,762,530	2,999,079
Group's share of the total liabilities of jointly controlled entities	(2,571,881)	(1,986,623)
Group's share of net assets of jointly controlled entities	1,190,649	1,012,456

	Year ended 31.12.2010 HK$'000	Year ended 31.12.2009 HK$'000
Income recognised in profit or loss	1,559,038	676,049
Profit for the year	300,586	91,067
Group's share of results of jointly controlled entities for the year	151,949	43,552
Other comprehensive income	100,068	–
Group's share of other comprehensive income of jointly controlled entities for the year	44,785	–

The Group has discontinued recognition of its share of losses of certain jointly controlled entities. The amounts of unrecognised share of those jointly controlled entities, both for the year and cumulatively, are as follows:

	THE GROUP Year ended 31.12.2010 HK$'000	THE GROUP Year ended 31.12.2009 HK$'000
Unrecognised share of (profits) losses of jointly controlled entities for the year	(128)	5,737
Accumulated unrecognised share of losses of jointly controlled entities	37,653	37,781

Details of the Group's principal jointly controlled entities are set out in note 54.

26. INTERESTS IN ASSOCIATES

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Cost of investments in associates			
– Listed in Hong Kong	–	–	1,824,311
– Listed in the PRC	–	–	659,878
– Unlisted	187,998	181,729	198,136
Share of post-acquisition profits and other comprehensive income, net of dividends received	463,746	142,895	1,391,257
	651,744	324,624	4,073,582
Less: Impairment loss recognised	(66,853)	(9,419)	(28,793)
	584,891	315,205	4,044,789
Interest in an associate classified as held-for-sale	–	(16,471)	–
	584,891	298,734	4,044,789
Fair value of listed investments	N/A	N/A	2,365,032

Included in the cost of investments is goodwill of HK$3,370,000 (31.12.2009: HK$3,370,000) arising on acquisition of interests in associates in prior years. The movements of goodwill are set out below:

	HK$'000
COST	
At 1st January 2009	286,864
Released upon disposal of associates	(283,494)
At 31st December 2009 and 2010	3,370
IMPAIRMENT	
At 1st January 2009	19,374
Released upon disposal of associates	(19,374)
At 31st December 2009 and 2010	–
CARRYING VALUES	
At 31st December 2010	3,370
At 31st December 2009	3,370
At 1st January 2009	267,490

26. INTERESTS IN ASSOCIATES (Continued)

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

	31.12.2010 HK$'000	31.12.2009 HK$'000
Total assets	4,055,376	1,882,333
Total liabilities	(2,052,605)	(695,626)
Net assets	2,002,771	1,186,707
Group's share of net assets of associates	648,374	304,783

	Year ended 31.12.2010 HK$'000	Year ended 31.12.2009 HK$'000
Income recognised in profit or loss	755,326	10,992,964
Profit for the year	152,830	9,819
Group's share of results of associates for the year	45,392	(148,768)
Other comprehensive income	70,720	–
Group's share of other comprehensive income of associates for the year	33,324	–

Details of the Group's principal associates are set out in note 55.

27. INVESTMENTS

	THE GROUP 31.12.2010 HK$'000	THE GROUP 31.12.2009 HK$'000	THE GROUP 1.1.2009 HK$'000	THE COMPANY 31.12.2010 HK$'000	THE COMPANY 31.12.2009 HK$'000
Available-for-sale investments					
Listed equity securities in					
– Hong Kong	235,142	309,119	151,125	–	–
– elsewhere	72,620	83,728	69,612	–	–
Unlisted equity securities in					
– Hong Kong	5	5	5	–	–
– elsewhere	85,712	155,637	337,907	–	–
	393,479	548,489	558,649	–	–
Held-to-maturity investments					
– Debentures listed in Hong Kong with fixed interest of 3.39% and maturity dates on 16th January 2009 and 8th April 2009	–	–	117,173	–	–
– Debentures listed elsewhere with fixed interest of 2.5%, redeem at a premium of 21.31% and maturity date on 22nd February 2013	–	27,629	25,625	–	–
	–	27,629	142,798	–	–
Investments held-for-trading					
Listed equity securities in					
– Hong Kong	14,230	3,626	–	–	482
– elsewhere	12,640	12,748	23,824	–	–
	26,870	16,374	23,824	–	482
Financial assets at FVTPL					
– Listed convertible notes/debentures	117,840	142,385	–	–	–
– Equity-linked notes	–	–	21,718	–	–
– Other (note)	2,798,675	2,680,600	–	–	–
	2,916,515	2,822,985	21,718	–	–
	3,336,864	3,415,477	746,989	–	482
Fair values of listed equity investments	334,632	409,221	244,561	–	482
Fair values of held-to-maturity investments	–	28,163	130,696	–	–
Analysed for reporting purposes as:					
Current	144,710	158,759	162,715	–	482
Non-current	3,192,154	3,256,718	584,274	–	–
	3,336,864	3,415,477	746,989	–	482

27. INVESTMENTS (Continued)

At the end of the reporting period, all available-for-sale investments and financial assets at FVTPL are stated at their fair values, except for those unlisted equity investments of which their fair values cannot be measured reliably. The fair values are determined by reference to bid prices quoted in active markets, prices provided by the respective issuing banks or financial institutions using valuation techniques.

The above investments in unlisted equity securities are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The Group's unlisted equity securities at 31st December 2009 included HK$14,497,000 investment in a company with a shareholding of 30% established in the PRC. This company is engaged in the manufacture and sale of paper products. Pursuant to an addendum to the joint venture agreement with the PRC joint venture partner, the Group had surrendered its economic interest in connection with the operation and management of this company in return for the receipt of contracted annual payment. At the end of the joint venture period, the Group would be entitled to the distribution of all the remaining assets in accordance with its shareholding in the company. In the opinion of the directors, this company was not regarded as an associate of the Group as the Group could not exercise significant influence on this company. During the current year, the Group disposed of this investment, resulting in a gain of HK$4,829,000 (included in net investment income).

Note: On 11th June 2009, the Group entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Bright New Investments Limited (the "Seller"), a wholly-owned subsidiary of Glorious Properties, a company listed on the Stock Exchange in October 2009, regarding the transfer of the entire equity interest in a subsidiary of Glorious Properties, Better Score Limited ("Better Score"), from the Seller to the Group at a total consideration of RMB2 billion (equivalent to approximately HK$2.27 billion) (the "Transaction").

Pursuant to the Transaction:

(i) certain property interests in a real estate project, namely Shanghai Bay (the "Properties"), will be transferred to 上海鵬暉置業有限公司 Shanghai Penghui Property Development Co. Ltd. ("Shanghai Penghui"), a wholly-owned subsidiary of Better Score. Better Score and its subsidiaries have no other business apart from the holding of the Properties;

(ii) a subsidiary of Glorious Properties, under the supervision of the board of directors of Shanghai Penghui, is engaged to manage the development, construction and sale of the Properties and operational matters of Shanghai Penghui;

(iii) the Group will be entitled to a fixed return from the Properties for each of the three years ending 31st December 2011;

(iv) each of the Group and the Seller has the obligation to exercise the non-cancellable option to sell and to acquire the legal and beneficial interests in the Properties to the Seller and from the Group, respectively on 1st December 2011 (or such other date the parties may mutually agree); and

(v) the Group is entitled to an additional security in the form of a pledge of other property interests in the Shanghai Bay project.

Details of the Transaction are also set out in an announcement of the Company dated 11th June 2009.

Upon completion of the Transaction in August 2009, the Group designated its investment in Better Score as financial asset at FVTPL based on the fact that the Group would manage the performance of all similar investments (i.e. secured investment arrangements with private real estate developers prior to their initial public offerings to earn fixed return over a fixed period of time) on a fair value basis in accordance with its established investment strategy.

The fair value of the investment at the end of the reporting period has been calculated based on the present value of contractually determined stream of future cash flows discounted at an appropriate discount rate and remaining time to maturity.

28. SERVICE CONCESSION ARRANGEMENTS

As detailed in note 43A, the Group newly acquired the controlling interest of 60.4% in 聯合潤通水務股份有限公司 ("United Water") and its subsidiaries (collectively referred to as "United Water Group") in November 2010. United Water Group is principally engaged in the businesses of sewage treatment and water supply in the PRC and has entered into a number of service concession arrangements with certain governmental authorities in the PRC on a Build-Operate-Transfer ("BOT") or a Transfer-Operate-Transfer ("TOT") basis in respect of its businesses. These service concession arrangements generally involve the Group as an operator (i) construction of sewage and water treatment plants for those arrangements on a BOT basis; (ii) payment of a specific amount for those arrangements on a TOT basis; (iii) operating and maintaining the sewage and water treatment plants at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 20 to 30 years (the "service concession periods"), and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through a pricing mechanism.

The Group is generally entitled to operate all the property, plant and equipment of the sewage and water treatment plants, however, the relevant governmental authorities as grantors will control and regulate the scope of services the Group must provide to the sewage and water treatment plants, and retain the beneficial entitlement to any residual interest in the sewage and water treatment plants at the end of the service concession periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authorities in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the sewage and water treatment plants to a specified level of serviceability at the end of the service concession periods, and arrangements for arbitrating disputes.

At 31st December 2010, the Group had eleven service concession arrangements on sewage treatment and one service concession arrangement on water treatment and distribution. A summary of the major terms of principal service concession arrangements is set out below:

Name of subsidiary as operator	Name of sewage and water treatment plant	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity m^3/day	Service concession period
東莞市大朗水口興寶水務有限公司	東莞市大朗松山湖南部污水處理廠	Dongguan, Guangdong Province, the PRC	東莞大浪鎮人民政府	BOT	100,000	25 years from 2006 to 2031
濰坊市自來水有限公司	濰坊市城市供水	Weifang, Shandong Province, the PRC	濰坊市市政管理局	BOT	320,000	25 years from 2007 to 2032
濰坊市聯合潤通污水處理有限公司	濰坊高新技術產業開發區污水處理一期	Weifang, Shandong Province, the PRC	濰坊市人民政府	BOT	50,000	20 years from 2005 to 2025
聯合潤通水務股份有限公司	濰坊市污水處理廠	Weifang, Shandong Province, the PRC	濰坊市人民政府	TOT	100,000	20 years from 2004 to 2024
德州聯合潤通水務有限公司	德州市污水處理廠	Dezhou, Shandong Province, the PRC	德州市建設委員會	TOT	100,000	20 years from 2006 to 2026

28. SERVICE CONCESSION ARRANGEMENTS (Continued)

Receivables under service concession arrangements

As explained in the accounting policy for "Service concession arrangements" set out in note 4, consideration given by the grantor for a service concession arrangement is accounted for as an intangible asset (operating concession) or a financial asset (receivable under service concession arrangement) or a combination of both, as appropriate. The intangible asset component is detailed in note 21, and the financial asset component is as follows:

	2010 HK$'000	2009 HK$'000
Receivables under service concession arrangements	1,122,105	–
Less: current portion classified as current assets	(224,821)	–
Non-current portion	897,284	–

During the year, the Group recognised an interest income of HK$18,500,000 (2009: Nil) from receivables under service concession arrangements. The interest income is grouped under revenue as income from infrastructure facilities for presentation purpose. The effective interest applied ranges from 10% to 11%.

Provision for major overhauls

Pursuant to the service concession agreements, United Water Group has contractual obligations to maintain the sewage and water treatment plants to a specified level of serviceability and/or to restore the plants to a specified condition before they are handed over to the grantors at the end of the service concession periods. These contractual obligations to maintain or restore the sewage and water treatment plants, except for any upgrade element, are recognised and measured in accordance with HKAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The future expenditure on these maintenance and restoration costs is collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

The movements in the provision for the major overhauls of sewage and water treatment plants during the year, are as follows:

	HK$'000
At 1st January 2009 and 31st December 2009	–
Acquisition of United Water (note 43A)	72,116
Exchange adjustments	1,250
Additional provision included in cost of sales	1,213
At 31st December 2010	74,579

29. DEPOSITS PAID ON ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The balance includes deposits paid by the Group in connection with the acquisition of property, plant and equipment for the Group's new production facilities. As at 31st December 2009, the balance mainly represented deposits paid for the widening work of the Shanghai section of the Hu-Kun Expressway of HK$119,264,000 (31.12.2010: Nil).

The related capital commitments are disclosed in note 46.

30. RESTRICTED BANK DEPOSITS

The restricted bank deposits represent deposits under restriction for use by the Group as a result of a commercial court case of a non-controlling shareholder of a subsidiary and the bank deposits were frozen accordingly. The restricted bank deposits carry fixed interest at a rate of 0.36% (31.12.2009: 0.36%) per annum.

31. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Fair value adjustments on business combinations HK$'000	LAT HK$'000	Undistributed earnings of PRC entities HK$'000	Fair value adjustments properties under development/ properties held for sale HK$'000	Other deferred tax liabilities HK$'000	Other deferred tax assets HK$'000	Total HK$'000
At 1st January 2009	102,782	409,893	(17,198)	1,326,583	300,777	85,219	(53,768)	1,366	(21,416)	2,134,238
Acquisition of a subsidiary (restated)	–	–	(13,609)	20,028	–	–	–	–	–	6,419
Charged (credited) to profit or loss (restated)	36,518	58,953	(1,833)	(18,551)	(34,245)	(2,390)	(29,717)	3,324	11,586	23,645
Reclassified as held-for-sale	–	(5,506)	–	–	–	–	–	–	2,151	(3,355)
At 31st December 2009 (restated)	139,300	463,340	(32,640)	1,328,060	266,532	82,829	(83,485)	4,690	(7,679)	2,160,947
Exchange adjustments	5,661	46,371	(688)	60,624	5,415	2,700	(2,722)	152	(250)	117,263
Acquisition of SI Urban Development	–	454,814	–	296,024	–	–	512,984	298	(23,625)	1,240,495
Acquisition of United Water	–	–	–	83,258	–	–	–	–	–	83,258
Charged (credited) to profit or loss	38,087	1,085	17,845	(3,184)	(49,566)	553	(157,258)	(293)	23,859	(128,872)
At 31st December 2010	183,048	965,610	(15,483)	1,764,782	222,381	86,082	269,519	4,847	(7,695)	3,473,091

31. DEFERRED TAXATION (Continued)

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

	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000
Deferred tax liabilities	3,617,791	2,257,900	2,220,869
Deferred tax assets	(144,700)	(96,953)	(86,631)
	3,473,091	2,160,947	2,134,238

At 31st December 2010, the Group had unused tax losses of approximately HK$1,643.2 million (31.12.2009: HK$231.0 million, as restated) available for offset against future assessable profits. A deferred tax asset amounting to approximately HK$15.5 million (31.12.2009: HK$32.6 million, as restated) in respect of tax losses amounting to approximately HK$64.5 million (31.12.2009: HK$133.3 million, as restated) has been recognised. No deferred tax asset was recognised in respect of the remaining tax losses of approximately HK$1,578.7 million (31.12.2009: HK$97.7 million) due to the unpredictability of future profit streams. The Hong Kong tax losses of approximately HK$12.5 million (31.12.2009: HK$18.9 million) may be carried forward indefinitely and the remaining PRC tax losses of approximately HK$1,630.7 million (31.12.2009: HK$212.1 million, as restated) will expire in various dates in the next five years.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January 2008 onwards. Deferred taxation has been provided for in full in respect of undistributed profits retained by PRC entities in the consolidated financial statements.

Other deferred tax liabilities mainly included deferred tax on fair value change of financial assets classified as held-for-trading. Other deferred tax assets included deferred taxation on (i) impairment loss on bad and doubtful debts, (ii) pre-operating expenses and (iii) accrued expenses.

32. INVENTORIES

	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000
Properties under development held for sale	31,832,859	13,370,580	10,615,083
Properties held for sale	3,948,288	3,490,354	1,852,418
Raw materials	707,638	849,184	965,482
Work in progress	64,076	24,462	191,180
Finished goods	98,048	211,504	577,938
Merchandise held for resale	4,316	8,337	151,079
	36,655,225	17,954,421	14,353,180

At 31st December 2010, included in inventories is an amount of HK$24,917,029,000 (31.12.2009: HK$13,370,580,000, as restated) properties under development held for sale which are not expected to be realised within one year.

33. TRADE AND OTHER RECEIVABLES

	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000
Trade receivables	381,552	506,049	1,752,287
Less: allowance for doubtful debts	(6,555)	(11,732)	(69,382)
	374,997	494,317	1,682,905
Other receivables (note)	3,189,041	3,182,854	2,467,687
Total trade and other receivables	3,564,038	3,677,171	4,150,592

Note: At 31st December 2010, included in other receivables is an amount of HK$114,579,000 (31.12.2009: HK$113,085,000) due from entities controlled by Xuhui District State Owned Asset Administrative Committee ("Xuhui SAAC"). The amount is unsecured, non-interest bearing and repayable on demand.

In addition, included in other receivables is an amount of HK$436,424,000 (31.12.2009: HK$1,301,681,000) advanced to the vendor of an investment project in the PRC. The amount is secured by the equity interests of the vendor held in the investment and interest-bearing at a fixed rate of 8% (31.12.2009: 16%) per annum. The amount has been fully settled in February 2011.

At 31st December 2010, other receivables also include an amount of HK$796,257,000 (31.12.2009: Nil) representing guarantee deposits paid for land auction in the PRC. The amount has been fully refunded in early 2011.

Included in other receivables as at 31st December 2009 was consideration receivable of HK$880,289,000 on disposal of an associate, which was fully settled in February 2010.

The Group generally allows credit periods ranging from 30 days to 180 days to its trade customers, other than property buyers. For property sales, due to the nature of business, the Group generally grants no credit period to property buyers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period. The analysis includes those classified as part of a disposal group.

	31.12.2010 HK$'000	31.12.2009 HK$'000
Within 30 days	365,394	612,144
Within 31-60 days	163,755	337,028
Within 61-90 days	65,603	154,450
Within 91-180 days	30,649	276,583
Within 181-365 days	14,006	36,337
Over 365 days	9,214	23,489
	648,621	1,440,031

33. TRADE AND OTHER RECEIVABLES (Continued)

Included in the Group's trade receivables balance (including those classified as part of a disposal group) are debtors with an aggregate carrying amount of HK$23,871,000 (31.12.2009: HK$61,683,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Before accepting any new customer, the Group assesses the potential customer's credit quality by investigating their historical credit records and defines credit limits by customer. Credit sales are made to customers with good credit history and credit limits granted to customers are under regular review. Majority of the trade receivables that are neither past-due nor impaired has no default payment history.

Ageing of trade receivables which are past due but not impaired

	31.12.2010 HK$'000	31.12.2009 HK$'000
31-60 days	600	1,085
61-90 days	37	738
91-180 days	14	34
181-365 days	14,006	36,337
Over 365 days	9,214	23,489
Total	23,871	61,683

For amounts which were past due at the end of the reporting period, the Group does not provide for these receivables as there has not been any significant change in credit quality and the amounts are still considered recoverable.

Movements in the allowance for doubtful debts

	2010 HK$'000	2009 HK$'000
Balance at beginning of the year	11,732	69,382
Impairment losses recognised on receivables	20,265	2,937
Amounts written off as uncollectible	(1,398)	(8,299)
Amounts recovered during the year	(15,782)	(7,464)
Reclassified as held-for-sale	(8,262)	(44,824)
Balance at end of the year	6,555	11,732

34. PLEDGED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS AND BANK BALANCES AND CASH

THE GROUP

Pledged bank deposits with maturity of less than six months represent deposits pledged to banks to secure general banking facilities granted to the Group. Deposits amounting to HK$108,862,000 (31.12.2009: HK$911,828,000) have been pledged to secure general banking facilities and are therefore classified as current assets. The pledged bank deposits carry interest at fixed interest rates ranging from 2.25% to 4.55% (31.12.2009: 0.40% to 2.25%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Short-term bank deposits with maturity of more than three months carry interest at market rates, ranging from 0.60% to 2.25% (31.12.2009: 1.10% to 1.98%) per annum.

Bank balances with maturity of less than three months carry interest at market rates, ranging from 0.01% to 1.35% (31.12.2009: 0.001% to 1.35%) per annum.

The amounts of the Group's pledged bank deposits, short-term bank deposits and bank balances and cash denominated in currencies other than the functional currency of the relevant group entities are set out below:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Renminbi	49,798	1,154
United States dollar	894,494	2,111,977
Hong Kong dollar	318	1,813

THE COMPANY

Bank balances with maturity of less than three months carry interest at market rates, ranging from 0.01% to 1.26% (31.12.2009: 0.001% to 0.48%) per annum.

Included in bank balances and cash is an amount of HK$903,349,000 (31.12.2009: HK$1,235,778,000) denominated in the United States dollar.

35. TRADE AND OTHER PAYABLES/CUSTOMER DEPOSITS FROM SALES OF PROPERTIES

Trade and other payables

	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000
Trade payables	781,029	1,469,627	1,744,506
Consideration payables	350,262	–	2,773,156
Other payables (note)	6,257,451	4,942,992	2,528,916
Total trade and other payables	7,388,742	6,412,619	7,046,578

Note: Included in other payables as at 31st December 2010 is an amount of HK$640,839,000 (31.12.2009: HK$612,016,000) due to Xuhui SAAC and entities controlled by Xuhui SAAC by Shanghai Urban Development (Holdings) Company Limited ("Shanghai Urban Development"), a subsidiary of the Company. The amount is unsecured, non-interest bearing and repayable on demand.

In addition, included in other payables as at 31st December 2010 is an amount of HK$1,776,535,000 (31.12.2009: HK$2,667,433,000, as restated) due to a fellow subsidiary. The amount is unsecured, interest bearing at 5.31% (31.12.2009: 5.31%) per annum and repayable in 2010.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period. The analysis includes those classified as part of a disposal group.

	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)
Within 30 days	586,698	1,134,076
Within 31-60 days	50,883	187,280
Within 61-90 days	14,773	149,741
Within 91-180 days	20,155	357,924
Within 181-365 days	11,878	106,158
Over 365 days	232,495	206,592
	916,882	2,141,771

Customer deposits from sales of properties

Customer deposits from sales of properties represent proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy. An amount of HK$3,540,370,000 (31.12.2009: HK$3,299,299,000) is expected to be recognised as revenue after more than one year.

36. CONVERTIBLE NOTES

The convertible notes of the Group as at 31st December 2010 represented zero coupon convertible notes issued by SI Urban Development (defined in note 43A) on 12th June 2006. Convertible notes were issued at par with a principal amount of HK$1,340,000,000 ("Convertible Notes 2011"). Convertible Notes 2011 will be redeemed at 135.7% of the principal amount on 11th May 2011 ("Maturity Date"). The Convertible Notes 2011 are listed on the Stock Exchange.

The holders of Convertible Notes 2011 have the right to convert all or any portion of Convertible Notes 2011 into shares of SI Urban Development at an adjusted conversion price of HK$6.0193 per share, subject to anti-dilutive adjustments. The conversion right can be exercised at any time on or after 60 days from the date on which Convertible Notes 2011 are issued up to, and including, the close of business on the business day seven days prior to Maturity Date.

At any time not less than seven business days prior to Maturity Date, SI Urban Development may redeem Convertible Notes 2011 in whole but not in part at a pre-determined redemption amount if the closing price of the shares for any 20 trading days out of the 30 consecutive trading days prior to the date upon which notice of such redemption is given is at least 130 per cent of the applicable early redemption amount divided by the conversion ratio ("Redemption Right of the Issuer"). As the economic characteristics and risks of the Redemption Right of the Issuer are not closely related to the host contract, the Redemption Right of the Issuer is separately accounted for at fair value at the end of the reporting period as a derivative financial instrument. The fair value of the Redemption Right of the Issuer at the date of Completion (defined in note 43A) and 31st December 2010 was insignificant.

In the event that the SI Urban Development's shares cease to be listed or admitted to trading on the Stock Exchange, each holder of Convertible Notes 2011 shall have a right, at such holder's option, to require SI Urban Development to redeem Convertible Notes 2011 on the twentieth business day after notice has been given to the holder at the early redemption amount ("Delisted Put Right"). As the economic characteristics and risks of the Delisted Put Right are not closely related to the host contract, the Delisted Put Right is separately accounted for at fair value at the end of the reporting period as a derivative financial instrument. The fair value of the Delisted Put Right was insignificant at the date of Completion (defined in note 43A) and 31st December 2010.

Convertible Notes 2011 contain a liability element, Redemption Right of the Issuer, Delisted Put Right and an equity element. The equity element is represented in the equity heading "convertible notes equity reserve" attributable to non-controlling interests. The effective interest rate of the liability element is 9.44%.

No Convertible Notes 2011 were converted into new ordinary shares of SI Urban Development since the date of completion of acquisition of SI Urban Development by the Group to 31st December 2010.

Upon completion of acquisition of SI Urban Development, the Convertible Notes 2011 of principal amount of HK$52,160,000 remained outstanding after two early redemptions in 2007 and 2009. On 15th October 2010, SIUD redeemed Convertible Notes 2011 of total principal amount of HK$50,160,000 for a total consideration of HK$65,408,000 (the "2010 Redemption"), pursuant to the terms and conditions of Convertible Notes 2011. Immediately after the 2010 Redemption, the principal amount of HK$2,000,000 remained outstanding, and a loss of HK$3,163,000 arising from the 2010 Redemption was recognised in profit and loss.

37. SENIOR NOTES/WARRANTS

The senior notes of the Group as at 31st December 2010 represented the outstanding senior notes issued by SI Urban Development (defined in note 43A). On 23rd July 2007, SI Urban Development issued 4,000 units of senior notes at a par value of US$400,000,000 (equivalent to HK$3,120,000,000) ("Senior Notes 2014") and 264,000,000 warrants ("Warrants 2012"). The Senior Notes 2014 bear interest at 9.75% and will mature on 23rd July 2014 ("Notes Maturity Date"). The Senior Notes 2014 are guaranteed by all of SI Urban Development's existing subsidiaries at the date of issue other than those established under the laws of the PRC.

The Senior Notes 2014 and Warrants 2012 are separated immediately upon their issuance and the Warrants 2012 are detachable from the Senior Notes 2014.

The Warrants 2012 are exercisable at any time from the date of issue to 23rd July 2012 at an adjusted exercise price of HK$6.72 per share, subject to anti-dilutive adjustments, to subscribe for shares of SI Urban Development. The Warrants 2012 are denominated in HKD and will be settled in net share settlement upon exercise. As the Warrants 2012 may be settled other than by exchange of a fixed amount of cash for a fixed number of the shares of SI Urban Development, the Warrants 2012 is classified as a derivative financial liability and measured at fair value with changes in fair value recognised in profit or loss.

The fair value of Warrants 2012 as at 31st December 2010 was HK$16,600,000 (date of Completion (defined in note 43A): HK$32,300,000). Accordingly, a change in fair value of warrants of HK$15,700,000 was credited to profit or loss for the year.

As at 31st December 2010, 66,000,000 of Warrants 2012 were outstanding. Exercise in full of the outstanding Warrants 2012 would result in the issue of 66,000,000 additional shares of SI Urban Development with an aggregate subscription value of HK$443,520,000.

At any time prior to the Notes Maturity Date, SI Urban Development may redeem the Senior Notes 2014, in whole or in part, at a redemption price equal to 100% of the principal amount plus the greater of (1) 1% of the principal amount of Senior Notes 2014 being redeemed and (2) the excess of (A) the present value at such redemption date of (i) 100% of the principal amount of the Senior Notes 2014 plus (ii) all required remaining scheduled interest payments due on Senior Notes 2014 through to the Notes Maturity Date, computed using a discount rate equal to the comparable treasury issue plus 100 basis points, over (B) the principal amount of Senior Notes 2014 on such redemption date ("100% Redemption Right of the Issuer-Senior Notes 2014"). As the economic characteristics and risks of the 100% Redemption Right of the Issuer-Senior Notes 2014 are not closely related to the host contract, the 100% Redemption Right of the Issuer-Senior Notes 2014 is separately accounted for at fair value at the end of the reporting period as a derivative financial instrument. The fair value of the 100% Redemption Right of the Issuer-Senior Notes 2014 was insignificant at the date of Completion (defined in note 43A) and 31st December 2010.

At any time prior to 23rd July 2011, SI Urban Development may redeem up to 35% of the principal amount of the Senior Notes 2014 with the net cash proceeds of one or more sales of shares of SIUD in an equity offering at a redemption price of 109.75% of the principal amount of the Senior Notes 2014 ("35% Redemption Right of the Issuer-Senior Notes 2014"). As the economic characteristics and risk of the 35% Redemption Right of the Issuer-Senior Notes 2014 are not closely related to the host contract, the 35% Redemption Right of the Issuer-Senior Notes 2014 is separately accounted for at fair value at the end of the reporting period as a derivative financial instrument. The fair value of the 35% Redemption Right of the Issuer-Senior Notes 2014 was insignificant at the date of Completion (defined in note 43A) and 31st December 2010.

The Senior Notes 2014 contain a liability element, Warrants 2012, 100% Redemption Right of the Issuer-Senior Notes 2014 and 35% Redemption Right of the Issuer-Senior Notes 2014. As at 31st December 2010, the effective interest rate of the liability element was 8.87%.

38. BANK AND OTHER BORROWINGS

	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000
Bank loans	16,720,406	15,266,745	8,997,173
Other loans	2,393,738	348,712	656,921
	19,114,144	15,615,457	9,654,094
Analysed as:			
Secured	7,195,524	6,341,246	3,897,024
Unsecured	11,918,620	9,274,211	5,757,070
	19,114,144	15,615,457	9,654,094

	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)
Carrying amount repayable:		
Within one year	9,516,906	3,490,737
More than one year but not more than two years	6,969,326	7,108,998
More than two years but not more than five years	1,477,530	1,846,708
Over five years	1,150,382	3,169,014
	19,114,144	15,615,457
Less: amounts due within one year or repayable on demand shown under current liabilities	(9,516,906)	(3,490,737)
	9,597,238	12,124,720

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	31.12.2010 HK$'000	31.12.2009 HK$'000
Fixed-rate borrowings:		
Within one year	1,300,961	334,053
More than one year but not more than two years	147,097	101,090
More than two years but not more than three years	9,919	–
More than three years but not more than four years	9,436	–
More than four years but not more than five years	11,795	–
Over five years	23,591	–
	1,502,799	435,143

38. BANK AND OTHER BORROWINGS (Continued)

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	31.12.2010	31.12.2009
Effective interest rate:		
Fixed-rate borrowings	3.49% to 5.94%	4.78% to 6.90%
Variable-rate borrowings	0.57% to 10.00%	0.38% to 7.92%

Included in the bank borrowings is an amount of HK$7,170 million (31.12.2009: HK$5,870 million) drawn under syndicated loan facilities of HK$15,970 million (31.12.2009: HK$5,870 million) obtained by the Group. Transaction costs directly attributable to such bank borrowings amounted to approximately HK$93.0 million (31.12.2009: HK$48.9 million) and were deducted from the fair values of the bank borrowings on initial recognition. At 31st December 2010, the carrying value of such bank borrowings amounted to approximately HK$7,128 million (31.12.2009: HK$5,842 million).

As at 31st December 2010, the Group has entered into interest rate swaps to hedge against its cash flow interest rate risk of its variable-rate borrowings. The fair value of the interest rate swaps was HK$10,712,000 (31.12.2009: HK$15,013,000) as at 31st December 2010 and included in other payables.

39. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
– at 1st January 2009, 31st December 2009 and 31st December 2010	2,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
– balance at 1st January 2009	1,076,435,000	107,644
– exercise of share options	3,330,000	333
– balance at 31st December 2009	1,079,765,000	107,977
– exercise of share options	20,000	2
– balance at 31st December 2010	1,079,785,000	107,979

During the year ended 31st December 2010, the Company issued 20,000 shares (2009: 3,330,000 shares) to the option holders who exercised their share options under the SIHL Scheme (defined in note 40). These new shares rank pari passu in all respects with other shares in issue.

40. SHARE-BASED PAYMENT TRANSACTIONS

Details of the equity-settled share option schemes adopted by the Company and other members of the Group are as follows:

(a) SIHL Scheme

The Company has, in accordance with Chapter 17 of the Listing Rules, adopted a share option scheme (the "SIHL Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 31st May 2002. The SIHL Scheme shall be valid and effective for a period of 10 years commencing the date of adoption of the scheme, after which period no further share options will be granted. The SIHL Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants and for such other purposes as the board of directors (the "Board") may approve from time to time.

According to the SIHL Scheme, the Board of the Company may grant options to any director or employee of each member of the Group (including a company in which (i) the Company is directly or indirectly interested in less than 20% of the issued share capital or equity interest or voting rights of such company but is the largest shareholder or the holder of the largest voting rights of such company; or (ii) in the opinion of the Board of the Company, the Company is able to exercise significant influence to such company); and any executive or employee of any business consultant, professional and other advisers in each member of the Group who have rendered service or will render service to the Group, to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. Share options granted should be accepted within 30 days from the date of grant.

The Board of the Company may at its absolute discretion, determine and notify each grantee the period during which a share option may be exercised, such period should expire not later than 10 years from the date of grant of the share options. Subject to the provisions of the SIHL Scheme, the Board of the Company may at its discretion when offering the grant of a share option impose any conditions, restrictions or limitations in relation thereto as it may think fit.

The subscription price for shares in the Company shall be a price solely determined by the Board of the Company and notified to an eligible participant, and shall be at least the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the SIHL Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the SIHL Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SIHL Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant under the SIHL Scheme and any other option schemes (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue unless approved by the shareholders of the Company.

As at 31st December 2010, the number of shares in respect of which options had been granted and remained outstanding under the SIHL Scheme was 25,880,000 (31.12.2009: Nil), representing 2.4% (31.12.2009: N/A) of the shares of the Company in issue at that date.

40. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) SIHL Scheme (Continued)

The following table discloses movements of the Company's options under the SIHL Scheme held by the Group's employees and other eligible participants during the year:

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2009	Exercised during the year	Expired during the year	Outstanding at 31.12.2009	Granted during the year	Exercised during the year	Outstanding at 31.12.2010
September 2005	14.89	1,500,000	(1,330,000)	(170,000)	–	–	–	–
May 2006	17.10	2,000,000	(2,000,000)	–	–	–	–	–
November 2010	36.60	–	–	–	–	25,900,000	(20,000)	25,880,000
		3,500,000	(3,330,000)	(170,000)	–	25,900,000	(20,000)	25,880,000
Exercisable at the end of the year					–			10,340,000

Details of the share options held by the directors of the Company included in the above table are as follows:

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2010	Granted during the year	Outstanding at 31.12.2010
November 2010	36.60	–	6,410,000	6,410,000
Exercisable at the end of the year				2,564,000

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2009	Reclassified during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2009
September 2005	14.89	1,120,000	–	(1,100,000)	(20,000)	–
May 2006	17.10	920,000	360,000	(1,280,000)	–	–
		2,040,000	360,000	(2,380,000)	(20,000)	–
Exercisable at the end of the year						–

40. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) SIHL Scheme (Continued)

Share options granted in September 2005 under the SIHL Scheme are exercisable during the period from 2nd March 2006 to 1st March 2009 in three batches, being:

- 2nd March 2006 to 1st March 2007 (up to 30% of the share options granted are exercisable)
- 2nd March 2007 to 1st March 2008 (up to 60% of the share options granted are exercisable)
- 2nd March 2008 to 1st March 2009 (all share options granted are exercisable)

Share options granted in May 2006 under the SIHL Scheme are exercisable during the period from 2nd November 2006 to 1st November 2009 in three batches, being:

- 2nd November 2006 to 1st November 2007 (up to 30% of the share options granted are exercisable)
- 2nd November 2007 to 1st November 2008 (up to 60% of the share options granted are exercisable)
- 2nd November 2008 to 1st November 2009 (all share options granted are exercisable)

Share options granted in November 2010 under the SIHL Scheme are exercisable during the period from 3rd November 2010 to 2nd November 2015 in three batches, being:

- 3rd November 2010 to 2nd November 2011 (up to 40% of the share options granted are exercisable)
- 3rd November 2011 to 2nd November 2012 (up to 70% of the share options granted are exercisable)
- 3rd November 2012 to 2nd November 2015 (all share options granted are exercisable)

During the year, the closing price immediately before the date on which the share options under the SIHL Scheme were exercised was HK$37.25 (2009: weighted average closing price is HK$27.05).

Total consideration received for shares issued upon exercise of share options under the SIHL Scheme during the year was HK$732,000 (2009: HK$54,004,000).

On 2nd November 2010, 25,900,000 options were granted and the estimated fair value of the options granted is HK$163,308,000.

The fair value was calculated using The Black-Scholes option pricing model. The inputs into the model were as follows:

Weighted average share price	HK$36.60
Exercise price	HK$36.60
Expected volatility	33.6% to 52.335%
Expected life	0.5 to 2.5 years
Risk-free rate	0.224% to 0.364%
Expected dividend yield	3.01%

40. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) SIHL Scheme (Continued)

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 0.5 to 2.5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised an expense of HK$44,441,000 (2009: Nil) for the year in relation to the share options granted, in which HK$22,718,000 (2009: Nil) was related to options granted to the Group's employees and shown as employee benefits expense, and the remaining balance represented share-based payment expense for eligible participants other than employees.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of 20% to 30% of options granted prior to completion of vesting period and accordingly the share-based payment expense has been adjusted. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit and loss over the remaining vesting period, with a corresponding adjustment to the share options reserve.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

(b) SI Urban Development Scheme

As detailed in note 43A, the Group newly acquired a subsidiary, SI Urban Development, during the year and SI Urban Development is a public limited company with its shares listed on the Main Board of the Stock Exchange. SI Urban Development itself also runs a share option scheme (the "SI Urban Development Scheme"). The SI Urban Development Scheme was first adopted on 12th December 2002 pursuant to a special general meeting of SI Urban Development. Under the SI Urban Development Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SI Urban Development Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of SI Urban Development from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of SI Urban Development at any time. The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK$1 received by SI Urban Development. The exercise period of the share options granted is determinable by the directors of SI Urban Development, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors of SI Urban Development, but in any case must be the highest of (i) the closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of SI Urban Development's shares.

As at 31st December 2010, the number of shares of SI Urban Development in respect of which options had been granted and remained outstanding under the SI Urban Development Scheme was 111,500,000, representing 4.2% of the shares of SI Urban Development in issue at that date.

40. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) SI Urban Development Scheme (Continued)

The following tables disclose movements of share options granted under the SI Urban Development Scheme during the year:

Grantees	Date of grant	Exercised price per share HK$	On acquisition of SI Urban Development	Granted during the period	Cancelled during the period	Outstanding at 31.12.2010
Directors of SI Urban Development, who are also directors of SIHL	24th September 2010	2.98	–	23,000,000	–	23,000,000
Other directors of SI Urban Development	4th April 2006	3.60	8,625,000	–	(8,625,000)	–
	17th November 2006	3.72	21,950,000	–	(21,950,000)	–
	14th March 2007	3.92	7,500,000	–	(7,500,000)	–
	24th September 2010	2.98	–	33,000,000	–	33,000,000
			38,075,000	33,000,000	(38,075,000)	33,000,000
Employees of SI Urban Development	4th April 2006	3.60	4,500,000	–	4,500,000	–
	17th November 2006	3.72	43,050,000	–	43,050,000	–
	14th March 2007	3.92	40,000,000	–	(40,000,000)	–
	24th September 2010	2.98	–	55,500,000	–	55,500,000
			87,550,000	55,500,000	(87,550,000)	55,500,000
			125,625,000	111,500,000	(125,625,000)	111,500,000
Exercisable at the end of the year						44,600,000

Share options granted in September 2010 under the SI Urban Development Scheme are exercisable during the period from 24th September 2010 to 23rd September 2020 in three batches, being:

- 24th September 2010 to 23rd September 2011 (up to 40% of the share options granted are exercisable)
- 24th September 2011 to 23rd September 2012 (up to 70% of the share options granted are exercisable)
- 24th September 2012 to 23rd September 2020 (all share options granted are exercisable)

On 24th September 2010, 111,500,000 options were granted and the estimated fair value of the options granted is HK$129,898,000.

40. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) SI Urban Development Scheme (Continued)

The fair value was calculated using the Binomial model. The inputs into the model were as follows:

Weighted average share price	HK$2.98
Exercise price	HK$2.98
Expected volatility	50%
Expected life	5.6 years
Risk-free rate	2.18%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the share price of SI Urban Development over the previous four years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised an expense of HK$63,743,000 for the year in relation to share options granted by SI Urban Development, in which HK$13,148,000 was related to options granted to the directors of SI Urban Development who are also directors SIHL and the remaining balance represented share-based payment expense for other SI Urban Development directors and SI Urban Development's employees and was included in employee benefits expense.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of 13% of options granted prior to completion of vesting period and accordingly the share-based payment expense has been adjusted. At the end of the reporting period, SI Urban Development revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit and loss over the remaining vesting period, with a corresponding adjustment to the share options reserve (attributable to non-controlling interests).

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on SI Urban Development's directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

(c) Mergen Biotech Scheme

Mergen Biotech Limited ("Mergen Biotech"), previously a subsidiary of the Company which was disposed of by the Group during the year, adopted a share option scheme (the "Mergen Biotech Scheme") on 28th May 2004 for the primary purpose of providing incentives to eligible participants to contribute to Mergen Biotech and to enable Mergen Biotech to recruit and attract high-calibre employees and attract human resources that are valuable to Mergen Biotech and its subsidiaries (the "Mergen Group"), and the scheme remain valid for a period of 10 years commencing the date of its adoption.

Under the Mergen Biotech Scheme, the board of directors of Mergen Biotech (the "Mergen Board") can grant options to eligible participants, including any director, management, employee (whether full-time or part-time) or business consultant and professional adviser of the Mergen Group, to subscribe for shares in Mergen Biotech for a consideration of HK$1 for each lot of share options granted. Options granted have to be accepted within 30 days from the date of grant.

40. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(c) Mergen Biotech Scheme (Continued)

An option may be exercised in accordance with the terms of the Mergen Biotech Scheme at any time during a period to be notified by the Mergen Board to each grantee, such period shall not be more than 10 years from the date upon which the grant of a share option is made to a participant in accordance with the Mergen Biotech Scheme but subject to the provisions for early termination contained therein. Subject to the provisions of the Mergen Biotech Scheme, the Mergen Board may at its discretion when offering the grant of a share option imposed any conditions, restrictions or limitations in relation thereto as it may think fit.

The subscription price of the share options shall be determined by the Mergen Board with reference to the unaudited net asset per share of Mergen Biotech ("Mergen Share") as at 31st December 2003 and shall not be less than US$8.22 (or its equivalent in HK$) per Mergen Share. The subscription price of options granted after the Company has contemplated a separate listing of Mergen Biotech on the Main Board or the Growth Enterprise Market ("GEM") of the Stock Exchange or any overseas stock exchange and up to the date of listing of the Mergen Shares shall not be lower than the new issue price of the Mergen Shares on listing. Without prejudice to the foregoing, any options granted during the period commencing 6 months before the lodgment of Form A1 (or its equivalent for listing on GEM or any overseas exchange) are subject to the above requirement. The subscription price of any options granted during such period shall be adjusted at the absolute discretion of the Mergen Board to a price not lower than the new issue price of the Mergen Shares on listing.

The maximum number of Mergen Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Mergen Biotech Scheme and other share option schemes of Mergen Biotech shall not exceed 10% of the total number of Mergen Shares in issue from time to time. The Mergen Board will have the right to grant to the eligible participants options to subscribe for Mergen Shares, which when aggregated with any securities to be granted subject to any other share option schemes of Mergen Biotech shall not in aggregate exceed 10% of the total number of Mergen Shares in issue as at the date of approval of the Mergen Biotech Scheme. No eligible participants under the Mergen Biotech Scheme shall be granted an option which, if exercised, would result in the aggregate number of Mergen Shares issued and to be issued upon exercise of all options granted and to be granted to such participant, in any 12-month period (including exercised, cancelled and outstanding options), would exceed 1% of the Mergen Shares in issue unless approved by the shareholders of the Company.

The following table discloses details of the options under the Mergen Biotech Scheme during the year:

Month of grant	Exercise price per share	Outstanding at 1.1.2009	Lapsed during the year	Outstanding at 31.12.2009 and up to the date of preceding the completion of disposal of Mergen Biotech
December 2004	US$8.22	13,700	(8,300)	5,400
Exercisable at the date preceding the completion of disposal of Mergen Biotech				5,400

During the year, no options were granted or exercised under the Mergen Biotech Scheme.

Pursuant to the offer letter issued by Mergen Biotech on 31st December 2004, 55% of the share options granted are exercisable since 30th June 2005. Subject to the fulfillment of certain performance targets as determined by the Mergen Board by the grantees, the rest of the 45% share options granted are exercisable in three batches (each with 15% of the share options granted), every six months interval from 1st January 2005 until 30th May 2014.

41. SHARE PREMIUM AND RESERVES

	Share premium HK$'000	Share options reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY						
At 1st January 2009	13,285,440	5,944	1,071	1,137,728	5,776,027	20,206,210
Profit for the year	–	–	–	–	1,175,744	1,175,744
Issue of shares upon exercise of share options	53,671	–	–	–	–	53,671
Release of share options reserve on exercise of share options	5,843	(5,843)	–	–	–	–
Expenses incurred in connection with the issue of new shares	(68)	–	–	–	–	(68)
Share options lapsed	–	(101)	–	–	101	–
Dividends paid (note 15)	–	–	–	–	(906,633)	(906,633)
At 31st December 2009	13,344,886	–	1,071	1,137,728	6,045,239	20,528,924
Profit for the year	–	–	–	–	5,901,515	5,901,515
Recognition of equity-settled share-based payment expenses	–	44,441	–	–	–	44,441
Issue of shares upon exercise of share options	730	–	–	–	–	730
Release of share options reserve on exercise of share options	100	(100)	–	–	–	–
Expenses incurred in connection with the issue of new shares	(1)	–	–	–	–	(1)
Dividends paid (note 15)	–	–	–	–	(1,187,742)	(1,187,742)
At 31st December 2010	13,345,715	44,341	1,071	1,137,728	10,759,012	25,287,867

The Company's reserve available for distribution to shareholders as at 31st December 2010 represents its retained profits of approximately HK$10,759 million (31.12.2009: HK$6,045 million).

The Company's capital reserve which arose in 1997 upon reduction of share premium as confirmed by the Order of the High Court of Hong Kong was not realised profits and is an undistributable reserve.

42. AMOUNTS DUE FROM/TO SUBSIDIARIES

At the end of the reporting period, amounts due from subsidiaries are unsecured. Except for an amount of HK$350 million which carries interest at Hong Kong Interbank Offer Rate ("HIBOR") plus 1.69% per annum (31.12.2009: HK$200 million carried interest at HIBOR plus 1.69% per annum and HK$150 million was interest-free) and is repayable in June 2012 (31.12.2009: 2011), the balances are non-interest bearing and repayable on demand.

At the end of the reporting period, amounts due to subsidiaries are unsecured. Except for an amount of HK$2,870 million which carries interest at HIBOR plus a spread, ranging from 0.89% to 1.29% per annum (31.12.2009: HK$4,370 million carried interest at HIBOR plus a spread, ranging from 0.27% to 1.29% per annum) and is repayable in 2011 (31.12.2009: 2010), the balances are non-interest bearing and repayable on demand.

43A. ACQUISITION OF SUBSIDIARIES/BUSINESSES

For the year ended 31st December 2010

(a) Acquisition of SI Urban Development

As detailed in the joint announcement of the Company and Shanghai Industrial Urban Development Group Limited ("SI Urban Development") (formerly known as "Neo-China Land Group (Holdings) Limited") dated 24th June 2010, the Group completed the acquisition of 500,000,000 issued shares of SI Urban Development from the former controlling shareholder at a consideration of HK$1,160,000,000, equivalent to HK$2.32 per share (the "Acquisition"). On the same day, the Group also subscribed 683,692,000 new shares issued by SI Urban Development at a consideration of HK$1,586,165,440, equivalent to HK$2.32 per share (the "Subscription").

SI Urban Development is a company incorporated in Bermuda with its shares listed on the Main Board of the Stock Exchange. SI Urban Development and its subsidiaries are principally engaged in real estate business in the PRC.

As enlarged by the subscribed shares, the shares acquired in the Acquisition and subscribed in the Subscription represented 19.02% and 26.00% of the issued share capital of SI Urban Development, respectively. Upon completion of the Acquisition and the Subscription on 24th June 2010 ("Completion"), the Group held a 45.02% equity interest in SI Urban Development. Pursuant to the agreement of the Acquisition, the Group is able to control the composition of the board of directors of SI Urban Development upon Completion and therefore, regarded SI Urban Development as its subsidiary on 24th June 2010. In addition, the former controlling shareholder has undertaken to support the appointment of persons nominated by the Group as directors of the SI Urban Development for the period of (i) one year following the date of Completion; and (ii) the date upon which SI Urban Development's preliminary announcement of its audited financial results for the financial period ended 31st December 2010 is made, whichever is the later.

Consideration transferred

	HK$'000
Cash	2,746,165

Acquisition-related costs amounting to approximately HK$26 million have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "administrative expenses" line item in the consolidated income statement.

43A. ACQUISITION OF SUBSIDIARIES/BUSINESSES (Continued)

For the year ended 31st December 2010 (Continued)

(a) Acquisition of SI Urban Development (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Non-current assets	
Investment properties	2,872,626
Property, plant and equipment	839,316
Prepaid lease payments – non-current portion	83,735
Interests in associates	187,706
Deferred tax assets	23,625
	4,007,008
Current assets	
Inventories	17,832,129
Trade and other receivables	1,367,671
Prepaid lease payments – current portion	2,339
Prepaid taxation	271,721
Pledged bank deposits	97,918
Bank balances and cash	2,764,940
	22,336,718
Current liabilities	
Trade and other payables	2,007,214
Customer deposits from sales of properties	8,487,039
Convertible notes	64,979
Derivative financial instrument – warrants	32,300
Taxation payable	1,015,935
Bank and other borrowings	1,817,200
	13,424,667
Net current assets	8,912,051
Total assets less current liabilities	12,919,059
Non-current liabilities	
Bank and other borrowings	716,379
Senior notes	3,213,600
Deferred tax liabilities	1,264,120
	5,194,099
Net assets	7,724,960

Fair value of inventories on Completion has been arrived at on the basis of valuations carried out on that date by Messrs. Debenham Tie Leung Limited, an independent firm of qualified professional valuers not connected with the Group. The valuations were arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions adjusted for future construction costs and estimated profit margin.

43A. ACQUISITION OF SUBSIDIARIES/BUSINESSES (Continued)

For the year ended 31st December 2010 (Continued)

(a) Acquisition of SI Urban Development (Continued)

Non-controlling interests

The non-controlling interests in SI Urban Development recognised at the acquisition date were measured by reference to the non-controlling interests' proportionate share of the fair value of the net assets of SI Urban Development and amounted to approximately HK$4,618 million.

Gain from bargain purchase

	HK$'000
Consideration transferred	2,746,165
Plus: non-controlling interests	4,617,735
Less: net assets acquired	(7,724,960)
	(361,060)

During the year, the Group recognised a gain resulting from the Acquisition and the Subscription of HK$361,060,000. The introduction of the Company as the new single largest shareholder of SI Urban Development was able to assist SI Urban Development in achieving an uplift of the suspension of trading in its shares that the former board of directors of SI Urban Development had been seeking for many months without any success. In addition, the Acquisition and the Subscription are able to strengthen the capital base of SI Urban Development and provide it with funds to pay down debt and/or to fund new investment or meet working capital requirements. In the opinion of the directors of the Company, the above are the key factors leading to the recognition of a gain from the Acquisition and the Subscription.

Net cash inflow arising on acquisition

	HK$'000
Bank balances and cash acquired	2,764,940
Less: cash consideration paid	(2,746,165)
	18,775

(b) Acquisition of United Water

On 20th September 2010, the Group entered into an agreement, pursuant to which the Group agreed to acquire from certain independent third parties the controlling interest of 60.4% in United Water Group at an aggregate consideration of RMB361,213,000 (equivalent to HK$418,982,000). United Water and its subsidiaries are companies established in the PRC and are principally engaged in the businesses of sewage treatment and water supply in the PRC. The acquisition has been completed in November 2010 and no goodwill or gain from bargain purchase arose from the acquisition.

43A. ACQUISITION OF SUBSIDIARIES/BUSINESSES (Continued)

For the year ended 31st December 2010 (Continued)

(b) Acquisition of United Water (Continued)

Consideration transferred

	HK$'000
Cash	418,982

Acquisition-related costs amounting to HK$6,783,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "administrative expenses" line item in the consolidated income statement.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Non-current assets	
Property, plant and equipment	33,250
Operating concessions	440,580
Investments	1,159
Receivables under service concession arrangements	
– non-current portion	885,674
Deferred tax assets	5,439
	1,366,102
Current assets	
Inventories	13,897
Trade and other receivables	95,084
Receivables under service concession arrangements	
– current portion	221,920
Pledged bank deposits	27,418
Bank balances and cash	93,015
	451,334
Current liabilities	
Trade and other payables	196,649
Taxation payable	2,662
Bank and other borrowings	174,803
	374,114
Net current assets	77,220
Total assets less current liabilities	1,443,322
Non-current liabilities	
Provision for major overhauls	72,116
Bank and other borrowings	513,141
Deferred tax liabilities	88,697
	673,954
Net assets	769,368

43A. ACQUISITION OF SUBSIDIARIES/BUSINESSES (Continued)

For the year ended 31st December 2010 (Continued)

(b) Acquisition of United Water (Continued)

Non-controlling interests

The non-controlling interests in United Water recognised at the acquisition date were measured by reference to the non-controlling interests' proportionate share of the fair value of the net assets of United Water and amounted to approximately HK$350 million.

Net cash outflow arising on acquisition

	HK$'000
Cash consideration paid	418,982
Less: bank balances and cash acquired	(93,015)
	325,967

Impact of acquisitions of SIUD and United Water on the results of the Group

Included in the profit for the year are a loss of HK$104,051,000 incurred by the business of SI Urban Development and a gain of HK$2,526,000 attributable to United Water's sewage treatment and water supply businesses. Revenue for the year includes HK$1,692,957,000 and HK$61,636,000 generated from SI Urban Development and United Water, respectively.

No information regarding the revenue and profit or loss of SI Urban Development and United Water for the current reporting period as though the acquisition dates for the acquisitions of SI Urban Development and United Water had been as of 1st January 2010 has been disclosed as the directors of the Company consider it is impracticable to do so due to the wide ranges of assumptions and estimates required in the determination of fair value adjustments on such business combinations.

For the year ended 31st December 2009

(a) 北京友興紙源再生資源回收有限公司 ("Beijing Youxin") was previously an associate of the Group. During the year ended 31st December 2009, the Group's shareholding in Beijing Youxin remained unchanged whereas the control over the financial and operating policies was established due to a change in board representatives in Beijing Youxin. Accordingly, Beijing Youxin ceased to be an associate and became a subsidiary of the Group.

(b) On 31st August 2009, SIIC itself acquired the entire 100% equity interest in Shanghai Shen-Yu from two independent third parties at an aggregate consideration of RMB1,222 million (equivalent to approximately HK$1,388 million). In February 2010, the Group acquired Shanghai Shen-Yu, together with Shen-Yu and Infrastructure (Shen-Yu), from SIIC and applied the principles of merger accounting (note 2). Hence, the acquisition of Shanghai Shen-Yu was accounted for using the purchase method of accounting as if the Group had acquired Shanghai Shen-Yu on that day. The goodwill arising on acquisition amounted to HK$5,730,000.

43A. ACQUISITION OF SUBSIDIARIES/BUSINESSES (Continued)

For the year ended 31st December 2009 (Continued)

	Shanghai Shen-Yu HK$'000	Beijing Youxin HK$'000	Total HK$'000
Consideration transferred			
Cash	1,297,138	–	1,297,138
Consideration payable	90,867	–	90,867
Share of net assets of an associate	–	3,884	3,884
Total	1,388,005	3,884	1,391,889
Assets acquired and liabilities recognised at the respective date of acquisition are as follows:			
Property, plant and equipment	13,823	6,154	19,977
Toll road operating rights	3,424,580	–	3,424,580
Inventories	–	3,824	3,824
Trade and other receivables	12,237	34,453	46,690
Bank balances and cash	638,760	4,970	643,730
Trade and other payables	(2,700,706)	(43,953)	(2,744,659)
Deferred tax liabilities	(6,419)	–	(6,419)
Net assets	1,382,275	5,448	1,387,723
Goodwill arising on acquisition			
Consideration transferred	1,388,005	3,884	1,391,889
Plus: non-controlling interests	–	1,564	1,564
Less: net assets acquired	(1,382,275)	(5,448)	(1,387,723)
	5,730	–	5,730
Net cash (outflow) inflow arising on acquisition			
Cash consideration paid	(1,297,138)	–	(1,297,138)
Less: bank balances and cash acquired	638,760	4,970	643,730
	(658,378)	4,970	(653,408)

The subsidiary acquired did not have any significant contribution to the Group's revenue or results for the year ended 31st December 2009.

43B. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

For the year ended 31st December 2009

The Group acquired 100% equity interest in Better Score in August 2009, for a consideration of HK$2,271,695,000. The acquisition gave rise to acquisition of an investment, a financial asset designated as at FVTPL (see note 27).

	HK$'000
Consideration transferred	
Cash	2,271,695
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Investments	2,271,695
Bank balances and cash	461
Other payables	(461)
Net assets	2,271,695
Net cash outflow arising on acquisition	
Cash consideration paid	2,271,695
Less: bank balances and cash acquired	(461)
	2,271,234

44. DISPOSAL OF SUBSIDIARIES

During the year ended 31st December 2010, the Group disposed of the following subsidiaries:

(a) In July 2010, the Group disposed of its 26% equity interest in Xuchang Yongchang Printing Co., Ltd. ("Xuchang Yongchang"), a subsidiary owned by the Group as to 51% immediately before the transaction at a consideration of HK$44,512,000, to an independent third party, resulting in a gain of HK$5,652,000.

(b) In July 2010, the Group disposed of its 100% equity interest in Shanghai Advanced Software Institute ("Software Institute") at a consideration of HK$2,018,000 to an independent third party, resulting in a loss of HK$127,000.

(c) In January 2010, the Group disposed of its 50% equity interest in 上海城大水處理有限公司 ("城大水處理"), a subsidiary owned by the group as to 75% immediately before the transaction, to an independent third party at a consideration of HK$600,000.

As set out in note 12, the Group disposed of the Disposed Business during the year and details of the consideration received, assets and liabilities over which control was lost, gain on disposal and other relevant information are disclosed therein.

During the year ended 31st December 2009, the Group disposed of the following subsidiaries:

(a) The Group disposed of its entire interests in SIIC MedTech Health Products Limited ("SIIC MedTech Health Products") and Shanghai Industrial United (Group) Commercial Network Development Company Limited at considerations of HK$513,787,000 and HK$1,195,303,000, respectively, to independent third parties, resulting in gains of HK$382,966,000 and HK$484,557,000, respectively.

(b) In September 2009, the Group disposed of its entire interest in S.I. Technology Production Holdings Limited ("S.I. Technology") to a subsidiary of SIIC at a consideration of HK$1,099,961,000, resulting in a loss of HK$714,728,000.

44. DISPOSAL OF SUBSIDIARIES (Continued)

	2010				2009
	Xuchang Yongchang HK$'000	Software Institute HK$'000	城大水處理 HK$'000	Total HK$'000	Total HK$'000
Consideration:					
Cash received	36,912	2,018	600	39,530	2,809,051
Deferred cash consideration	7,600	–	–	7,600	–
Interest in an associate	44,299	–	290	44,589	–
Total consideration	88,811	2,018	890	91,719	2,809,051
Analysis of assets and liabilities over which control was lost:					
Property, plant and equipment	100,497	27	1,053	101,577	–
Prepaid lease payments	2,528	–	–	2,528	–
Interest in a jointly controlled entity	–	–	–	–	146,093
Interest in an associate	–	–	–	–	2,381,827
Deposits paid on acquisition of property, plant and equipment	13,676	–	–	13,676	–
Inventories	20,965	–	19	20,984	–
Trade and other receivables	52,318	–	588	52,906	–
Bank balances and cash	18,279	2,119	23	20,421	143,674
Trade and other payables	(27,691)	–	(463)	(28,154)	(67)
Taxation payable	(3,374)	(1)	–	(3,375)	–
Net assets disposed of	177,198	2,145	1,220	180,563	2,671,527
Gain (loss) on disposal:					
Consideration and fair value of retained interest	88,811	2,018	890	91,719	2,809,051
Net assets disposed of	(177,198)	(2,145)	(1,220)	(180,563)	(2,671,527)
Non-controlling interests	86,827	–	360	87,187	–
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control over the subsidiary	7,212	–	–	7,212	15,271
Gain (loss) on disposal	5,652	(127)	30	5,555	152,795
Less: gain included in discontinued operations	–	–	–	–	(382,966)
Gain (loss) from continuing operations	5,652	(127)	30	5,555	(230,171)
Net cash inflow (outflow) arising on disposal:					
Cash consideration received	36,912	2,018	600	39,530	2,809,051
Less: bank balances and cash disposed of	(18,279)	(2,119)	(23)	(20,421)	(143,674)
	18,633	(101)	577	19,109	2,665,377

44. DISPOSAL OF SUBSIDIARIES (Continued)

During the year ended 31st December 2009, S.I. Technology shared loss of an associate of approximately HK$256 million, and did not contribute significant cash flows to the Group during the period prior to the disposal.

Other subsidiaries disposed of during both years did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposals.

45. OPERATING LEASES

The Group and the Company as lessees

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

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Within one year	62,287	69,022	4,447	8,842
In the second to fifth year inclusive	107,101	92,737	–	4,421
After five years	28,000	46,200	–	–
	197,388	207,959	4,447	13,263

Operating lease payments represent rental payable by the Group and the Company for certain office and factory properties. Leases are negotiated for an average term of 20 years and rentals are fixed for a lease term of 1 to 5 years.

Included in the above are operating lease commitments for land and buildings of approximately HK$142.2 million (31.12.2009: HK$167.6 million) and HK$4.4 million (31.12.2009: HK$13.3 million) payable by the Group and the Company, respectively, to the ultimate holding company and certain fellow subsidiaries.

The Group and the Company as lessors

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP Investment properties and land and buildings	
	2010 HK$'000	2009 HK$'000
Within one year	314,060	134,476
In the second to fifth year inclusive	513,380	331,462
After five years	679,749	60,468
	1,507,189	526,406

The Company had no significant operating lease arrangements as lessor at the end of the reporting period.

46. CAPITAL COMMITMENTS

	THE GROUP	
	2010 HK$'000	2009 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– toll road construction costs	234,461	153,339
– investments in PRC subsidiaries (note)	7,399,254	1,821,135
– investment in a PRC associate	1,176,575	–
– investment in an overseas project	–	112,358
– acquisition of property, plant and equipment	139,587	36,630
– additions in construction in progress	118,466	–
– additions in properties under development	9,158,607	1,840,615
	18,226,950	3,964,077
Capital expenditure authorised but not contracted for in respect of investment in an associate	–	834,848

Note: The amount as at 31st December 2010 mainly represents the SIDC Transaction as set out and defined in note 56(b). The SIDC Transaction is currently undergoing government approval process and is not yet completed.

In addition to the above, the Group's share of capital commitment of a jointly controlled entity is as follows:

	THE GROUP	
	2010 HK$'000	2009 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of investment in a PRC jointly controlled entity	198,435	33,791

The Company had no significant capital commitment at the end of the reporting period.

47. CONTINGENT LIABILITIES

	THE GROUP	
	2010 HK$'000	2009 HK$'000
Guarantees given to banks in respect of banking facilities utilised by		
– property buyers	3,263,982	877,005
– an entity controlled by Xuhui SAAC	549,658	722,399
	3,813,640	1,599,404

As at 31st December 2010, the Company granted financial guarantees to the extent of approximately HK$7,170 million (31.12.2009: HK$6,067 million) to banks in respect of banking facilities utilised by its subsidiaries.

48. PLEDGE OF ASSETS

The following assets were pledged by the Group to banks in order to secure general banking facilities granted by these banks to the Group:

(i) investment properties with an aggregate carrying value of HK$2,614,606,000 (31.12.2009: HK$2,114,948,000);

(ii) plant and machineries with an aggregate carrying value of HK$66,130,000 (31.12.2009: HK$474,779,000);

(iii) leasehold land and buildings with an aggregate carrying value of HK$128,199,000 (31.12.2009: HK$211,825,000);

(iv) trade receivables of HK$11,875,000 as at 31st December 2009;

(v) properties under development held for sale with an aggregate carrying value of HK$5,122,497,000 (31.12.2009: HK$1,611,699,000);

(vi) properties held for sale with an aggregate carrying value of HK$38,536,000 (31.12.2009: HK$37,109,000);

(vii) two toll road operating rights of HK$10,594,414,000 (31.12.2009: HK$9,138,892,000, as restated);

(viii) receivables under service concession arrangements with an aggregate carrying value of HK$175,560,000 (31.12.2009: Nil);

(ix) inventories, other than those included in (v) and (vi) above, with an aggregate carrying value of HK$72,592,000 as at 31st December 2009;

(x) bank deposits with an aggregate carrying value of HK$108,862,000 (31.12.2009: HK$911,828,000); and

(xi) a motor vehicle with a carrying value of HK$90,000 as at 31st December 2009.

49. RETIREMENT BENEFITS SCHEMES

The Company and its subsidiaries in Hong Kong operate defined contribution retirement benefits scheme for their qualifying employees pursuant to the Occupational Retirement Schemes Ordinance. To comply with the Mandatory Provident Fund Schemes Ordinance, a Mandatory Provident Fund Scheme was also established. The assets of both schemes are held separately in funds which are under the control of independent trustees. The retirement benefits schemes contributions charged to the consolidated income statement represent contributions payable by the Company and its subsidiaries in Hong Kong to the funds at rates specified in the rules of the schemes. When there are employees who leave the defined contribution retirement benefits scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Company and its subsidiaries in Hong Kong.

The employees employed by the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

At the end of the reporting period, no forfeited contributions were available to reduce the contribution payable in future years.

50. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) Connected persons

(a) During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules. The significant transactions with the connected parties during the year, and significant balances with them at the end of the reporting period, are as follows:

Connected persons	Nature of transaction	THE GROUP 2010 HK$'000	2009 HK$'000
Transactions			
Ultimate holding company:			
SIIC	Rentals paid on land and buildings (note i)	1,916	1,289
Fellow subsidiaries:			
International Hope Limited	Rentals paid on land and buildings (note i)	9,921	9,949
Nanyang Enterprises Properties Limited	Rentals paid on land and buildings (note i)	21,000	19,800
The Tien Chu (HK) Co. Ltd.	Rentals paid on land and buildings (note i)	202	26
上海上實(集團)有限公司 (SIIC Shanghai)	Rentals paid on land and buildings (note i)	5,958	5,118
Shanghai Pharmaceutical (Group) Company Limited	Sales of pharmaceutical products and raw materials (note ii)	17,586	163,243
	Purchase of pharmaceutical products and raw materials (note ii)	16,366	188,192
Non-controlling shareholders of subsidiaries:			
中國(杭州)青春寶集團有限公司 (China (Hangzhou) Qingchunbao Group Co. Ltd.) ("China Qingchunbao") and its subsidiaries (note iv)	Sales of finished medicine and health products (note ii)	5,564	37
China Tobacco Henan Industrial Corporation ("China Tobacco Henan") (note v)	Sales of cigarette box packaging materials (note ii)	218,517	210,709
Guangzhou Bopu Bio-Technology Co., Ltd. ("Guanghzou Bopu") and its subsidiaries (note iv)	Purchase of raw materials (note ii)	–	39,688

50. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected persons (Continued)

(a) (Continued)

Connected persons	Nature of transaction	THE GROUP 2010 HK$'000	2009 HK$'000
Non-controlling shareholders of subsidiaries: (Continued)			
四川水井坊股份有限公司 (Sichuan SwelfunCo., Ltd.)	Sales of packaging materials (note ii)	632	23,761
Xinnan (Tianjin) Paper Co., Ltd.	Purchase of raw materials (note ii)	79,344	38,792
Hangzhou Huqingyutan Pharmaceutical Co. Ltd. (note iv)	TCM Extraction services (note iii)	501	8,178
Fellow subsidiaries of non-controlling shareholders of subsidiaries:			
Four Season Hotels and Resorts Asia Pacific Pte. Ltd.	Hotel advisory services (note iii)	12,462	5,383
Four Seasons Shanghai B.V.	Hotel management services (note iii)	756	557
Four Seasons Hotels Limited	Hotel services (note iii)	6,940	7,286
福建省廈門醫藥採購供應站 (note iv)	Sales of medicine products (note ii)	–	23,141

Connected persons	Nature of balance	31.12.2010 HK$'000	THE GROUP 31.12.2009 HK$'000	1.1.2009 HK$'000
Balances				
Non-controlling shareholders of subsidiaries:				
China Qingchunbao and its subsidiaries (note iv)	Trade receivables	–	–	312
	Trade payables	–	–	698
	Dividend payable	–	19,139	26,613
China Tabacco Henan (note v)	Trade receivables	–	36,185	37,356
Entities controlled by Xuhui SAAC	Non-trade receivables	114,579	113,085	194,308
	Non-trade payables	640,839	612,016	603,568

50. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected persons (Continued)

(a) (Continued)

Notes:

(i) The rentals were charged in accordance with the relevant tenancy agreements and the prevailing rent was equivalent or approximate to the open market rentals as certified by an independent firm of professional property valuers when the tenancy agreements were entered into.

(ii) These transactions were carried out at market prices or, where no market price was available, at cost plus a percentage of profit mark-up.

(iii) The terms of these transactions were determined and agreed by both parties.

(iv) These companies are no longer connected persons since the disposal of the Disposed Business in February 2010 as detailed in note 12.

(v) This company is no longer a connected person since the disposal of Xuchang Yongchang in November 2010.

(b) Pursuant to an agreement dated 26th December 2002 entered into between Xuhui State-owned Assets Management Co. Ltd. ("State-owned Management Company") and Shanghai Urban Development (the "Cross Guarantee Agreement"), the parties thereto agreed to guarantee each other's obligations in respect of certain loans/facilities from time to time obtained from banks or credit unions by them respectively to the extent of not more than RMB700 million. In respect of those guarantees which have already been entered into by State-owned Management Company and Shanghai Urban Development pursuant to the Cross Guarantee Agreement, they will continue until the underlying loans/facilities mature/expire and all amounts owed are fully repaid.

As at 31st December 2010, the total amount of loans/facilities obtained by State-owned Management Company in respect of which guarantees were provided by Shanghai Urban Development amounted to approximately RMB636 million (equivalent to approximately HK$722 million) (31.12.2009: RMB686 million (equivalent to approximately HK$779 million)).

The provision of the aforesaid guarantees by Shanghai Urban Development constitutes non-exempt continuing connected transactions for the Company. Upon any variation of the Cross Guarantee Agreement, the Company shall then have the obligation to comply in full all applicable reporting, disclosure and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

(c) During the year ended 31st December 2009, the Group acquired 20% equity interests in an associate, 上海星河數碼投資有限公司 ("Shanghai Galaxy"), from a fellow subsidiary for a consideration of HK$18,173,000. In addition, Shanghai Hu-Ning Expressway (Shanghai Section) Company Limited ("Shanghai Hu-Ning Expressway"), a subsidiary of the Company, entered into an asset management entrustment agreement with Shanghai Galaxy. The amount of funds entrusted to Shanghai Galaxy for the provision of assets management services amounted to RMB260 million (equivalent to approximately HK$307 million) (2009: RMB260 million (equivalents to approximately HK$295 million)).

50. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected persons (Continued)

(d) Details of operating lease commitments with connected parties are set out in note 45.

(e) Details of the acquisitions of Feng Tao (BVI) and Shen-Yu and their respective subsidiaries from wholly-owned subsidiaries of SIIC are set out in note 2.

(f) Details of the disposal of the Disposed Business to a subsidiary of SIIC are set out in note 12.

(g) Details of the disposal of a subsidiary, S.I. Technology, in the year ended 31st December 2009 to a subsidiary of SIIC are set out in note 44.

(h) Details of an amount due to a fellow subsidiary are set out in note 35.

(II) Related parties, other than connected persons

(a) In addition to the transactions with the ultimate holding company and fellow subsidiaries as mentioned in note 50(I)(a) above, the significant transactions with related parties, during the year, and significant balances with them at the end of the reporting period, are as follows:

Related parties	Nature of transaction	THE GROUP 2010 HK$'000	 2009 HK$'000
Transactions			
Associates:			
上海申永燙金材料有限公司 (Shanghai Shen Yong Stamping Foil Co., Ltd.) ("Shanghai Shen Yong Stamping Foil")	Purchase of materials	337	713
廣西甲天下水松紙有限公司 (Guangxi Jiatianxia Tipping Paper Co., Ltd.) ("Guangxi Jiatianxia Tipping Paper")	Printing services income	10,101	21,283
Beijing Youxin	Purchase of materials	–	20,323
	Interest income	–	387

50. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(II) Related parties, other than connected persons (Continued)

(a) (Continued)

Connected persons	Nature of balance	31.12.2010 HK$'000	THE GROUP 31.12.2009 HK$'000	1.1.2009 HK$'000
Balances				
Jointly controlled entity:				
杭州胡慶餘堂國藥號有限公司 (Hangzhou Huqingyutang Drugstore Co., Ltd.) (note)	Non-trade receivables	–	–	2,840
Associates:				
Shanghai Shen Yong Stamping Foil	Trade payables	141	15	1,302
Guangxi Jiatianxia Tipping Paper	Trade receivables	1,762	2,339	2,434
西安環球印務股份有限公司 (Xian Global Printing Stock Co., Ltd.)	Non-trade receivables	–	–	495
陝西永鑫紙業包裝有限公司 (Xian Yong Xin Packing Co., Ltd.)	Trade receivables	–	–	18
Beijing Youxin	Trade payables	–	–	56,166

Note: This company is no longer a connected person since the disposal of the Disposed Business in February 2010 as detailed in note 12.

(III) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2010 HK$'000	2009 HK$'000
Short-term benefits	43,554	23,905
Share-based payments	28,351	–
	71,905	23,905

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

The Company's outstanding balances with related parties are set out in the statement of financial position of the Company and in note 42.

51. MATERIAL TRANSACTIONS AND BALANCES WITH OTHER STATE-CONTROLLED ENTERPRISES

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under SIIC which is controlled by the PRC government. Apart from the transactions with SIIC, other connected persons and related parties disclosed in note 50, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other state-controlled entities, the directors are of the opinion that the Group does not differentiate whether the counterparty is a state-controlled entity or not.

Material transactions/balances with other state-controlled entities are as follows:

	2010 HK$'000	2009 HK$'000
Transactions		
Trade sales	741,271	1,273,991
Trade purchases	259,767	292,871

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Balances			
Amounts due from other state-controlled entities	129,210	249,592	187,502
Amounts due to other state-controlled entities	18,362	31,575	31,363

In view of the nature of the Group's toll road operating business, consumer products business and sewage treatment and water supply businesses, the directors are of the opinion that, except as disclosed above, it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions are with other state-controlled entities.

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

52. GOVERNMENT GRANTS

Government subsidies received by the Group towards the cost of acquisition of plant and machinery had been deducted from the carrying amount of the relevant assets in the respective years. The amount would be transferred to income in the form of reduced depreciation charges over the useful lives of the relevant assets. This policy resulted in a credit to income in the year ended 31st December 2009 of HK$3,104,000. As at 31st December 2009, an amount of HK$10,246,000 remained to be amortised. The relevant subsidiary, which obtained the subsidies, has been disposed of in the current year (see note 12) and there was no effect on the results of the Group for the year.

In addition, government grants of approximately HK$14.2 million (2009: HK$342.6 million) was received in the current year from the local government as compensation for the decrease of the toll fee income arising from the Expo 2010 Shanghai China (2009: widening project of the toll road) and approximately HK$37.7 million (2009: HK$58.9 million) was received as incentives for investments in certain provinces in the PRC. These amounts have been included in other income for the year.

53 PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December 2010 and 2009 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued share/ registered capital held by the Company/subsidiaries 31.12.2010	31.12.2009	Principal activities
正大青春寶藥業有限公司 (Chia Tai Qingchunbao Pharmaceutical Co., Ltd.)(note i)	The PRC	RMB128,500,000	– (note iv)	55%	Manufacture and sale of Chinese medicine and health products
Shanghai Hu-Ning Expressway (note ii)	The PRC	RMB3,000,000,000	100%	100%	Holding of the right to operate a toll road
Shanghai Urban Development (note i)	The PRC	RMB301,330,000	59%	59%	Property development and investment
SI Urban Development	Bermuda/ The PRC	Ordinary shares – HK$105,173,000	45.02% (see note 43A)	–	Property development and investment
United Water	The PRC	RMB93,074,800	60.4%	–	Sewage treatment and water supply
S.I. Infrastructure Holdings Limited ("S.I. Infrastructure")	The British Virgin Islands/ Hong Kong	US$1	100%	100%	Investment holding
SIHL Treasury Limited ("SIHL Treasury")	Hong Kong	Ordinary shares –HK$2	100%	100%	Investment
SIIC Medicinal Science and Technology (Group) Limited	The Cayman Islands/ Hong Kong	Ordinary shares –HK$40,893,400	– (note iv)	100%	Investment holding
Nanyang Tobacco (Marketing) Company, Limited	The British Virgin Islands/PRC and Macau	Ordinary shares –US$1 –HK$100,000,000	100%	100%	Sale and marketing of cigarettes and raw materials sourcing
Nanyang Brothers Tobacco Company, Limited	Hong Kong	Ordinary shares –HK$2	100%	100%	Manufacture and sale of cigarettes
		Non-voting deferred shares –HK$8,000,000	–	–	
The Wing Fat Printing Company, Limited	Hong Kong	Ordinary shares –HK$2,000,000	93.44%	93.44%	Manufacture and sale of packaging materials, printed products and paper making

53 PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries at 31st December 2010 and 2009 are as follows: (Continued)

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued share/ registered capital held by the Company/subsidiaries		Principal activities
			31.12.2010	31.12.2009	
SI Pharmaceutical (note iii)	The PRC	Ordinary shares -RMB367,814,821	– (note iv)	43.62%	Investment holding
廈門中藥廠有限公司 (Xiamen Traditional Chinese Medicine Co., Ltd.) (note i)	The PRC	RMB84,030,000	– (note iv)	61%	Manufacture and sale of Chinese medicine
遼寧好護士藥業(集團)有限責任公司 Liaoning Herbapex Pharmaceutical (Group) Co., Ltd. (note i)	The PRC	RMB51,000,000	– (note iv)	55%	Manufacture and sale of Chinese medicine
上海三維生物技術有限公司 (Shanghai Sunway Biotech Co., Ltd.) (note i)	The PRC	US$15,343,300	– (note iv)	70.40%	Manufacture and sale of Biomedicine
杭州胡慶餘堂藥業有限公司 (Hangzhou Huqingyutang Pharmaceutical Co., Ltd.) (note i)	The PRC	RMB53,160,000	– (note iv)	51.007%	Manufacture and sale of Chinese medicine and health products
上海上實南洋大酒店有限公司 (Shanghai SIIC South Pacific Hotel Co., Ltd.) (note i)	The PRC	US$72,000,000	87%	87%	Operation of a hotel
上海路橋發展有限公司 (Shanghai Road-Bridge Development Co., Ltd.) (note ii)	The PRC	RMB1,600,000,000	100%	100%	Holding of the right to operate a toll road
Shanghai Shen-Yu	The PRC	RMB1,200,000,000	100%	100%	Holding of the right to operate a toll road

Notes:

(i) These companies were established in the PRC as sino-foreign equity joint venture companies.

(ii) These companies were established in the PRC as wholly foreign owned enterprises.

(iii) This company is listed on the A Shares Market of the Shanghai Stock Exchange.

(iv) These companies were disposed of in February 2010 as detailed in note 12.

53 PRINCIPAL SUBSIDIARIES (Continued)

With the exception of S.I. Infrastructure, SIHL Treasury and Shanghai Urban Development, all the above subsidiaries are indirectly held by the Company.

None of the deferred shares are held by the Group. The deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of the respective companies and have practically no rights to dividends or to participate in any distributions on winding up.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

54. PRINCIPAL JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal jointly controlled entities at 31st December 2010 and 2009 are as follows:

Name of jointly controlled entity	Place of incorporation or establishment/ operations	Percentage of issued share/ registered capital attributable to the Group		Principal activities
		31.12.2010	31.12.2009	
中環保水務投資有限公司 (General Water of China Co., Ltd.) ("General Water")	The PRC	50%	50%	Joint investment and operation of water-related and environment protection business in the PRC
Asia Water Technology Ltd.	Republic of Singapore/ The PRC	(note) 36.6%	–	Sewage treatment and water supply

Note: It is a 73.19% owned subsidiary of General Water.

The above jointly controlled entities are indirectly held by the Company and the Group has members in the board of the respective entities.

The above table lists the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

55. PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31st December 2010 and 2009, which are all sino-foreign equity joint venture companies established in the PRC, are as follows:

Name of jointly controlled entity	Percentage of issued share/ registered capital attributable to the Group		Principal activities
	31.12.2010	31.12.2009	
Shanghai Galaxy	20%	20%	Provision of asset management
天津市億嘉合置業有限公司	(note)18%	–	Property development

Note: It is a 40% owned associate of SI Urban Development, which the Group owns as to its 45.02% equity interest.

The above associates are indirectly held by the Company.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

56. EVENTS AFTER THE REPORTING PERIOD

Significant events of the Group happened after the end of the reporting period are as follows:

(a) On 12th January 2011, the Group entered into an agreement with certain independent third parties pursuant to which the Group would dispose of its entire 78.13% equity interest in a subsidiary, Hebei Yongxin. Further details are set out in note 12 and an announcement of the Company dated 12th January 2011.

(b) On 16th August 2010, SIIC Shanghai, the Company and S.I. Properties Development Limited ("S.I. Properties Development"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "Equity Transfer Agreement"). Pursuant to the Equity Transfer Agreement, it was conditionally agreed that the Company shall through S.I. Properties Development acquire 689,566,049 A Shares ("Subject Shares") of Shanghai Industrial Development Co., Ltd. ("SIDC", a joint stock limited liability company established under the laws of the PRC. SIDC A Shares are listed on the Shanghai Stock Exchange), representing approximately 63.65% of the issued share capital of SIDC, from SIIC Shanghai at an aggregate consideration of RMB5,130,371,000 (equivalent to HK$5,827,319,000) (the "SIDC Transaction"), which is subject to the final determination of the State-owned Assets Administration Department, on and subject to the terms and conditions of the Equity Transfer Agreement. As a strategic foreign investor, S.I. Properties Development is subject to the relevant provisions of the Ministry of Commerce and is required to undertake not to dispose of the Subject Shares for a period of 3 years from the completion date. The consideration will be funded by internal resources and/or bank financing.

    SIIC is authorised to operate SIIC Shanghai, a state-owned enterprise, and SIIC exercises the authority as the state-owned shareholder of SIIC Shanghai. As such, SIIC Shanghai is a connected person of the Company under the Listing Rules and the SIDC Transaction constitutes a connected transaction for the Company and is subject to the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the transaction are set out in an announcement of the Company dated 16th August 2010.

56. EVENTS AFTER THE REPORTING PERIOD (Continued)

(b) (Continued)

On 30th January 2011, the Company received the approval from the China Securities Regulatory Commission ("CSRC") pursuant to which the CSRC has granted the waiver in respect of the obligation of the Company and parties acting in concert with the Company to make a general offer for all the shares in SIDC as a result of the acquisition of the Subject Shares by the Company through its wholly-owned subsidiary, S.I. Properties Development. Pursuant to the Equity Transfer Agreement, the parties to the Equity Transfer Agreement shall take the necessary steps to implement the remaining procedures required in connection with the SIDC Transaction.

Up to the date of approval of these consolidated financial statements, the transaction is undergoing government approval process and is not yet completed.

(c) On 28th February 2011, the shareholders of an associate, Shanghai Galaxy, passed a resolution to approve the capital contribution plan of Shanghai Galaxy, the registered capital of which is owned by SIIC Shanghai as to 80% and by Hu-Ning Expressway as to 20%. Hu-Ning Expressway will make an additional capital contribution of RMB326,777,000 (equivalent to HK$385,441,000) to Shanghai Galaxy, of which RMB48,000,000 (equivalent to HK$56,617,000) will become additional registered capital and RMB278,777,000 (equivalent to HK$328,824,000) will be accounted for in the capital surplus of Shanghai Galaxy. The registered capital of Shanghai Galaxy will be accordingly increased from RMB80,000,000 (equivalent to HK$94,362,000) to RMB128,000,000 (equivalent to HK$150,979,000), and the equity interest in Shanghai Galaxy held by Hu-Ning Expressway will be increased from 20% to 50%.

Hu-Ning Expressway is an indirect wholly-owned subsidiary of the Company. SIIC is the ultimate parent of the Company and a connected person of the Company. SIIC is authorised to operate SIIC Shanghai, a state-owned enterprise, and SIIC exercises the authority as a state-owned shareholder of SIIC Shanghai. Shanghai Galaxy being a subsidiary of SIIC Shanghai is thus an associate of a connected person of the Company. Accordingly, the capital contribution constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The transaction will be accounted for under the principles of merger accounting upon completion.

(d) On 26th February 2011, the Group entered into three agreements with various parties (the "Parties"), which are controlled by or beneficially owned by an independent non-executive director of SIUD, a non-wholly owned subsidiary of the Company, and his family members, as follows:

(i) S.I. Urban Development Holdings Limited ("SIUDH"), an indirect wholly-owned subsidiary of the Company, and the Company entered into a conditional agreement, pursuant to which SIUDH agreed to sell its 90% equity interest in Feng Tao (BVI) and assign 90% of the shareholder's loan that will be outstanding and owing at the completion date of the agreement by Feng Tao (BVI) to SIUDH to the Parties at an aggregate consideration of RMB1,131,000,000 (equivalent to HK$1,334,041,000);

(ii) SIUDH and the Company entered into another conditional agreement, pursuant to which SIUDH agreed to sell its 90% equity interest in S.I. Feng Shun Properties (BVI) Limited ("Feng Shun (BVI)"), a wholly-owned subsidiary of the Company and assign 90% of the shareholder's loan that will be outstanding and owing at the completion date of the agreement by Feng Shun (BVI) to SIUDH to the Parties at an aggregate consideration of RMB1,305,000,000 (equivalent to HK$1,539,278,000); and

56. EVENTS AFTER THE REPORTING PERIOD (Continued)

(d) (Continued)

(iii) the Company entered into a conditional agreement, pursuant to which the Company agreed to sell its 88.5% equity interest in Good Cheer Enterprises Limited ("Good Cheer"), a wholly-owned subsidiary of the Company and assign 88.5% of the shareholder's loan that will be outstanding and owing at the completion date of the agreement by Good Cheer to the Company to the Parties at an aggregate consideration of HK$1,168,000,000.

Feng Tao (BVI) and Feng Shun (BVI) both own development projects located at Qingpu District in Shanghai, the PRC. Good Cheer, through its subsidiaries, engages in the hotel business in the PRC.

Under the Listing Rules, the Parties are connected persons of the Company and the above disposals constitute connected transactions of the Company under the Listing Rules. Details of these transactions are set out in an announcement of the Company dated 26th February 2011.

57. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker (i.e. the board of director of the Company) for the purposes of resource allocation and performance assessment, are as follows:

Infrastructure facilities	–	investment in toll road projects and water-related business
Real estate	–	property development and investment and hotel operation
Consumer products	–	manufacture and sale of cigarettes, packaging materials, printed products and dairy products

Infrastructure facilities, real estate and customer products also represent the Group's reportable segments.

The Group was involved in the manufacture and sale of medicine and health food and medical equipment, which was reported as a separate operating segment of "Medicine" under HKFRS 8 "Operating Segments". That operation was classified as discontinued operations since the prior year and was disposed of during the year (see note 12).

As set out in note 2, the Group applied the principles of merger accounting in relation to the acquisitions of Feng Tao (BVI) and Shen-Yu during the current year. The segment revenues, segment results, segment assets and segment liabilities of the "Infrastructure facilities" and "Real estate" segments have been restated to include the revenues, results, assets and liabilities of Feng Tao (BVI) and Shen-Yu, as appropriate.

57. SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by operating segment:

For the year ended 31st December 2010

Continuing operations

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Consolidated HK$'000
REVENUE				
Segment revenue-external sales	1,687,270	6,227,158	4,797,867	12,712,295
Segment profit	971,996	1,076,739	913,277	2,962,012
Net unallocated corporate income				46,216
Finance costs				(414,264)
Share of results of jointly controlled entities				151,949
Share of results of associates				45,392
Gain from bargain purchase of interests in subsidiaries				361,060
Net gain on disposal of interests in subsidiaries, jointly controlled entities and associates				5,754
Impairment loss on available-for-sale investments				(284,224)
Profit before taxation				2,873,895

For the year ended 31st December 2009 (restated)

Continuing operations

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Consolidated HK$'000
REVENUE				
Segment revenue-external sales	962,277	2,309,087	3,790,289	7,061,653
Segment profit	905,910	1,560,583	820,769	3,287,262
Net unallocated corporate expense				(53,336)
Finance costs				(281,425)
Share of results of jointly controlled entities				43,552
Share of results of associates				(155,776)
Net gain on disposal of interests in subsidiaries, jointly controlled entities and associates				988,176
Profit before taxation				3,828,453

57. SEGMENT INFORMATION (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without allocation of net corporate income (expense), finance costs, share of results of jointly controlled entities, share of results of associates, gain from bargain purchase of interests in subsidiaries, net gain on disposal of interests in subsidiaries, jointly controlled entities and associates and impairment loss on available-for-sale investments. This is the measure reported to the board of directors of the Company for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

At 31st December 2010

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Consolidated HK$'000
Segment assets	17,448,501	52,844,178	4,050,364	74,343,043
Interests in jointly controlled entities				1,204,498
Interests in associates				584,891
Investments				3,336,864
Deferred tax assets				144,700
Prepaid taxation				482,210
Corporate bank balances and cash				5,492,672
Assets classified as held for sale				2,190,807
Other unallocated assets				51,091
Consolidated total assets				87,830,776
Segment liabilities	705,283	16,047,162	424,343	17,176,788
Taxation payable				2,296,945
Convertible notes				2,607
Bank and other borrowings				19,114,144
Senior notes				3,071,744
Deferred tax liabilities				3,617,791
Liabilities associated with assets classified as held for sale				1,033,800
Other unallocated liabilities				134,913
Consolidated total liabilities				46,448,732

57. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

At 31st December 2009 (restated)

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Consolidated HK$'000
Segment assets	15,151,693	25,505,215	5,592,157	46,249,065
Interests in jointly controlled entities				1,026,433
Interests in associates				298,734
Investments				3,415,477
Deferred tax assets				96,953
Prepaid taxation				65,543
Corporate bank balances and cash				5,123,644
Assets relating to discontinued operations				7,096,169
Other unallocated assets				896,939
Consolidated total assets				64,268,957
Segment liabilities	1,737,275	7,244,913	636,267	9,618,455
Taxation payable				852,077
Bank and other borrowings				15,615,457
Deferred tax liabilities				2,257,900
Liabilities relating to discontinued operations				1,734,249
Other unallocated liabilities				93,463
Consolidated total liabilities				30,171,601

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

- all assets of continuing operations are allocated to operating segments other than interests in jointly controlled entities, interests in associates, investments, deferred tax assets, prepaid taxation, corporate bank balances and cash, assets classified as held for sale and other unallocated assets; and

- all liabilities of continuing operations are allocated to operating segments other than taxation payable, convertible notes, bank and other borrowings, senior notes, deferred tax liabilities, liabilities associated with assets classified as held for sale and other unallocated liabilities.

57. SEGMENT INFORMATION (Continued)

Other segment information

2010

Continuing operations

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (note)	1,714,520	3,822,302	213,100	2,684	5,752,606
Depreciation and amortisation	477,699	96,013	205,572	3,556	782,840
Impairment loss on bad and doubtful debts	–	19,735	530	–	20,265
Impairment loss on property, plant and equipment	–	–	4,056	–	4,056
Impairment loss on goodwill relating to a subsidiary	5,730	–	–	–	5,730
Amounts regularly provided to the board of directors of the Company but not included in the measure of segment profit or segment assets:					
Interests in jointly controlled entities	1,133,413	–	–	71,085	1,204,498
Interests in associates	122,351	220,863	241,677	–	584,891
Impairment loss on interests in associates	–	–	57,434	–	57,434
Share of results of jointly controlled entities	150,293	–	–	1,656	151,949
Share of results of associates	14,260	2,768	28,364	–	45,392

57. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

2009 (restated)

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (note)	4,585,008	31,525	985,131	2,952	5,604,616
Depreciation and amortisation	249,919	72,212	172,917	2,205	497,253
Impairment loss on bad and doubtful debts	–	757	1,754	–	2,511
Amounts regularly provided to the board of directors of the Company but not included in the measure of segment profit or segment assets:					
Interests in jointly controlled entities	958,098	–	–	68,335	1,026,433
Interests in associates	36,481	31,857	230,396	–	298,734
Share of results of jointly controlled entities	41,816	–	–	1,736	43,552
Share of results of associates	15,364	2,411	82,066	(255,617)	(155,776)

Note: Non-current assets excluded those relating to discontinued operations or classified as held for sale and excluded financial instruments, goodwill and deferred tax assets.

Geographical information

The Group's operations are mainly located in Hong Kong (place of domicile) and the PRC.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location of the assets are detailed below:

57. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

	Revenue from external customers	
	2010	2009
	HK$'000	HK$'000 (restated)
PRC	11,269,002	5,697,154
Asia areas, other than Hong Kong and the PRC ("Asia")	932,688	840,672
Hong Kong (place of domicile)	444,653	419,112
Other areas	65,952	104,715
	12,712,295	7,061,653

	Non-current assets (note)	
	2010	2009
	HK$'000	HK$'000 (restated)
PRC	22,323,466	19,140,037
Hong Kong (place of domicile)	870,201	887,392
Asia	–	939
	23,193,667	20,028,368

Note: Non-current assets excluded those relating to discontinued operations or classified as held for sale, financial instruments, goodwill and deferred tax assets.

Information about major customers

No individual customer contributed over 10% of the total revenue of the Group for both years.

58. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in notes 36, 37 and 38, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the repayment of existing debt.

59. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP			THE COMPANY		
	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Financial assets						
Fair value through profit or loss						
Held-for-trading	26,870	26,220	23,824	–	482	–
Designated as at FVTPL	2,916,515	2,822,985	21,718	–	–	–
Loans and receivables (including cash and cash equivalents)	19,596,106	17,737,231	13,492,133	24,208,052	21,759,128	16,839,658
Available-for-sale investments	393,479	748,797	558,649	–	–	–
Held-to-maturity investments	–	27,629	142,798	–	–	–
Financial liabilities						
Amortised cost	27,103,510	17,676,264	15,802,686	4,107,061	6,401,208	1,809,346

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, financial assets at FVTPL, trade and other receivables, receivables under service concession arrangements, restricted bank deposits, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables, bank and other borrowings and senior notes. The Company's major financial instruments include other receivables, amounts due from subsidiaries, bank balances and amounts due to subsidiaries. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in the PRC and Hong Kong and the exposure in exchange rate risks mainly arises from fluctuations in United States dollar, Hong Kong dollar and Renminbi exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. As Renminbi is under managed floating system, after reviewing the Group's exposure for the time being, the Group did not enter into any derivative contracts aimed at minimising exchange rate risks during the year. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk-continued

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

	THE GROUP				THE COMPANY			
	Assets		Liabilities		Assets		Liabilities	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Renminbi (against Hong Kong Dollar)	58,618	11,358	1,634	–	–	–	–	–
United States dollar (against Hong Kong Dollar and Renminbi)	1,465,388	2,330,544	3,218,277	108,626	723,090	1,235,778	–	–
Hong Kong dollar (against Renminbi)	1,116,545	1,813	1,076,526	–	–	–	–	–

The above foreign currency denominated monetary assets and monetary liabilities mainly represent the Group's bank balances and cash, trade and other receivables, trade and other payables and senior notes.

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% (2009: 5%) increase and decrease in the functional currency of each group entity against the above foreign currency. 5% (2009: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 5% (2009: 5%) increase in foreign currency rates. A (negative) positive number below indicates (a decrease) an increase in profit/investment revaluation reserve where the above foreign currency strengthens 5% against the functional currency of each group entity.

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
(Decrease) increase in profit after taxation	(80,633)	104,948	36,154	61,789

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings respectively. The Company's cash flow interest rate risks mainly relate to the variable-rate amount due from a subsidiary. The Group's held-to-maturity investments, receivables under service concession arrangements, advance to vendor of an investment project in the PRC, pledged bank deposits fixed-rate bank and other borrowings and senior notes have exposure to fair value interest rate risk due to the fixed interest rate on these instruments. The Group's and the Company's bank balances and variable-rate bank and other borrowings also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate.

The management monitors interest rate exposure on ongoing basis and entered into interest rate swaps to hedge against its exposure to variability in cash flows of the variable-rate borrowings. The critical terms of these interest rate swaps are similar to those of hedged borrowings. These interest rate swaps are designated as effective hedging instruments and hedge accounting is adopted.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and short-term bank deposits (collectively referred to as the "Bank Deposits") and variable-rate borrowings at the end of the reporting period. The sensitivity analysis does not consider the exposure of the interest rate swaps because the effect is insignificant.

For variable-rate borrowings and Bank Deposits, the analysis is prepared assuming that the amount of asset/liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point and 10 basis point (2009: 50 basis point and 10 basis point), respectively, increase or decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis point and 10 basis point (2009: 50 basis point and 10 basis point) higher/lower and all other were variables were held constant, the Group's profit after taxation for the year decrease/increase by HK$81,352,000 (2009: HK$62,738,000, as restated). This is mainly attributable to the Group's exposure to interest rates on its variable-rate Bank Deposits and borrowings.

No sensitivity analysis is prepared for the Company's exposure to interest rate risk as the impact is not significant.

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Equity price risk

The Group and the Company are exposed to equity price risk through their listed investment in equity securities classified as either available-for-sale investments or financial assets at fair value through profit or loss. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's and the Company's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange. In addition, the management has appointed a team of specialists to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on quoted equity investments held by the Group at the reporting date:

If the prices of the respective quoted equity instruments had been 5% (2009: 5%) higher/lower:

- profit after taxation for the year would increase/decrease by HK$2,829,000 (2009: HK$7,938,000) as a result of the changes in fair value of financial assets at FVTPL; and

- investment revaluation reserve would increase/decrease by HK$15,388,000 (2009: HK$19,642,000) for the Group as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31st December 2010, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties and financial guarantees provided is arising from:

- the carrying amount of the respective recognised financial assets as stated in the statements of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group and the Company as disclosed in note 47.

The Group's principal financial assets are receivables under service concession arrangements, restricted bank deposits, short-term bank deposits, bank balances and cash, equity and debt investments and trade and other receivables.

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Group's treasury operations, management has established internal procedures to monitor the Group's bank balances and cash, securities investments to be placed and entered into with financial institutions of good reputation. These internal procedures also impose limitation on the amount outstanding and to mange the credit ratings on equity investments to be held, so as to minimise the Group's credit risk exposure.

The credit risk arising form receivables under service concession arrangements is limited as these receivables are guaranteed by the relevant governmental authorities in the PRC.

The Group's concentration of credit risk by geographical locations of customers are mainly on the PRC and Hong Kong which accounted for 80% (31.12.2009: 74%) and 20% (31.12.2009: 26%), respectively, of the trade receivables at 31st December 2010.

The Group's and the Company's credit risk on bank balances and bank deposits is limited because the counterparties are banks with good reputation.

Except for a financial asset designated as at FVTPL of approximately HK$2,798.7 million (31.12.2009: HK$2,680.6 million) as set out in note 27 and an advance to the vendor of an investment project in the PRC of approximately HK$436.4 million (31.12.2009: HK$1,301.7 million), which accounted for 84% (31.12.2009: 78%) and 14% (31.12.2009: 41%) of the Group's investments and other receivables, respectively, as at 31st December 2010, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Company has concentration of credit risk in relation to amounts due from five subsidiaries which account for 92% (31.12.2009: 88%) of the total amounts due from subsidiaries balance. The Company's credit risk position is monitored closely by management of the Company.

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

The Group's and the Company's liquidity position are monitored closely by management. The following tables detail the contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at end of the reporting period. No contractual maturity for the interest rate swaps entered into by the Group is disclosed as the impact is considered insignificant.

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
THE GROUP							
2010							
Non-interest bearing	–	1,652,905	118,556	2,861,494	239,870	4,872,825	4,872,825
Fixed interest rate instruments	7.74	–	75,008	1,583,247	4,261,423	5,919,678	4,577,257
Variable interest rate instruments	1.15	5,606	10,320	8,400,950	9,643,243	18,060,119	17,653,428
		1,658,511	203,884	12,845,691	14,144,536	28,852,622	27,103,510
Financial guarantee contracts	–	3,813,640	–	–	–	3,813,640	–

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000 (restated)	Carrying amount at 31.12.2019 HK$'000 (restated)
THE GROUP							
2009							
Non-interest bearing	–	2,046,616	274,863	1,553,432	173,629	4,048,540	4,048,540
Fixed interest rate instruments	5.84	–	–	343,809	104,043	447,852	435,143
Variable interest rate instruments	0.97	1,658	7,585	3,263,545	10,174,454	13,447,242	13,192,581
		2,048,274	282,448	5,160,786	10,452,126	17,943,634	18,783,719
Financial guarantee contracts	–	1,599,404	–	–	–	1,599,404	–

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
THE COMPANY							
2010							
Non-interest bearing	–	1,234,560	–	3,131	–	1,237,691	1,237,691
Variable rate instruments	1.21	–	–	2,900,243	–	2,900,243	2,870,000
		1,237,691	–	2,900,243	–	4,137,934	4,107,691
Financial guarantee contracts	–	16,193,710	–	–	–	16,193,710	–

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2009 HK$'000
THE COMPANY							
2009							
Non-interest bearing	–	2,027,141	–	4,067	–	2,031,208	2,031,208
Variable rate instruments	0.97	–	–	4,391,195	–	4,391,195	4,370,000
		2,027,141	–	4,395,262	–	6,422,403	6,401,208
Financial guarantee contracts	–	10,967,000	–	–	–	10,967,000	–

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

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

59. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of the financial asset designated as at FVTPL under the Transaction is determined based on a discounted cash flows analysis using a discount factor estimated by reference to the credit rating of the counterparty and the remaining time to maturity;
- the fair value of other financial assets at FVTPL are determined by reference to bid prices quoted in active markets or prices provided by the respective issuing banks or financial institutions using valuation technique; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost, except for held-to-maturity investments, in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position (including those classified as part of a disposal group as at 31st December 2009)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

59. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

	At 31st December 2010				At 31st December 2009			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL								
Listed convertible bonds/ debentures	117,840	–	–	117,840	142,385	–	–	142,385
Non-derivative financial assets held for trading	26,870	–	–	26,870	26,220	–	–	26,220
Others	–	–	2,798,675	2,798,675	–	–	2,680,600	2,680,600
Available-for-sale financial assets								
Listed equity securities	307,762	–	–	307,762	453,532	–	–	453,532
Total	452,472	–	2,798,675	3,251,147	622,137	–	2,680,600	3,302,737

Reconciliation of Level 3 fair value measurement of financial assets:

	Others HK$'000
At 1st January 2009	–
Acquisition of a subsidiary (note 43B)	2,271,695
Change in fair value recognised in profit or loss (included in net investment income)	408,905
At 31st December 2009	2,680,600
Exchange adjustments	101,243
Change in fair value recognised in profit or loss (included in net investment income)	428,176
Settlement	(411,344)
At 31st December 2010	2,798,675

FINANCIAL SUMMARY

	Year ended 31st December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000 (restated)	2010 HK$'000
RESULTS					
Revenue	3,121,893	4,110,159	7,452,105	7,061,653	12,712,295
Profit before taxation	1,506,613	2,028,387	2,683,795	3,828,453	2,873,895
Income tax expense	(135,856)	(152,410)	(420,151)	(1,102,330)	(719,859)
Profit for the year from continuing operations	1,370,757	1,875,977	2,263,644	2,726,123	2,154,036
Profit for the year from discontinued operations	129,513	405,132	594,122	1,005,177	3,269,339
Profit for the year	1,500,270	2,281,109	2,857,766	3,731,300	5,423,375
Attributable to					
– Owners of the Company	1,257,778	1,963,023	2,101,546	2,870,132	5,277,752
– Non-controlling interests	242,492	318,086	756,220	861,168	145,623
	1,500,270	2,281,109	2,857,766	3,731,300	5,423,375

	HK$	HK$	HK$	HK$	HK$
Earnings per share					
– Basic	1.30	1.94	1.96	2.66	4.89
– Diluted	1.29	1.93	1.95	2.66	4.89

	Year ended 31st December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000 (restated)	2010 HK$'000
ASSETS AND LIABILITIES					
Total assets	23,658,128	47,488,947	51,716,344	64,268,957	87,830,776
Total liabilities	(3,927,133)	(17,404,073)	(19,835,332)	(30,171,601)	(46,448,732)
	19,730,995	30,084,874	31,881,012	34,097,356	41,382,044
Equity attributable to owners of the Company	17,505,381	22,625,731	23,401,358	24,901,250	29,759,998
Non-controlling interests	2,225,614	7,459,143	8,479,654	9,196,106	11,622,046
	19,730,995	30,084,874	31,881,012	34,097,356	41,382,044

Note: The Company has accounted for the acquisitions of Feng Tao (BVI) and Shen-Yu and their subsidiaries (as detailed and defined in note 2 to the consolidated financial statements) in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared assuming that the current group structure had been in existence since the respective date of incorporation/establishment.

In addition, as mentioned and defined in note 12 to the consolidated financial statements, the Group disposed of the Disposed Business during the current year and the results of the Disposed Business for the years presented have been reclassified for separate disclosure as discontinued operations above.

PARTICULARS OF MAJOR PROPERTIES HELD FOR INVESTMENT PURPOSES

Details of the Group's major properties held for investment purposes as at 31st December 2010 are as follows:

Location	Term of lease	Type of use	Group's interest
1. Urban Development International Tower（城開國際大廈）situated at No. 386 Guangyuan Road West, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 7th October 2053	Commercial	59%
2. 20 office units on Levels 8, 9 and 10 and 12 car parks situated at No. 333 Zhaojiabang Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 5th December 2042	Commercial	59%
3. Levels 1 to 3, Nos. 498 and 500 Lane 388 Pubei Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 30th June 2050	Commercial	59%
4. Huimin Commercial Tower（滙民商廈）and non-motor vehicle shed situated at Nos. 111 and 123 Tianyaoqiao Road, Xuhui District, Shanghai. the PRC	Held under a land use right with an unspecified term	Commercial	59%
5. A detached villa situated at No. 3 Lane 16, Gaoyou Road, Xuhui District, Shanghai, the PRC	Held under a land use right with an unspecified term	Residential	59%
6. Laochengxiang, Lot No. 11 of Laochengxiang Area, Nankai District, Tianjin, the PRC	Held under a land use right for a term expiring on 29th March 2075	Residential	45.02%
7. Lot No. B2, Phase I of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaoxin District, Chongqing, the PRC	Held under a land use right for a term expiring in February 2044	Commercial	45.02%

GLOSSARY OF TERMS

Term used	Brief description
Asia Water	Asia Water Technology Ltd. (SGX stock code: 5GB)
Bright Dairy	Bright Dairy and Food Co., Ltd. (SSE stock code: 600597)
Chengdu Wingfat Printing	Chengdu Wingfat Printing Co., Ltd.
Chow Tai Fook group	Chow Tai Fook Enterprises Ltd. and its subsidiaries
Company	Shanghai Industrial Holdings Ltd.
Dongguan Wingfat	The Wing Fat (Dongguan) Printing Co., Ltd.
Feng Tao BVI	S.I. Feng Tao Properties (BVI) Ltd.
General Water of China	General Water of China Co., Ltd.
Glorious Property	Glorious Property Holdings Ltd.
Group	the Company and its subsidiaries
Hebei Yongxin Paper	Hebei Yongxin Paper Co., Ltd.
Hu-Ning Expressway	Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.
Lianhua Supermarket	Lianhua Supermarket Holdings Co., Ltd. (HKSE stock code: 980)
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Luqiao Development	Shanghai Luqiao Development Co., Ltd.
Mergen Biotech	Mergen Biotech Ltd.
Mergen Biotech Scheme	A share option scheme adopted by Mergen Biotech as approved by the shareholders at the extraordinary general meeting held on 28 May 2004
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules
Nanyang Tobacco	Nanyang Brothers Tobacco Co., Ltd.
Neo-China	Neo-China Land Group (Holdings) Ltd. (now SI Urban Development)
Net Business Profit	Net profit excluding net corporate expenses
New World Development	New World Development Co., Ltd.
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
Shanghai Galaxy	Shanghai Galaxy Investment Co., Ltd.
Shanghai Pharmaceuticals	Shanghai Pharmaceuticals Holding Co., Ltd. (SSE stock code: 601607)
Shanghai Urban Development	Shanghai Urban Development (Holdings) Co., Ltd.
Share Swap Merger Agreement	the agreement dated 15 October 2009 pursuant to which Shanghai Pharmaceutical should issue new A Shares at RMB11.83 per share as the consideration payable to all the shareholders of, inter alia, SI Pharmaceutical, to swap for all or part of its issued shares of SI Pharmaceutical
Shen-Yu BVI	S.I. Shen-Yu Development Ltd.
Shen-Yu Shanghai	Shanghai Shen-Yu Development Co., Ltd.
SI Development	Shanghai Industrial Development Co., Ltd. (SSE stock code: 600748)

GLOSSARY OF TERMS

Term used	Brief description
SI Pharmaceutical	Shanghai Industrial Pharmaceutical Investment Co., Ltd.
SI Urban Development	Shanghai Industrial Urban Development Group Ltd.
SI Urban Development Scheme	A share option scheme adopted by SI Urban Development as approved by the shareholders at the extraordinary general meeting held on 12 December 2002
SIHL Scheme	A share option scheme adopted by the Company as approved by the shareholders at the extraordinary general meeting held on 31 May 2002
SIIC	Shanghai Industrial Investment (Holdings) Co. Ltd.
SIIC South Pacific Hotel	Shanghai SIIC South Pacific Hotel Co., Ltd.
SIUD Jingjie Properties	SIUD Jingjie Properties Co., Ltd.
SIUD Wuxi Properties	SIUD Wuxi Properties Co., Ltd.
SMIC	Semiconductor Manufacturing International Corp. (HKSE stock code: 981)
SGX	Singapore Stock Exchange
SSE	Shanghai Stock Exchange
Stock Exchange or HKSE	The Stock Exchange of Hong Kong Ltd.
Sunway Biotech	Shanghai Sunway Biotech Co., Ltd.
United Runtong Water	United Runtong Water Co., Ltd.
Wanyuan Real Estate	Shanghai Wanyuan Real Estate Co., Ltd.
WF Top Weld Packaging	Wing Fat Top Weld Packaging (HK) Ltd.
Wing Fat Printing	The Wing Fat Printing Co., Ltd.
Wuhan Kaidi Water Services	Wuhan Kaidi Water Services Co., Ltd.

For the purposes of the "Chairman's Statement" and "Business Review, Discussion and Analysis" of this Annual Report, the exchange rate of HK$1.00 = RMB0.8478 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

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