上置

2010
ANNUAL REPORT

SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司
(Stock Code: 1207)

Contents

Introduction of the Group

SRE Group Limited ("the Company") and its subsidiaries ("the Group") are an integrated real estate developer specializing in property and land development business. The shares of the Company have been listed on the Hong Kong Exchange and Clearing Limited (the "HKEx") since 10 December 1999.

Geographically, Shanghai is the base for the Group's real estate development business which will gradually and continue to be extending into capitals of various provinces and regional hubs with strong economic development potentials. While we are mainly a developer for medium-to-high-end residential properties, we have been gradually building more commercial properties such as office buildings, hotels and shopping malls, aiming at becoming a fully integrated trans-regional real estate developer.

Properties developed by he Group under the brand names of "Oasis Garden", "Rich Gate", "Skyway" and "Albany" enjoy a good reputation in both onshore and offshore markets including Shanghai, Shenyang, Haikou, Wuxi and Hong Kong.

Our land development business focus on planning and developing large-scale new town projects in the suburbs of some of PRC's largest cities, with each current project covering site area of at least six million sq.m. We are currently engaged in three new town projects located in Shanghai, Wuxi and Shenyang.

Financial Summary

Summary of Results

(Prepared according to accounting principles generally accepted in Hong Kong)

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Turnover, net	**6,289**	2,831	3,740	3,350	2,621
Gross Profit	**2,539**	1,237	895	637	1,147
Profit before Taxation	**1,531**	1,525	1,677	1,670	1,103
Taxation	**(815)**	(507)	(893)	(642)	(731)
Profit after Taxation	**716**	1,018	784	1,028	372
Non-controlling Interests	**(86)**	(233)	(536)	(9)	(318)
Profit Attributable to owners of parent	**630**	785	248	1,019	54
Proposed Dividends	**(105)**	(159)	–	(96)	(44)
Earnings per share					
– Basic	**17.47 Cents**	24.47 Cents	8.91 Cents	42.95 Cents	2.91 Cents
– Diluted	**16.79 Cents**	23.70 Cents	8.64 Cents	41.81 Cents	2.91 Cents
Total Assets	**40,742**	34,674	21,307	19,622	10,244
Total Liabilities	**29,415**	23,366	13,434	13,039	7,289
Net Assets	**11,327**	11,308	7,873	6,583	2,955
Cash reserves	**5,403**	4,603	1,575	1,939	1,026
Shareholders' funds	**8,545**	8,192	6,473	5,800	2,558

	Year ended 31 December				
	2010	2009	2008	2007	2006
Return on Equity (%)	**7%**	10%	4%	18%	2%
Current Ratio (times)	**1.75x**	1.66x	1.65x	1.59x	1.49x
Total Liabilities to Shareholders equity	**2.60x**	2.07x	1.71x	1.98x	2.85x
Net Debt to Shareholders' Funds Ratio (times)*	**2.81x**	2.29x	1.83x	1.91x	2.45x

* Net Debt to Shareholders' Funds Ratio = (Total Liabilities – Cash and Bank balances) / Shareholders' funds



Shanghai Project

上海項目



Shanghai Project

上海項目



Shanghai Project

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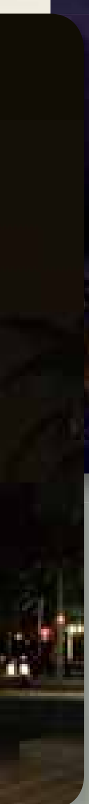
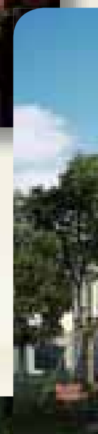
Haikou Project

海口項目




Jiaxing Project

嘉興項目

Shenyang Project

瀋陽項目

Chairman's Statement

In terms of our development and progress, 2010 has been another landmark year for SRE Group Limited and it's subsidiaries (the "Group"). The Group's subsidiary China New Town Development Company Limited ("CNTD") listed on HKEx on 22 October 2010, to realize a dual listing, following its successful listing on Singapore Exchange Limited ("SGX") in November 2007.

The Group has been listed in Hong Kong for twelve years while CNTD has been listed in Singapore for more than three years. Throughout this period, we have weathered vicissitudes in both global and national economic development and in the real estate industry. All the while, the Group has persistently adhered to a philosophy of quality, community service and sustainable development. We have conducted careful analysis of the challenges and opportunities brought about by market and policy changes, and along the way, we have strengthened our confidence, adjusted our ideology and made bold explorations to lay a solid foundation for continuous and healthy development of the Group's businesses.

In 2010, the real estate market experienced the most stringent austerity measures ever, involving land, finance and taxation. These austerity measures manifest a long-term guiding influence for future development of the real estate market. The real estate industry will accelerate its pace of consolidation. The austerity measures and market competition impose higher requirements on capital strength and development capability of the real estate developers.

The Group will set a new round of five-year development goals based on China's 12th Five Year Plan. These goals will focus on consolidating and enhancing our strength and creativity in the area of capital structure, financing and fund raising, group organizational structure, control system, the company brand, product brands and corporate culture to ensure sustainable development. We believe the real estate industry will gradually move toward more stable development, and the Group will create both economic and social benefits.

The Group views our staff as our most valuable asset. In 2010, we have provided comprehensive and targeted training for staff through a variety of professional courses organized by renowned international and domestic universities. We believe that excellent staff and a well-trained team will make an important contribution to our future development.

I would like to take this opportunity to thank our shareholders, investors, banks and other financial institutions for their trust and support over the past year. I would also like to express my thanks to our board members for their contribution. In addition, I would like to signify my appreciation and gratitude to the Group's management and staff for their outstanding performance and dedicated service. We hope that we will continue to strengthen our confidence and solidarity so as to better contribute to the Group's future development.

Shi Jian
Chairman

25 March 2011

CEO's Statement

Business Review

In 2010, the Group's major projects up for sale were Cedar Villa Original, Lake Malaren Garden, Rich Gate SeaView and Central-Ring Centre in Shanghai; Haikou Bund Centre in Hainan; Wuxi Jiangnan Rich Gates in Jiangsu; Shenyang Yosemite Oasis Community and Albany Oasis Garden in Liaoning. In 2010, the Group contracted a total amount of HKD4.96 billion, with gross floor area of approximately 239,570 square meters.

Project Company	Sales Contracts Signed *(HKDx1000)*	Contractual Gross Area *(m^2)*
Shanghai Cedar Villa Original	1,367,702	48,321
Shanghai Lake Malaren Garden	1,242,788	36,704
Haikou Bund Centre	611,899	35,781
Shenyang Albany Oasis Garden	541,897	52,498
Shanghai Rich Gate SeaView	406,142	22,456
Wuxi ZhongQing	337,713	18,310
Shenyang Yosemite Oasis Community	113,928	17,132
Shanghai Albany Oasis Garden	84,244	790
Shanghai Central-Ring Centre	82,338	2,803
Other Projects	173,021	4,775
Total	4,961,672	239,570

In 2010, the Group recorded a net turnover of HKD6.29 billion, an increase of 122% from HKD2.83 billion in 2009. Gross profit for 2010 amounted to approximately HKD2.54 billion, up about 104.8% from HKD1.24 billion in 2009. Gross profit margin for 2010 was about 40% (2009: 44%).

Net revenue breakdown by activity:

Revenue	**2010** *(HKDx1000)*	2009 *(HKDx1000)*
Sale of development properties	**4,589,437**	1,633,588
Revenue from land development	**1,467,053**	958,725
Hotel operations	**283,656**	167,631
Revenue from property leasing	**137,031**	120,612
Property management revenue	**103,011**	60,673
Golf operation	**68,936**	34,504
Revenue from construction of infrastructure for an intelligent network	**9,114**	10,367
Sale of network hardware and installation of intelligent home equipment	**2,610**	4,786
Other revenue	**4,431**	1,870
Less: Business tax and surcharges	**(376,505)**	(162,160)
Total revenue	**6,288,774**	2,830,596

CEO's Statement

Development Projects

Our main development projects include Rich Gate SeaView, Lake Malaren Garden, Cedar Villa Original, Cedar Island Oasis Garden, Albany Oasis Garden, Central-Ring Centre and Bairun Project in Shanghai; Shenyang Albany and Yosemite Oasis Community in Liaoning; Wuxi Jiangnan Rich Gates in Jiangsu; Haikou Bund Centre in Hainan; and Jiaxing 湘府 (tentative name) Project in Zhejiang.

The Group has four major commercial real estate projects: three in Shanghai and one in Shenyang. Benefited from the Shanghai World Expo, commercial real estate, particularly hotel operations in Shanghai, had experienced an unprecedented growth. Under the influence of the prevailing austerity measures, the suppressed housing market has nonetheless highlighted the trend of increasing investment toward commercial real estate as the prospect of which becomes more promising. The stable development of commercial real estate will make an increasingly important contribution to our revenue.

Commercial Property	Location	Details
Shanghai Skyway Pullman Hotel	Luwan District, Shanghai	654 rooms
Shanghai Rich Gate Retail	Luwan District, Shanghai	Approx. 11,000 m^2
Oasis Central Ring Center Shopping Mall	Putuo District, Shanghai	Approx. 34,000 m^2
Shenyang Rich Gate Shopping Mall	Financial Golden Corridor, Shenyang	Approx. 240,000 m^2

New Land Bank

The development rights to Lot 47/19 and Lot 47/8, Block 1, Quneizhenwai, Pudong New Area, with a land area of 38,589 m^2 and 19,589 m^2.

The development rights to Lot 1/4, Block 798, Bansongyuan Street, Huangpu District, with a land area of approximately 13,395 m^2 available for development, which is a scarce urban land in downtown area.

The development rights to Lot 6-010-035-002 on the western side of Xinhong Road and the northern side of Xiyi Road, Hongshan New Town, Wuxi, Jiangsu, with a land area of 48,620 m^2.

Two parcels of land located in the south-western side of Huanhu Road, the northern side of Tanxiang, Xiangjiadang, Jiaxing, Zhejiang Province and the eastern side of Huanhu Road respectively, with a total site area of approximately 129,857.4 m^2, the first acquisition by the Group of prime land bank in Zhejiang Province.

The land use right of a residential land XDG (XQ) – 2010 – 25 located in the northern side of EW3 Road and the western side of Xinhong Road, Hongshan Sub-district of Wuxi New District, with a land area of 127,637m^2.

The land use rights of the 2nd, 3rd and 4th land parcel of Sanguan Village, Hongguang Town in Chengdu Pi County of Sichuan Province (serial code: PX3-5-3) for residential and utilities usage, with a land area of 90,981.84 m^2.

Land Infrastructure and Pre-development Activities

On 8 February 2010, the right to use the XDG (XQ)-2008-21 and XDG (XQ)-2008-28 residential land in Hongshan, Wuxi with a total land area of 119,680 m^2 (the preliminary land development of which has been completed by Wuxi Hongshan New Town Development Co., Ltd., a subsidiary of CNTD) was successfully assigned through the land authority under the local government at a total price of RMB244 million.

On 4 August 2010, the right to use the F1-4 and F1-6 residential land in Luodian New Town with a total land area of 151,151 m^2 (the preliminary land development of which has been completed by Shanghai Golden Luodian Development Co. Ltd., a subsidiary of CNTD) was successfully assigned through the land authority under the local government at a total price of RMB1,899.80 million.

On 27 December 2010, the right to use the XDG (XQ)-2010-25 residential land in Hongshan, Wuxi with a total land area of 127,637 m^2 (the preliminary land development of which has been completed by Wuxi Hongshan New Town Development Co., Ltd., a subsidiary of CNTD) was successfully assigned through the land authority under the local government at a price of RMB382 million.

Construction Work

Adhering to the development plans and construction timelines formulated in early 2010, the Group and its subsidiary companies have been carrying out the respective development and construction projects in an orderly manner. Taking into account the actual situation of each company, strict pre-planning and interim controls have been implemented in all key areas, including design and construction, in order to be well targeted before construction and to ensure clear quality standards. The construction work has been carried out in a highly effective and practical manner, with stringent quality control procedures applied to ensure quality, progress, safety and meeting investment targets, with top priority being given to quality control and technical solutions.

Cedar Villa Original

For Cedar Villa Original, Section-A cap structure was largely completed in December 2010, and the construction work for exterior decoration and insulation has commenced; Section-B cap structure was completed in October 2010.

Jiangnan Rich Gates

After a year's time, refined decoration work for the last "Billion Dollar Mansion" of Jiangnan Rich Gates was completed on 31 July 2010, with the soft-mounted configuration in place by late August. The detached villa was launched on the market on 15 September 2010.

Rich Gate SeaView

As of the end of October 2010, curtain wall works for the 1st through 5th floors was largely completed. In December, acceptance checks on fire control, lightning protection, environmental testing, greenery, sanitation, postal services and transportation were duly passed with the landscaping work largely completed.

Shenyang Albany

Project construction area for Shenyang Albany during the year was approximately 130,000 m^2. As of the end of 2010, all five buildings in Phase I have met the basic requirements of completion for indoor rough housing.

Acquisition

The Group acquired 9% equity interest in Huarui Asset

In May 2010, the Group acquired 9% equity interest in Shenyang Huarui Shiji Asset Management Co., Ltd. ("Huarui Asset") and thus the Group's interest in Shenyang Rich Gate Shopping Mall has reached 60%.

The Group acquired shares in China New Town Development Limited ("CNTD") and bond conversion

In April 2010, the Group acquired 97,939,859 CNTD shares at a price of HKD66.75 million on the SGX-ST. On the same day, Sinopower, a wholly owned subsidiary of the Group, served notice to CNTD relating to the exercise of conversion rights attached to the underlying bonds. Upon completion of the previously mentioned acquisition and bond conversion, shareholding of the Group in CNTD increased to 62.36%, and as of 31 December 2010, shareholding of the Group in CNTD was 61.54%.

Listing of CNTD in Hong Kong by way of introduction

On 22 October 2010, CNTD, a subsidiary of the Group, was listed on the Main Board of the HKEx by way of introduction. As a result, CNTD becomes dually listed in both Hong Kong and Singapore after its listing in Singapore on 14 November 2007.

CEO's Statement

The Group completed its acquisition of 20% equity interest in Liaoning High School Project

In December 2010, the Group completed its acquisition of 100% equity interest in Goldjoy Investment Ltd, thereby increasing the Group's interest in Liaoning High School Support Group Property Dev. Ltd. and hence in its development project, Shenyang Albany, from 70% to 90%.

Financing Activities

In March 2010, Shanghai Skyway Hotel Co., Ltd. entered into a loan agreement for a new additional syndicated facility of RMB500 million with Industrial and Commercial Bank of China Limited, Huangpu Sub-Branch, Shanghai and Agricultural Bank of China Limited, Jingan Sub-Branch, Shanghai.

In August 2010, the Group received RMB600 million through the launch of "上信•攒金" Mature Property Investment Trust A Series – Central-Ring Centre Equity Fund Collective Investment Trust Scheme, in cooperation with Shanghai International Trust and Investment Co., Ltd.

In November 2010, Shenyang Huarui Shiji Asset Management Co., Ltd. entered into a loan agreement with Bank of China Limited, Shenyang Branch for a new additional loan facility of approximately RMB500 million.

The Group's Awards

SRE GROUP LIMITED

Awarded "Top 100 Real Estate Enterprises for 2010—Top 10 Robust Enterprises", "Advanced Unit in National Charity" and "Advanced Unit in Shanghai Charity".

Rich Gate SeaView

Residential Building #3 passed the acceptance check by the "White Orchid" construction in Shanghai.

Shanghai Albany

Phase II Project received the White Orchid Award for construction work in Shanghai.

Cedar Villa Original

Awarded "2010 China Villa Festival-Integrated Award for Chinese Classic Villa", "2010-2011 Happy Living and Popular Real Estate in Shanghai" and "2010 Top 10 Most Anticipated Properties in Shanghai Real Estate".

Liaoning High School Support Group Property Dev. Ltd.

Awarded "2010 Security Advanced Unit in Shenyang Construction Units".

Haikou Century Harbour City Co., Ltd.

Earned the "Hainan Trustworthy Real Estate Development Enterprise Award"; Haikou Bund Centre awarded "2010 Hainan Real Estate Project of Best Investment Value".

Shanghai Real Estate Property Management Co., Ltd.

Awarded "National Advanced Unit in Property Management" and received the "Shanghai Quality Management Award".

Shanghai Lake Malaren Property Management Co., Ltd.

Awarded "Trustworthy A-Grade Property Management Enterprise in Shanghai".

Business Outlook

China's real estate market trends took numerous turns in 2010. While the market experienced a strong rebound at the beginning of the year, on 17 April 2010, the government promulgated what has been hailed as most severe property control policy ever, – the "Notice of the State Council on Resolutely Curbing the Soaring of Housing Prices in Some Cities", setting the tone for the property market throughout 2010. After a brief downturn in the property market accompanying local property control policies rolled out successively in all parts of China, the market witnessed a quick rebound in July and August. However, after the promulgation of the more refined "Notice from the People's Bank of China and China Banking Regulatory Commission on Issues concerning the Improvement of Differential Housing Credit Policies" on 29 September 2010, purchase restriction order have been introduced in a number of cities. The frequent introduction of property control policies has turned 2010 into a year of real estate regulation.

According to the 2010 National Economy and Social Development Statistics published by the China National Statistics Bureau, total investment in real estate development in 2010 amounted to RMB4.82 trillion, an increase of 33.2% over the previous year. Of this total, investment in commercial residential building development accounted for RMB3.4 trillion, an increase of 32.9%; investment in office building development accounted for RMB180.7 billion, an increase of 31.2%; investment in commercial business space development accounted for RMB559.9 billion, an increase of 33.9%.

In 2010, national commodity housing sale area totaled 1.043 billion m^2, an increase of 10.1% over the previous year. Of this total, sale area of commercial residential buildings, office buildings and commercial business space increased 8.0%, 21.9% and 29.9% respectively. Commodity housing sales rose 18.3% over the previous year to RMB5.25 trillion. In December, home sale prices in 70 large and medium-sized cities nationwide recorded a year-on-year increase of 6.4% and a month-on-month increase of 0.3%. Sale prices of homes and new commercial residential buildings in 70 large and medium-sized cities showed an initial increase and a then leveling-off year-on-year.

According to the figures from the Ministry of Land and Resources, total price of national land transactions for 2010 amounted to RMB2.7 trillion, representing a year-on-year increase of 70.4%.

According to the 2010 Shanghai National Economy and Social Development Statistics published by the Shanghai Municipal Statistics Bureau, Shanghai's new residential sales price index for the year increased 7.6% over the previous year. The commercial residential building price index increased by 8% over the previous year.

The current year, 2011, marks the first year for China to execute its "Twelfth Five-Year Plan" for national economic and social development. The situation confronting national economic development will remain complicated. The state will attempt to maintain continuity and stability of its macroeconomic policies while improving their pertinence, flexibility and efficiency, and will continue to implement proactive financial and prudent monetary policies, and properly deal with the delicacy of stricking a managing balance between maintaining stable and vibrant economic growth, adjusting economic structure and inflation expectations so as to prevent the drastic fluctuations of its economy.

Nearly 20 years have passed since its establishment and more than a decade since the Group's first listing. In the interim, the Group has developed into a comprehensive real estate group engaged in new town development and secondary land development. In 2010, CNTD, a subsidiary of the Group, successfully achieved its dual-listing in both Hong Kong and Singapore to develop a broader platform for the Group's and CNTD's future operations in the capital market, thus forming a sound basis for better participation in new town development in the days to come.

In 2011, the Group will make timely adjustments to its strategies according to economic trends, increase the proportion of investment in commercial real estate development and seek further project development in second- and third-tier or even third- and fourth-tier cities with development potential in China to lay a solid foundation for the Group's next five-year plan. As a business with social responsibility, the Group will further improve the operation and scientific management of the projects under development, aiming at providing the customers with high quality properties and hence a better life.

Yu Hai Sheng
Co-Chairman and Chief Executive Officer
Hong Kong, 25 March 2011

Directors and Management

Directors

Executive Directors

Mr. Shi Jian, aged 57, is the Chairman of the Board as well as the founder of the Group. Mr. Shi is responsible for the formulation of the Group's development strategy. Mr. Shi served in the People's Liberation Army from 1970 to 1986. From 1986 to 1993, Mr. Shi was an administration manager of Shanghai Rainbow Hotel. From 1993 to 1995, he was the general manager of the Universal Mansion project. Mr. Shi has nearly 20 years' experience in property investment and corporate operation. Mr. Shi Jian is the chairman of the board of directors of China New Town Development Company Limited, ("CNTD") a subsidiary of the Company listed on the Singapore Stock Exchange. Mr. Shi Jian is the spouse of Mrs. Si Xiao Dong, the Director of various companies within our Group. Mr. Shi Jian is the father of Mr. Shi Janson Bing, the Co-Chief Executive Officer and Executive Director of CNTD and the uncle of Mr. Shi Lizhou, the Assistant President and Deputy Director of CNTD. Mr. Shi is also the father-in-law of Ms. Zuo Xin, the Assistant President of CNTD. Mr. Shi is the controlling shareholder of the Company. He also sits on the boards of various companies within our Group.

Mr. Li Yao Min, aged 60, is the Vice Chairman of the Board. He joined the Group in May 1993. From 1992 to 1993, Mr. Li worked for Shanghai Golden World Commercial Building Co., Ltd as general manager. Mr. Li has over 20 years' relevant management experience in construction, structure, planning and large scale real estate project development. Mr. Li serves as Co-vice Chairman and Chief Executive Officer since January 7, 2010 in CNTD. He also sits on the boards of various companies within our Group.

Mr. Yu Hai Sheng, aged 57, is the Co-Chairman of the Board and Chief Executive Officer of the Group. Mr. Yu obtained a Master of Business Administration from Shanghai University. Mr. Yu joined the Group in 1997. Mr. Yu had been manager of Shanghai Mechanical Engineering Company, factory manager of Shanghai Pioneer Mechanical Engineering Factory and chief of Industrial Planning Bureau of Shanghai Sports Commission. He has ample experience in the installation of electrical, mechanical and networking equipment and management. He also sits on the boards of various companies within our Group. Mr. Yu is the father of Mr. Yu Songming, the Assistant President and Deputy Director of CNTD.

Mr. Jiang Xu Dong, aged 47, is an Executive Director and Chief Operation Officer of the Group. Mr. Jiang graduated from Shanghai Tongji University in 1986 specializing in industrial and civil construction, and was awarded a MBA degree afterwards. He joined the Group in 1997. He was a department director of Shanghai Real Estate Administration Bureau between 1986 and 1997. Mr. Jiang has over 20 years' experience in property development and operation management.

Mr. Shi Pin Ren, aged 47, is an Executive Director of the Group. Mr. Shi joined the Group in March 2010 and was appointed as an Executive director in June 2010. Mr. Shi graduated from the Shanghai TV University with a bachelor degree in finance, and is an economist. Before joining the Company, Mr. Shi worked in the Agriculture Bank of China and had held various positions including head of the Chongming sub-branch and head of the Minhang sub-branch of Shanghai, and the general manager of the Real Estate Credit Department of the Shanghai branch. He has over 20 years experience in banking and administration.

Mr. Yue Wai Leung, Stan, aged 50, is an Executive Director and the Co-Chief Executive Officer of the Group. Mr. Yue holds a Bachelor Degree in Administration Studies from York University in Toronto, Canada. He is a Member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Yue has over 20 years' experience in finance and administration across private and public companies in Hong Kong and the People's Republic of China (the "PRC"). He has also served with international accounting firms in Hong Kong, the PRC and the United States. During the period from May 2004 to April 2007, Mr. Yue served as the Chief Financial Officer of the Company. He is concurrently serving in CNTD as a non-executive director and a Co-Vice Chairman. Immediately before the new appointment, he was an executive director and a Co-Vice Chairman of CNTD.

Directors and Management

Non-executive Directors

Mr. Cheung Wing Yui, aged 61, is a Non-executive Director of the Company. Mr. Cheung has been a practicing lawyer in Hong Kong since 1979 and admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore. He is currently a consultant of Messrs. Woo, Kwan, Lee & Lo, Solicitors and notaries, and the Deputy Chairman of the Council of the Open University of Hong Kong. Mr. Cheung is a director of a number of listed companies in Hong Kong (including SmarTone Telecommunications Holdings Limited, Sunevision Holdings Limited, Tianjin Development Holdings Limited, Tai Sang Land Development Limited, Hop Hing Group Holdings Limited and Agile Property Holdings Limited) and retired as director of Taifook Securities Group Limited and Ching Hing (Holdings) Limited in 2007 and Ping An Insurance (Group) Company of China, Ltd in 2009.

Mr. Jin Bing Rong, aged 62, is a Non-executive Director of the Company. Mr. Jin graduated from Fudan University and obtained a master degree in international finance in 1997. Mr. Jin has over 20 years' experience in banking and was the former president of the Shanghai branch of the Agricultural Bank of China. Mr. Jin had been working with the Agricultural Bank of China since 1984 and had served as the president of its branches in Shanghai during his 20-plus year career with the bank.

Independent Non-executive Directors

Mr. Jiang Xie Fu, aged 68, is an Independent Non-executive Director of the Company. He was the Vice-Chairman of the Urban & Rural Construction and Environmental Protection Committee of Shanghai People's Congress Standing Committee from 2003 till 2008. He had been the Party Secretary of the Shanghai Municipal Housing, Land and Resource Administration Bureau. He obtained a Bachelor degree in Shanghai Normal University majoring in History.

Mr. E. Hock Yap, aged 55, is an Independent Non-executive Director of the Company. Mr. Yap graduated from Sheffield University with a bachelor degree in Chemical Engineering. He is a member of the Institute of Chartered Accountants in England. Mr. Yap has over 30 years experience in financial and accounting management, banking and investment.

Mr. Zhuo Fumin, aged 59, was appointed as an Independent Non-Executive Director of the Company in November 2010. He was also a member of the audit committee and a member of the remuneration committee of the Company. Mr. Zhuo graduated from Shanghai Jiaotong University of Engineering Science in 1983 and obtained a master degree in Economics from Fudan University in 1997. Mr. Zhuo has more than 30 years of experience in the field of fund management and capital markets. Between 1987 and 1995, Mr. Zhuo served senior positions including an office head and an officer assistant of the Shanghai Economic System Reform Committee. Between 1995 and 2002, Mr. Zhuo held various senior positions at Shanghai Industrial Investment (Holdings) Co., Ltd., including the chief executive officer and the vice chairman of Shanghai Industrial Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")(stock code: 363) and the chairman and an executive director of SIIC Medical Science and Technology (Group) Limited, a medical company. From 2002 to 2005, Mr. Zhuo was the chairman and the chief executive officer of Vertex China Investment Co., Ltd., a wholly owned subsidiary of Vertex Management Group which is a global venture capital management company. In 2005, Mr. Zhuo co-founded SIG Capital Limited, an investment fund which focuses primarily on consumer products, new energy and health care sectors. Since 2008, Mr. Zhuo has been concurrently serving as a management partner of GGV Capital, a venture capital fund. Mr. Zhuo was previously an independent director of China Enterprise Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 600675). Currently, he is a director of Daqo New Energy Corp., a company listed on the New York Stock Exchange (stock code: DQ) and an non-executive director of Besunyen Holdings Company Limited, a company listed on the Stock Exchange (stock code: 926). He also serves as an independent non-executive director of Focus Media Holding Limited, a company listed on NASDAQ (stock code: FMCN) and of Shenyin Wanguo (H.K.) Limited, a company listed on the Stock Exchange (stock code: 218).

Management Discussion and Analysis

Financial Review

Turnover and profit attributable to shareholders

In 2010, the Group recorded net revenue of approximately HK$6,289 million (2009: HK$2,831 million), which represents an increase by approximately 122.15% compared with that of 2009. Profit attributable to shareholders was approximately HK$630 million, a decrease of 19.75% compared with approximately HK$785 million in 2009.

Liquidity and Financial Resources

The Group's liquidity position remains stable. As at 31 December 2010, cash and bank balances amounted to approximately HK$5,403 million (2009: HK$4,603 million). Working capital (net current assets) of the Group as at 31 December 2010 amounted to approximately HK$12,648 million (2009: HK$9,431 million), an increase of 34.1% from previous year. Current ratio increased slightly to 1.75x (2009: 1.66x).

As at 31 December 2010, total liabilities to total equity increased to 2.60x (2009: 2.07x). At the end of the financial period, the Group's gearing ratio was approximately 40% (2009: 26%), being the Group's net borrowings (interest-bearing bank and other borrowings, Guaranteed Senior Notes and liability components (host debts) of convertible bonds and excludes trade and other payables minus cash and bank) over total capital (total equity and net borrowings).

Material Acquisition and Disposals of Subsidiaries and Associated Companies

The Group acquired 9% equity interest in Huarui Asset

In May 2010, the Group acquired 9% equity interest in Shenyang Huarui Shiji Asset Management Co., Ltd. ("Huarui Asset") and thus the Group's interest in Shenyang Rich Gate Shopping Mall has reached 60%.

The Group acquired shares in China New Town Development Limited ("CNTD") through a private placement and through conversion of CBs into shares

In April 2010, the Group acquired 97,939,859 CNTD shares at a price of HKD66.75 million. On the same day, Sinopower, a wholly owned subsidiary of the Group, served notice to CNTD relating to the exercise of conversion rights attached to the underlying bonds. Upon completion of the a acquisition and bond conversion, shareholding of the Group in CNTD increased to 62.36%. As of 31 December 2010, shareholding of the Group in CNTD was 61.54%.

Listing of CNTD in Hong Kong by way of introduction

On 22 October 2010, CNTD, a subsidiary of the Group, was listed on the Main Board of the HKEx by way of introduction. As a result, CNTD becomes dually listed in both Hong Kong and Singapore.

The Group completed its acquisition of 20% equity interest in Liaoning High School Project

In December 2010, the Group completed its acquisition of 100% equity interest in Goldjoy Investment Ltd, thereby increasing the Group's interest in Liaoning High School Support Group Property Dev. Ltd. and hence in its development project, Shenyang Albany, from 70% to 90%.

Employees

As at 31 December 2010, the Group had retained 3,599 (2009: 3,159) people under its employ in Hong Kong and the PRC. Total staff costs of the Group, excluding directors' remuneration, for the year under review amounted to approximately HK$138.5 million (2009: HK$127.9 million). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of each individual employee.

Charges on Assets and Contingent Liabilities

At the the end of the financial period, total bank and other borrowings of approximately HK$11,642 million (2009: HK$7,276 million) were secured by pledge of the Group's assets including leasehold land, investment property, property, plant and equipment, properties held or under development for sale and equity interest in subsidiaries, details of which are set out in note 31 to the financial statements.

As at 31 December 2010, the Group had no contingent liabilities (2009: Nil) in respect of guarantees to assist home buyers to obtain mortgage loans from banks and complete mortgage procedures.

Under the relevant PRC laws, Shangzhi Real Estate is jointly liable for all outstanding debts and amounts payable to creditors of Mengshan that were in existence prior to the De-merger. As at 31 December 2010, such debts / amounts owing to creditors of Mengshan that Shangzhi Real Estate is jointly liable for amounted to approximately HK$0.72 million (2009: HK$1.22 million).

Details of projects under development:

Project	Land Use	GFA (sqm)	Expected Date of Completion/ Date of Completion	Completion Rate of Construction	Group's Equity Interest (%)
The Bund Center Haikou	Residential Phase I	84,914	2011	69%	79%
	Hotel Phase I	46,393	2012	0%	79%
	Commercial Phase I	2,000	2011	69%	79%
	Residential Phase II	220,400	2014	0%	79%
	Commercial Phase II	19,540	2014	0%	79%
	Residential Phase III	197,640	2018	0%	79%
	Commercial Phase III	20,000	2018	0%	79%
	Residential Phase IV	100,000	2020	0%	79%
	Commercial Phase IV	30,250	2020	0%	79%
	Office & Hotel Phase IV	184,030	2020	0%	79%
Minhang Project	Residential	103,164	2014	0%	27.70%

Management Discussion and Analysis

Project	Land Use	GFA (sqm)	Expected Date of Completion/ Date of Completion	Completion Rate of Construction	Group's Equity Interest (%)
Albany Oasis Garden	Residential Phase III	150,000	2014	0%	100%
	Residential Phase IV	60,800	2014	0%	100%
	Commercials	50,000	2016	0%	100%
	Office	106,500	2016	0%	100%
Oasis Central Ring Center	Office	35,000	2013	0%	95.79%
Lake Malaren Garden	Residential Phase II	22,997	2011	60%	99%
	Residential Phase III	29,162	2011	40%	99%
	Commercials	1,086	2010	100%	99%
	Car Park	16,508	2011	60%	99%
Cedar Villa Original	Residential	112,745	2012	43%	98.75%
Shengyang Albany	Residential Phase I	123,829	2011	60%	90%
	Commercial Phase I	4,429	2011	60%	90%
	Residential Phase II	119,820	2014	0%	90%
	Commercial Phase II	2,281	2014	0%	90%
	Residential Phase III	50,900	2014	0%	90%
	Residential Phase IV	16,618	2015	0%	90%
	Residential Phase V	160,940	2017	0%	90%
	Office/Commerical	465,354	2017	0%	90%
Jiang Nan Rich Gates Wuxi	Residential	50,465	2011	40%	98.75%
Pudong Project	Residential	48,288	not start	0%	98.75%
Bairun Project	Residential	28,645	2013	In the process of relocation	50.36%
	Commercials	5,000	2013	In the process of relocation	50.36%
	Facilities	7,000	2013	In the process of relocation	50.36%

Project	Land Use	GFA (sqm)	Expected Date of Completion/ Date of Completion	Completion Rate of Construction	Group's Equity Interest (%)
Qinhai Oasis Garden	Residential Phase I	70,693	2014	In the process of relocation	100%
	Residentil Phase II	30,297	2015	In the process of relocation	100%
	Commercial Phase I	41,939	2014	In the process of relocation	100%
	Commercial Phase II	10,800	2015	In the process of relocation	100%
Rich Gate Seaview	Residential	51,420	2011	90%	98.75%
	Retail	13,529	2011	90%	98.75%
	Office	26,429	2011	90%	98.75%
Shenyang Yosemite Oasis Community	Town House Phase I	162,386	2010	100%	98.95%
	Town House Phase II	69,985	2010	100%	98.95%
	Small High-Rise Phase I	35,618	2011	61%	98.95%
	Small High-Rise Phase II	17,407	2011	61%	98.95%
	Residential Phase III (08-04)	203,960	2013	0%	98.95%
Jiaxing Project	Residential and Commercial	233,276	2015	2%	100%
SOHO	Residential and Commercial	39,317	2013	0%	44.70%
Lake Malaren Silicon Valley	Commercial Phase	97,000	2015	0%	44.70%
Wuxi Hongqing	Residential	83,055	2012	0%	55.38%
Chengdu Pixian	Residential	215,202	2013	0%	44.70%

Details of completed investment properties:

Project	Land Use	GFA (sqm)	Group's Equity Interest (%)
Shanghai Rich Gate	Retail	11,330	100%
Shenyang Rich Gate	Commercial	245,252	60%
Oasis Central Ring Center	Retail	33,681	95.79%
Oasis Central Ring Center	Office (2#)	27,475	95.79%
Unit 2605, 2606, 26(3A), 2803, 2806 and 28(3A) of Universal Mansion	Office	732	98%
Scandinavia Street, Shanghai, PRC	Retail	72,494	44.70%
Retail Street in Wuxi Project	Retail	12,162	55.38%
Shanghai supermarket shopping mall	Supermarket	21,356	44.70%

Management Discussion and Analysis

Details of hotels:

Project	Land Use	GFA (sqm)	Group's Equity Interest (%)
Shanghai Skyway Pullman Hotel	Hotel	101,047	56%
Crowne Plaza Lake Malaren Shanghai Hotel	Hotel	38,240	44.70%

Details of the Land infrastructure under development for sale:

Project	Site area (sqkm)	Land Available for sale (sqm)	Completion Rate of Construction	Group's Equity Interest (%)
Shanghai Luodian New Town	6.8	866,082	91.09%	44.70%
Wuxi Hongshan New Town	8.68	3,170,000	51.69%	55.38%
Shenyang Lixiang New Town	20	11,840,000	45.42%	55.38%

Report of the Directors

The directors have pleasure in submitting the annual report together with the audited financial statements of SRE Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2010.

Principal Activities

The Group was mainly engaged in real estate development, large-scale new towns planning and development, property leasing and hotel operations in Mainland China during the year.

Turnover and profit before taxation of the Group are derived mainly from sale and presale of properties and development of land and construction of ancillary public facilities in the People's Republic of China.

Segmental Information

Details of the Group's turnover and profit by principal activity and geographical area for the year ended 31 December 2010 are set out in note 4 to the financial statements.

Results and Appropriations

Details of the Group's results for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 46. No interim dividend was recommended by the Board of Directors of the Company. The Board of Directors has resolved to recommend the payment of final dividend of HK$0.029 per share in respect of the year ended 31 December 2010 (2009: HK$0.044).

Bank Loans, Overdrafts and Other Borrowings

Details of bank loans, overdrafts and other borrowings of the Group are set out in note 31 to the financial statements.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 30 to the financial statements.

Distributable Reserves

As computed in accordance with The Companies Act 1981 of Bermuda, the total amount of reserves of the Company available for cash distribution was approximately HK$124.8 million (2009: HK$246.1 million) as of 31 December 2010. The share premium account with a balance of approximately HK$4,376 million (2009: HK$4,376 million) may be distributed in the form of fully paid bonus shares.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, Sale or Redemption of Listed Securities

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

Purchase, Sale or Redemption of Securities of its Subsidiary, China New Town Development Company Limited ("CNTD")

(i) Transfer of treasury shares

On 7 April 2010, CNTD transferred 4,128,750 treasury shares by virtue of the exercise of share options under the Management Grant.

(ii) Conversion of convertible bonds

On 19 April 2010, CNTD received from Sinopower investment Limited, a subsidiary of the Company, a conversion notice for the exercise in full of the conversion rights attached to the convertible bonds in aggregate principal amount of RMB275,994,230 at the predetermined conversion price of SGD0.07872 per ordinary share. As a result of the conversion of convertible bonds in full, all of the convertible bonds were cancelled and a total of 754,145,894 new ordinary shares in the Company were issued and allotted to Sinopower Investment Limited.

(iii) Sale of treasury shares

On 7 July 2010, CNTD sold the outstanding amount of 51,639,250 treasury shares in the open market at SGD0.105 per share on SGX-ST.

(iv) Repurchase of senior notes

On 19 November 2010, CNTD repurchased all of the outstanding principal amount of RMB87,360,000 of the Senior Notes at 100 percent of its par value, together with all accrued but unpaid interest for the period from and including 12 September 2010 up to the date of redemption. The 17.75% US dollar settled Senior Secured Guaranteed Notes were issued on 12 September 2008 with a principal amount of RMB593,300,000 due on 12 September 2011.

Save as disclosed above, neither the Company nor its subsidiaries purchased, redeemed or sold any of the subsidiary's listed securities during the year ended 31 December 2010.

Fixed Assets and Investment Properties

Details of the movement in fixed assets and investment properties of the Group are set out in notes 16 and 17 respectively to the financial statements.

Related Party Transactions

Details of the Related Party Transactions of the Group for the year ended 31 December 2010 are set out in note 45 to the financial statements.

Directors

The directors who held office during the year and up to the date of this report are:

Executive Directors

Mr. Shi Jian
Mr. Li Yao Min
Mr. Yu Hai Sheng
Mr. Jiang Xu Dong
Mr. Shi Pin Ren (appointed on 2 June 2010)
Mr. Yue Wai Leung, Stan

Non-executive Directors

Mr. Cheung Wing Yui
Mr. Jin Bing Rong

Independent Non-executive Directors

Mr. Jiang Xie Fu
Mr. E. Hock Yap
Mr. Zhuo Fumin (appointed on 30 November 2010)
Mr. Pan Long Qing (resigned on 30 November 2010)

The Company had received confirmation from each of the independent non-executive directors of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange and considered all independent non-executive directors to be independent.

In accordance with Bye-laws 86(2), 87(1) and 87(2) of the Bye-laws of the Company, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Shi Pin Ren, Mr. Jin Bing Rong, Mr. Jiang Xie Fu and Mr. Zhuo Fumin will retire at the forthcoming annual general meeting but, being eligible, will offer themselves for re-election.

Directors' Emoluments

Details of directors' emoluments are set out in note 10 to the financial statements.

Directors' Service Contracts

(a) Service contracts/appointment letters with the Company

Each of the following executive Directors has entered into service contracts with the Company and each of the following non-executive Directors and independent non-executive Directors has entered into appointment letters with the Company, the terms and conditions of which are summarized below:

Name of Director	Date of service contract/ appointment letter	Term	Prevailing fixed annual remuneration	Termination notice period or payment in lieu of notice
Executive Directors				
Shi Jian	2 June 2010	1 July 2010 to 30 June 2013	HK$2,000,000	6 months' written notice
Li Yao Min	2 June 2010	1 July 2010 to 30 June 2013	HK$1,500,000	6 months' written notice
Yu Hai Sheng	2 June 2010	1 July 2010 to 30 June 2013	HK$2,500,000	6 months' written notice
Jiang Xu Dong	2 June 2010	1 July 2010 to 30 June 2013	HK$2,000,000	6 months' written notice
Shi Pin Ren	2 June 2010	2 June 2010 to 1 June 2013	HK$2,000,000	6 months' written notice
Yue Wai Leung, Stan	3 June 2009	3 June 2009 to 2 June 2012	HK$2,200,000	6 months' written notice
Non-executive Directors				
Jin Bing Rong	2 June 2010	1 July 2010 to 30 June 2012	HK$330,000	1 month's written notice
Cheung Wing Yui	2 June 2010	1 July 2010 to 30 June 2012	HK$360,000	1 month's written notice
Independent non-executive Directors				
Jiang Xie Fu	2 June 2010	1 July 2010 to 30 June 2012	HK$330,000	1 month's written notice
E. Hock Yap	2 June 2010	1 July 2010 to 30 June 2012	HK$330,000	1 month's written notice
Zhuo Fumin	30 November 2010	30 November 2010 to 29 November 2012	HK$360,000	1 month's written notice

The fixed annual remuneration of the executive Directors after the first anniversary of the term of the service agreement is to be determined by the Board or the remuneration committee of the Board (as the case may be). Each executive Director is also entitled to an annual management bonus under the relevant service contract, the amount of which is to be determined by the Board from time to time, provided that the aggregate management bonus payable to all executive Directors for a financial year shall not be more than 10% of the Company's net profit after taxation and minority interests as shown in the audited consolidated financial statements of the Company for the relevant year.

(b) Service contracts/appointment letters with CNTD

Mr Shi Jian and Mr Li Yao Min have also entered into service contracts with CNTD and Mr Yue Wai Leung Stan has entered into an appointment letter with CNTD, the terms and conditions of which are summarized below:

Name of Director	**Date of service contract/ appointment letter**	**Term**	**Prevailing fixed annual remuneration**	**Termination notice period or payment in lieu of notice**
Shi Jian	7 October 2010	22 October 2010 to 21 October 2013	HK$1,000,000	6 months' written notice or payment in lieu of notice
Li Yao Min	7 October 2010	22 October 2010 to 21 October 2013	HK$2,000,000	6 months' written notice or payment in lieu of notice
Yue Wai Leung, Stan	7 October 2010	22 October 2010 to 21 October 2013	HK$240,000, unless otherwise determined by the board of directors of CNTD	1 month's written notice

The fixed annual remuneration of Mr Shi Jian and Mr Li Yao Min as referred to above is subject to review from time to time by the board of CNTD and the remuneration committee of CNTD. Each of Mr Shi Jian and Mr Li Yao Min is also entitled to a discretionary performance bonus as may be determined by the board of CNTD.

Save as disclosed above, as at 31 December 2010, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group (excluding contracts expiring or determinable by relevant member of the Group within one year without payment of compensation, other than statutory compensation).

Directors' and Chief Executives' Interests in Equity or Debt Securities

As at 31 December 2010, the interests and short positions of each Director and the chief executive 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) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, to be notified to the Company and Stock Exchange; or (iv) which were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code, were as follows:

(i). Long position in Shares of the Company

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
Shi Jian	7,246,887	2,220 *(Note 1)*	1,248,400,938 *(Note 2)*	1,255,650,045	34.84%
Li Yao Min	5,172,220	–	–	5,172,220	0.14%
Yu Hai Sheng	6,235,987	–	–	6,235,987	0.17%
Zhuo Fumin	–	140,000 *(Note 3)*	–	140,000	0.004%

Notes:

1. These Shares were held by Md. Si Xiao Dong, the spouse of Mr. Shi Jian.

2. These Shares comprised 1,098,400,938 Shares held by SRE Investment Holding Limited ("SRE Investment") and the Lent Shares (being 150,000,000 Shares, representing approximately 4.16% of the issued share capital of the Company as at 31 December 2010).

3. These Shares were held by Md. He Pei Pei, the spouse of Mr. Zhuo Fumin.

(ii). Long position in shares of CNTD

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
Shi Jian	–	–	2,396,781,817 *(Note)*	2,396,781,817	61.54%
Li Yao Min	1,481,250	–	–	1,481,250	0.04%
Yue Wai Leung, Stan	888,750	–	–	888,750	0.02%

Note: These 2,396,781,817 shares were held by Sinopower Investment Limited which is a wholly-owned subsidiary of the Company. SRE Investment is the controlling shareholder of the Company interested in more than 30% of the issued share capital of the Company. As Mr. Shi Jian and his spouse, Md. Si Xiao Dong together beneficially own 63% of the issued share capital of SRE Investment, Mr. Shi is therefore taken to be interested in these 2,396,781,817 shares under the SFO.

(iii). Long position in options granted pursuant to the Management Grant of CNTD

Name of Director	No. of shares exercisable under the Management Grant of CNTD	No. of shares awarded but not yet exercisable under the Management Grant of CNTD	Total	Approximate percentage of shareholding of CNTD
Li Yao Min	1,185,000	3,258,750	4,443,750	0.11%
Yue Wai Leung, Stan	1,185,000	3,258,750	4,443,750	0.11%

Save as disclosed above, none of the Directors or chief executive of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules to be notified to the Company and HKEx, or which were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code.

Directors' Interest in Contracts

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Company's directors had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Rights to Acquire Shares

In 2010, none of the directors had been granted any options or exercised any options of the Company.

Saved as disclosed in the section "Share option scheme" below, at no time during the year was the Company or its 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 debt securities (including debentures) of, the Company or any other body corporate.

Substantial Shareholders' Interests

As at 31 December 2010, so far as is known to any Director or chief executives of the Company, the following persons, other than a Director or chief executives of the Company, had interests of the Company or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under the Section 336 of Part XV of the SFO:

Long positions in Shares

Name of Shareholder	Capacity	Number of issued ordinary shares held *(Note 1)*	Approximate percentage of shareholding
Si Xiao Dong	Beneficial owner, spouse and corporate interest	1,255,650,045 (L) *(Note 2)*	34.84%
SRE Investment	Beneficial owner	1,248,400,938 (L) *(Note 3)*	34.64%
Deutsche Bank Aktiengesellschaft	Beneficial owner and person having a security interest in shares	197,735,164 (L) 107,868,000 (S) 646,000 (P)	5.48% 2.99% 0.02%

Notes:

(1) "L" represents long positions in Shares, "S" represents short positions in Shares and "P" represents lending pool in Shares.

(2) These Shares comprised 2,220 Shares held by Md. Si Xiao Dong, 7,246,887 Shares held by her spouse – Mr. Shi Jian and 1,248,400,938 Shares which SRE Investment was interested in. Such 1,248,400,938 Shares comprised 1,098,400,938 Shares held by SRE Investment and the Lent Shares.

(3) These Shares comprised 1,098,400,938 shares held by SRE Investment and the Lent Shares.

Save as disclosed above, none of the Directors nor the chief executive of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.

Share Option Scheme

A share option scheme was approved in a special general meeting held on 23 May 2002. According to this share option scheme, the directors may, at their discretion at any time during the ten years from the date of approval of the scheme, invite any executive and/or employee of the Group to take up share options of the Company. The subscription price is determined by the directors and will be determined according to the higher price of (i) the nominal value of the shares of the Company (ii) the average official closing price of the shares on the HKEx for the five trading days immediately preceding the relevant offer date and (iii) the official closing price of the shares on the HKEx on the relevant offer date. Options granted become vested immediately and are not conditional on employees' service period. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee and unless the Board shall otherwise resolve in relation to any option at the time of grant, such period of time should not exceed 3 years commencing on the expiry of six months after the date on which the option is accepted and expiring on the last day of such period or 11 November 2009, whichever is the earlier.

No share option of the Company was granted, exercised, cancelled or lapsed during the year ended 31 December 2010 and 2009 respectively.

CNTD's Management Stock Option Plan ("Management Grant")

Since CNTD was deemed as a subsidiary of the Company on 9 September 2009, CNTD's Management Grant was included in the consolidated financial statements of the Group. The detailed information of the Management Grant since it was launched is as follows:

On 5 July 2007, the Board of Directors of the CNTD passed a resolution to award a total of 380 CNTD shares (equivalent to 28,500 thousand CNTD shares after the CNTD's share split in 2007) to certain of the CNTD's directors and employees ("Entitled Persons"), including Mr. Li Yao Min and Mr. Yue Wai Leung, also directors of the Company, who were each awarded 79 shares (equivalent to 5,925,000 shares after the share split) respectively, as an incentive for their continued service to CNTD in the following proportions:

	Number of CNTD shares allotted	
Entitled Person	**Before the CNTD share split**	**Equivalent to the numbers after the CNTD share split**
Li Yao Min	79	5,925,000
Yue Wai Leung, Stan	79	5,925,000
Yang Yong Gang	68	5,100,000
Gu Bi Ya	40	3,000,000
Cheng Wai Ho	40	3,000,000
Mao Yi Ping	33	2,475,000
Tai Kuo Lin	25	1,875,000
Ma Da Yu	10	750,000
Sun Xiao Meng	3	225,000
Zhang Qiong	3	225,000
Total	380	28,500,000

In accordance with the terms of the Management Grant, the shares are allotted and will vest as follows: (a) 10% at the end of the 12th month after the date of listing of CNTD on the Main Board of the SGX; (b) 15% at the end of the 24th month after the date of listing of CNTD on the Main Board of the SGX; (c) 20% at the end of the 36th month after the date of listing of CNTD on the Main Board of the SGX; (d) 25% at the end of 48th month after the date of listing of CNTD on the Main Board of the SGX; and (e) the remaining 30% at the end of the 60th month after the date of listing of CNTD on the Main Board of the SGX.

The Management Grant is provided on the basis that the relevant Entitled Persons remain in service within CNTD on the vesting days and he/she has not submitted a notice of resignation at those dates. The exercise price is RMB8 per CNTD share (before the CNTD's share split in 2007, after the CNTD's share split, the exercise price is RMB8 per 75,000 CNTD shares). The Management Grant is accounted for as a compensation for services to be provided by the Entitled Persons in the periods of service (the "vesting periods") as specified above. Since the shares granted do not vest until the Entitled Persons complete their services in the vesting periods, CNTD will recognise the expenses over the vesting periods.

CNTD's Management Grant – Fair value of stock options granted

The fair value of the equity-settled stock options was approximately RMB2.023 per CNTD share (after CNTD's share split in 2007) at the date of grant. There have been no cancellations or modifications to the Management Grant, and the Management Grant was not replaced as a result of the acquisition of CNTD. The fair value on 9 September 2009 was approximately RMB0.576 per share.

The fair value of the stock option was estimated using the binomial option pricing model. Since the exercise price of the equity-settled stock options is close to zero per share (after CNTD's share split in 2007), the single most important input to the valuation model is price of the CNTD's shares, which were estimated to be approximately RMB2.023 per share (after CNTD's share split in 2007) at the date of grant, and was quoted at RMB0.576 per share (after CNTD's share split in 2007) on 9 September 2009.

Some of the Entitled Persons who have totally 43 CNTD shares (before CNTD share split) left CNTD till end of 31 December 2010, so their rights under Management Grant were forfeited according to the terms of Management Grant.

There have been no cancellations or modifications to any of Management Grant during the years ended 31 December 2010 and 2009.

CNTD's Management Grant – Movement in the year

The following table illustrates the number of and movements in the Management Grant during the year:

	2010 **Number of CNTD's shares** **(after the share split)**	2009 Number of CNTD's shares (after the share split)
Outstanding at the beginning of the year	**24,772,500**	27,750,000
Forfeited during the year	**(2,250,000)**	(225,000)
Exercised during the year	**(4,128,750)**	(2,752,500)
Outstanding at the end of the year	**18,393,750**	24,772,500
Exercisable at the end of the year	**4,905,000**	4,128,750

Share option expenses of approximately HK$6,400 thousand were recognised during the current year.

Major Customers and Suppliers

Land infrastructure development revenue from the Group's share of proceeds of land sale by local authorities in Shanghai accounted for approximately 22% (2009: 29%) of the Group's revenue in the year ended 31 December 2010.

The Group's other customers are widely dispersed. Other than mentioned in previous paragraph, no revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer or a group of customers under common control for the years ended 31 December 2010 and 2009. During the year, less than 30 percent of the Group's revenue was attributable to the Group's five largest customer combined.

During the year, less than 30 per cent of the Group's purchases were attributable to the Group's five largest suppliers combined.

Donation

Charitable donation made by the Group during 2010 amounted to HK$22.2 million (2009: HK$14.4 million).

Directors' Compliance with the Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiry has been made of all Directors, who have confirmed that they complied with required standard set out in the Model Code.

Public Float

According to the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has complied with the public float requirement under the Listing Rules.

Audit Committee

The Company established an audit committee on 12 November 2001 with terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee has five members comprising the two non-executive Directors and the three independent non-executive Directors. The audited annual financial report for the year ended 31 December 2010 has been reviewed by the Audit Committee.

Pension Scheme

Details of the Group's pension schemes are set out in note section of other employee benefits of Note 2.4 to the financial statements.

Auditors

The financial statements for the years ended 31 December 2007, 2008, 2009 and 2010 have been audited by Messrs. Ernst & Young. A resolution for their re-appointment as auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the board
Shi Jian
Chairman

Hong Kong, 25 March 2011

Corporate Governance Report

In April 2005, the Company adopted its own code on corporate governance practices which incorporates all the code provisions in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules. Throughout the year, the Company complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 except for Code provisions E.1.2, which stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board of Directors did not attend the annual general meeting for the year 2009 due to other business commitment.

The Board and senior management are committed to maintain a high standard of corporate governance which provides a framework and solid foundation for achieving a high standard of accountability and transparency.

Throughout the year ended 31 December 2010, the Company has complied with the board's practices and procedures as set out in the Listing Rules.

The Board had put in place a proper corporate governance structure in the Company. It is primarily responsible for setting directions, formulating strategies, monitoring performance and managing risks of the Group. Under the Board, there are currently 2 subcommittees, namely Audit Committee and Remuneration Committee. These committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management.

During the year, the Board complies at all times with the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors and one of them have appropriate professional qualifications or accounting or related financial management expertise.

The number of full Board and Committee meetings attended by each Director during the year are as follows:

	Full Board *(Note 1)*	**Audit Committee** *(Note 1)*	**Remuneration Committee** *(Note 1)*
Executive Director			
Shi Jian	4(4)		
Li Yao Min	4(4)		
Yu Hai Sheng	4(4)		
Jiang Xu Dong	4(4)		
Yue Wai Leung, Stan	4(4)		
Shi Pin Ren *(Note 2)*	2(4)		
Non-executive Director			
Cheung Wing Yui	3(4)	1(2)	1(2)
Jin Bing Rong	3(4)	2(2)	
Independent non-executive Director			
Jiang Xie Fu	4(4)	2(2)	
E Hock Yap	4(4)	2(2)	2(2)
Zhuo Fumin *(Note 2)*	0(0)	0(0)	0(0)
Pan Long Qing *(Note 3)*	4(4)	2(2)	2(2)

Note:

1. Number of meetings attended (number of meetings held)
2. Mr. Shi Pin Ren and Zhuo Fumin were appointed on 2 June 2010 and 30 November 2010 respectively.
3. Mr. Pan Long Qing resigned on 30 November 2010.

Board Practices

As at 31 December 2010, the Board comprises eleven directors of the Company (the "Directors") including the executive directors of the Company, the independent non-executive directors and non-executive directors of the Company. There is no financial, business, family or other material/relevant relationship amongst the Directors.

The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

Board papers are circulated and the Company Secretary attends all regular board meetings to advise on corporate governance and statutory compliance when necessary. In addition, the Company has maintained a procedure for Directors to seek independent professional advice in appropriate circumstances.

Remuneration Committee

According to the Code, the Company has set up a remuneration committee with a majority of the members thereof being independent non-executive directors. The remuneration committee comprises the majority of Independent Non-executive Directors of the Company, and schedules to meet at least once a year. It is chaired by Mr. E. Hock Yap and comprises two other members, namely Mr. Zhuo Fumin and Mr. Cheung Wing Yui. All remuneration committee members, with the exception of Mr. Cheung Wing Yui, are Independent Non-executive Directors. The quorum necessary for the transaction of business is two.

The principal functions of the remuneration committee include to review and determine specific remuneration packages for each Executive Director and senior management by reference to corporate goals and objectives resolved by the Board from time to time; and to review the share option scheme of the Company.

Audit Committee

The Company established an audit committee on 12 November, 2001. The major duties of the Audit Committee include:

- to consider and recommend the appointment, re-appointment and removal of external auditor;
- to approve the remuneration and terms of engagement of external auditor, any questions of resignation or dismissal of that auditor;
- to review and monitor external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to discuss with external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to develop and implement policy on the engagement of an external auditor to supply non-audit services and to make recommendation of any measures for improvements to be taken;
- to review the interim and annual financial statements and the quarterly, interim and annual reports before submission to the Board;
- to review the Group's financial controls, internal control and risk management systems and ensure that the management has discharged its duty to have an effective internal control system;
- to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- to review and consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.

- to consider any significant or unusual items that are, or may need to be, reflected in reports and accounts and must give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditors;

- to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor the effectiveness of the internal audit function;

- to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response and to ensure that the Board will provide a timely response to the issues raised; and

- to review the Group's financial and accounting policies and practices.

The audit committee has explicit authority to investigate into any matter under the scope of its duties and the authority to obtain independent professional advice. It is given full access to and assistance from the management and reasonable resources to discharge its duties properly. At least once annually, the audit committee will meet the external auditors without the presence of the management.

The audit committee had met two times to review the interim and annual results of the Group during the year ended 31 December 2010.

Directors' responsibilities for the Financial Statements

The responsibility of the Directors is to prepare the financial statements, while the responsibility of the auditors is to express an opinion on the Group consolidated financial statements based on their audit, particulars please refer to the "Independent Auditors' Report" section of this report. The Board should ensure such financial statements should give a true and fair view of the state of affairs of the Group and of the results and cash flows for the relevant financial period. In regard of this, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the Financial Statements on a going concern basis. Besides, the Directors are also responsible for ensuring that the Group operates an efficient financial reporting system, keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Group has employed sufficient qualified staff to assist the preparation of financial statements.

Internal Control and Risk Management

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, is designed to help the business to achieve its objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

Auditors' Remuneration

During the year, the auditors of the Company, Messrs. Ernst & Young, charged RMB7,630 thousand (equivalent to HK$8,763 thousand) including RMB3,450 thousand for CNTD's consolidated financial statements for audit services and RMB2,455 thousand (equivalent to HK$2,819 thousand) for the engagement relating to the listing of CNTD on HKEx.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors have complied with the required standard set out in the Model Code throughout the year of 2010.

Investor relations and Shareholders' Right

The Company uses a number of formal communications channels to account to shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders of the Company to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the website of the Company; (iv) the Company's website offering communication channel between the Company and its shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the shareholders respecting all share registration matters.

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear and detailed information of the Group to shareholders in a timely manner and on a regular basis through the publication of interim and annual reports and/or dispatching circular, notices, and other announcements.

Corporate Information

Board of Directors

Shi Jian *(Chairman)*
Li Yao Min *(Vice-Chairman)*
Yu Hai Sheng *(Co-Chairman & Chief Executive Officer)*
Jiang Xu Dong *(Chief Operation Officer)*
Shi Pin Ren
Yue Wai Leung, Stan *(Co-Chief Executive Officer)*
Cheung Wing Yui*
Jin Bing Rong *
Jiang Xie Fu**
E. Hock Yap**
Zhuo Fumin**

* Non-executive Directors
** Independent Non-executive Directors

Authorized Representatives

Shi Jian
Li Yao Min

Company Secretary

Lee Kwok Wah

Legal Advisers

Woo, Kwan, Lee & Lo

Auditors

Ernst & Young

Principal Bankers

Hong Kong:	CITIC Ka Wah Bank Limited The Agricultural Bank of China
PRC:	The Agricultural Bank of China The Industrial and Commercial Bank of China The Bank of China Shanghai Pudong Development Bank China Minsheng Bank

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Hong Kong Office

Room 2501, 25th Floor, Office Tower, Convention Plaza,
1 Harbour Road, Wanchai, Hong Kong.

Principal Registrar and Transfer Office

Butterfield Corporate Service Ltd
Rose Bank Centre
11 Bermudiana Road
Pembroke, Bermuda

Hong Kong Branch Registrar and Transfer Office

Tricor Tengis Limited
Share Registration
26/F, Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong

Stock Code

1207

Internet Web Site

www.sre.com.cn

E-mail

general@sregroup.com.hk

Independent Auditors' Report

To the shareholders of SRE Group Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of SRE Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 46 to 156, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 auditors' judgement, 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18F Two International Finance Centre, 8 Finance Street, Central
Hong Kong
25 March 2011

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	2010	2009
Revenue	5	6,288,774	2,830,596
Cost of sales	7	(3,749,581)	(1,593,931)
Gross profit		2,539,193	1,236,665
Other (losses)/gains – net	6	(166,993)	1,087,899
Selling and marketing costs	7	(169,542)	(198,916)
Administrative expenses	7	(455,916)	(345,047)
Operating profit		1,746,742	1,780,601
Finance income	8	71,317	16,884
Finance costs	9	(312,946)	(179,114)
Finance costs – net		(241,629)	(162,230)
Share of profits and losses of associates		25,459	(93,927)
Profit before tax		1,530,572	1,524,444
Income tax expense	12	(815,083)	(506,662)
Profit for the year		715,489	1,017,782
Other comprehensive income			
Exchange differences on translation of financial statements into presentation currency		383,775	15,786
Other comprehensive income for the year, net of tax		383,775	15,786
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,099,264	1,033,568
Profit attributable to:			
Owners of the parent		629,652	785,081
Non-controlling interests		85,837	232,701
		715,489	1,017,782
Total comprehensive income attributable to:			
Owners of the parent	13	915,133	797,350
Non-controlling interests		184,131	236,218
		1,099,264	1,033,568
Earnings per share attributable to ordinary equity holders of the parent	15		
– Basic		17.47 cents	24.47 cents
– Diluted		16.79 cents	23.70 cents

Details of the dividends paid and proposed for the year are disclosed in Note 14 to the financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

Statements of Financial Position

31 December 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	Group 2010	Group 2009	Company 2010	Company 2009
ASSETS					
Non-current assets					
Property, plant and equipment	16	2,627,299	2,684,121	2,712	3,229
Completed investment properties	17	6,624,338	6,329,400	–	–
Investment properties under construction	17	111,646	193,879	–	–
Prepaid land lease payments	18	399,796	565,492	–	–
Goodwill	19	671,979	453,788	–	–
Investments in subsidiaries	20(a)	–	–	5,148,045	4,433,839
Advances to subsidiaries	20(b)	–	–	2,153,125	1,346,117
Investments in associates	21(a)	72,182	87,807	–	–
Derivative financial asset	36	55,894	–	–	–
Deferred tax assets	34	432,186	177,588	–	–
Non-current accounts receivable	27	109,598	106,365	–	–
Other non-current assets	22	57,974	362,935	–	279,485
		11,162,892	10,961,375	7,303,882	6,062,670
Current assets					
Prepaid land lease payments	18	11,017,446	7,954,454	–	–
Properties held or under development for sale	23	6,124,508	4,705,378	–	–
Land development for sale	24	4,416,924	4,353,169	–	–
Inventories		29,759	19,852	–	–
Dividends receivable from subsidiaries		–	–	886,004	727,651
Amounts due from associates	21(b)	8,113	1,825	–	–
Prepayments and other current assets	25	671,331	261,014	3,117	51,506
Other receivables	26	1,186,348	1,329,071	–	86
Accounts receivable	27	607,865	401,322	–	–
Prepaid income tax		113,854	83,820	–	–
Cash and bank balances	28	5,402,966	4,602,822	158,162	84,821
		29,579,114	23,712,727	1,047,283	864,064
Total assets		40,742,006	34,674,102	8,351,165	6,926,734

Statements of Financial Position

31 December 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	Group 2010	Group 2009	Company 2010	Company 2009
EQUITY AND LIABILITIES					
EQUITY					
Issued capital and premium	29	**4,736,489**	4,736,489	**4,736,489**	4,736,489
Other reserves	30	**1,142,493**	1,221,202	**909,129**	714,834
Retained profits	30	**2,665,801**	2,234,050	**124,762**	246,098
Equity attributable to owners of the parent		**8,544,783**	8,191,741	**5,770,380**	5,697,421
Non-controlling interests		**2,782,378**	3,115,939	**–**	–
Total equity		**11,327,161**	11,307,680	**5,770,380**	5,697,421
LIABILITIES					
Non-current liabilities					
Interest-bearing bank and other borrowings	31	**8,863,028**	5,942,549	**171,548**	293,366
Convertible bonds-host debts	35	**354,548**	312,219	**354,548**	312,219
Guaranteed senior notes	32	**557,322**	552,463	**557,322**	552,463
Deferred income from sale of golf club membership	33	**632,478**	639,041	**–**	–
Deferred tax liabilities	34	**2,076,251**	1,638,787	**–**	–
		12,483,627	9,085,059	**1,083,418**	1,158,048
Current liabilities					
Interest-bearing bank and other borrowings	31	**3,169,554**	1,589,958	**980,454**	45,950
Advances received from the pre-sale of properties under development	37	**4,546,137**	4,943,649	**–**	–
Accounts payable	38	**3,358,631**	3,176,373	**–**	–
Other payables and accruals	39	**2,421,148**	2,339,360	**516,913**	25,315
Current income tax liabilities		**2,323,911**	1,428,561	**–**	–
Guaranteed senior notes, current portion	32	**–**	95,813	**–**	–
Deferred income arising from land development	33	**1,111,837**	696,291	**–**	–
Amounts due to associates	40	**–**	11,358	**–**	–
		16,931,218	14,281,363	**1,497,367**	71,265
Total liabilities		**29,414,845**	23,366,422	**2,580,785**	1,229,313
Total equity and liabilities		**40,742,006**	34,674,102	**8,351,165**	6,926,734
Net current assets/(liabilities)		**12,647,896**	9,431,364	**(450,084)**	792,799
Total assets less current liabilities		**23,810,788**	20,392,739	**6,853,798**	6,855,469

The accompanying notes are an integral part of these consolidated financial statements.

Shi Jian
Chairman

Yu Hai Sheng
Co-Chairman and Chief Executive Officer

Consolidated Statement of Changes in Equity

Year ended 31 December 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Attributable to owners of the parent										
	Issued capital and premium (Note 29)	Asset revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Other reserves	Equity component of convertible bonds	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2010	4,736,489	6,498	248	215,706	734,392	84,997	179,361	2,234,050	8,191,741	3,115,939	11,307,680
Total comprehensive income for the year	–	–	–	–	285,481	–	–	629,652	915,133	184,131	1,099,264
Revaluation reserve transfer to retained profits upon sale of properties	–	(4,230)	–	–	–	–	–	4,230	–	–	–
Appropriation from retained profits	–	–	–	43,560	–	–	–	(43,560)	–	–	–
Equity-settled share options to management of a subsidiary	–	–	–	–	–	3,954	–	–	3,954	2,446	6,400
Changes due to decrease in equity interests in a subsidiary	–	–	–	–	–	(7,933)	–	–	(7,933)	7,933	–
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	154,456	154,456
Acquisition of non-controlling interests	–	–	–	–	–	(399,541)	–	–	(399,541)	(639,013)	(1,038,554)
Final 2009 dividend declared	–	–	–	–	–	–	–	(158,571)	(158,571)	–	(158,571)
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(43,514)	(43,514)
At 31 December 2010	4,736,489	2,268*	248*	259,266*	1,019,873*	(318,523)*	179,361*	2,665,801	8,544,783	2,782,378	11,327,161

Consolidated Statement of Changes in Equity

Year ended 31 December 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Attributable to owners of the parent										
	Issued capital and premium (Note 29)	Asset revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Other reserves	Equity component of convertible bonds	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2009	4,003,101	7,238	248	214,076	722,123	75,940	–	1,449,859	6,472,585	1,400,776	7,873,361
Total comprehensive income for the year	–	–	–	–	12,269	–	–	785,081	797,350	236,218	1,033,568
Share of equity-settled share options of an associate	–	–	–	–	–	3,969	–	–	3,969	–	3,969
Revaluation reserve transfer to retained profits upon sale of properties	–	(740)	–	–	–	–	–	740	–	–	–
Appropriation from retained profits	–	–	–	1,630	–	–	–	(1,630)	–	–	–
Issuance of shares upon conversion of convertible bonds	247,212	–	–	–	–	–	–	–	247,212	–	247,212
Issuance of new shares	486,176	–	–	–	–	–	–	–	486,176	–	486,176
Equity component of issued convertible bonds during the year	–	–	–	–	–	–	179,361	–	179,361	–	179,361
Equity-settled share options to management of a subsidiary	–	–	–	–	–	2,198	–	–	2,198	2,272	4,470
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(210,974)	(210,974)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	1,756,098	1,756,098
Changes due to increase in equity interests in a subsidiary	–	–	–	–	–	2,890	–	–	2,890	(45,043)	(42,153)
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(23,408)	(23,408)
At 31 December 2009	4,736,489	6,498*	248*	215,706*	734,392*	84,997*	179,361*	2,234,050	8,191,741	3,115,939	11,307,680

* These reserve accounts are all booked under the consolidated reserves of HK$1,142,493 thousand (2009: HK$1,221,202 thousand) in the consolidated statement of financial position.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	**2010**	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in)/generated from operations	41	**(1,350,070)**	3,112,001
Interest paid		**(668,171)**	(471,367)
Income tax paid		**(150,535)**	(288,897)
Net cash flows (used in)/from operating activities		**(2,168,776)**	2,351,737
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(196,644)**	(84,428)
Proceeds from disposal of property, plant and equipment		**4,349**	1,952
Proceeds from disposal of an investment property		**–**	34,044
Construction of investment properties		**(149,376)**	(114,260)
Payments for prepaid land lease payment		**(266)**	(105,175)
Acquisition of subsidiaries, net of cash acquired	44	**(223,685)**	(121,289)
Disposal of subsidiaries		**300,000**	(3,718)
Earnest money paid to third party companies for acquisition of two companies		**–**	(25,906)
Increase in investments in associates		**–**	(145,631)
Increase in time deposits with original maturity over three months		**(265,551)**	(2,953)
Dividends received from associates		**36,443**	8,521
Interest received		**30,111**	16,551
Net cash flows used in investing activities		**(464,619)**	(542,292)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issuance of convertible bonds		**–**	479,236
Net proceeds from issuance of new shares		**–**	486,176
Payments of expenses incurred for the listing of existing shares of a subsidiary		**(32,046)**	–
Amounts received from sale of treasury shares of a subsidiary		**30,676**	–
Capital divestment of non-controlling shareholders of subsidiaries		**–**	(227)
Acquisition of non-controlling interest and related derivative financial asset		**(662,698)**	–
Cash paid by a subsidiary to purchase its own shares		**–**	(42,153)
(Increase)/decrease in pledged bank deposits		**(971,369)**	55,134
Decrease/(increase) in restricted deposits in relation to interest payments for bank borrowings		**7,390**	(40,894)
Proceeds from short-term borrowings		**329,885**	–
Repayments of short-term borrowings		**(90,857)**	(453,566)
Proceeds from long-term borrowings		**8,008,926**	5,366,301
Repayments of long-term borrowings		**(4,215,693)**	(3,563,036)
Cash received from the capital injection from non-controlling shareholders of subsidiaries		**154,456**	–
Net cash paid on redemption of guaranteed senior notes		**(103,734)**	(817,715)
Dividends paid to non-controlling shareholders of subsidiaries		**(44,664)**	(21,798)
Dividends paid to the Company's shareholders	14	**(158,571)**	–
Net cash flows from financing activities		**2,251,701**	1,447,458
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(381,694)**	3,256,903
Cash and cash equivalents at beginning of year		**4,134,112**	873,523
Effect of foreign exchange rate changes, net		**134,886**	3,686
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	**3,887,304**	4,134,112

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Financial Statements

31 December 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

1. CORPORATE INFORMATION

SRE Group Limited (the "Company") was incorporated in Bermuda with limited liability on 11 August 1999 as an exempted company under the Bermuda Companies Act 1981. Pursuant to a group reorganisation (the "Reorganisation") in connection with the listing of the Company's shares on the Hong Kong Exchange and Clearing Limited ("HKEx"), the Company became the ultimate holding company of the other companies comprising the Group on 12 November 1999. Further details of the Reorganisation are set out in the Company's prospectus dated 30 November 1999. The shares of the Company were listed on the HKEx on 10 December 1999. The principal place of business of the Company is located at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") were mainly engaged in real estate development, large-scale new towns planning and development, property leasing and hotel operations in Mainland China during the year.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for completed investment properties, investment properties under construction and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

In preparing the financial statements, the directors of the Company have considered the Group's sources of liquidity, its ability to maintain adequate cash inflow from operations and financing to meet its financial obligations as and when they fall due, and believe that adequate funding is available to fulfill the Group's debt obligations and capital expenditure requirements. Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences, recorded in equity; and recognise (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

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2.1 BASIS OF PREPARATION (continued)

Operating cycle

The operating cycle of the Group is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Due to the nature of the Group's business, the Group's normal operating cycle is longer than 12 months. The Group's current assets include assets (such as properties held or under development for sale and land infrastructure under development for sale, etc.) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the end of the reporting period.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and revised or amended HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards-Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HKFRS 5 Amendments Included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Other than as further explained below regarding the impact of amendments to HKAS 1 included in Improvements to HKFRSs 2009, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised or amended HKFRSs are as follows:

HKAS 1 Presentation of Financial Statements: States that the terms of a liability that could result, at any time, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

This has had no effect on the consolidated statement of comprehensive income. The effect on the statements of financial position is summarized as follows:

Group and Company	31 December 2010	31 December 2009
NON-CURRENT LIABILITIES:		
Increase in convertible bonds-host debts	**354,548**	312,219
CURRENT LIABILITIES:		
Decrease in convertible bonds-host debts	**(354,548)**	(312,219)

There was no impact on the total assets, total liabilities or net assets of the Group and the Company.

There was no impact on the statements of financial position at 1 January 2009, as the convertible bond (see Note 35) was issued during the year of 2009.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopter [2]
HKFRS 1 Amendments	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of financial Assets [4]
HKFRS 9	Financial Instruments[6]
HKAS 12 Amendment	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures [3]
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement [3]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments [2]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

HKFRS 1 Amendment relieves first-time adopters of HKFRSs from providing the additional disclosures introduced in March 2009 by Improving Disclosures about Financial Instruments (Amendments to HKFRS 7). It thereby ensures that first-time adopters benefit from the same transition provisions that Amendments to HKFRS 7 provide to current HKFRS preparers. The amendment would not have significant impact on the Group's financial statements.

In December 2010, the HKICPA issued another amendment to HKFRS 1 to introduce a new deemed cost exemption for entities that have been subject to severe hyperinflation. It also removes the legacy fixed dates in HKFRS 1 relating to derecognition and day one gain or loss transactions. The amendment would not have significant impact on the Group's financial statements.

HKFRS 7 Amendments were issued in October 2010. The amendments require more disclosure information that enables users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Currently, the amendments would not have significant financial impact on the Group's financial statements.

HKFRS 9 as issued reflects the first phase of the project on the replacement of HKAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in HKAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases of the project, hedge accounting and impairment will be addressed. The completion of this project is expected in 2011. The Group expects to adopt the standard when it becomes effective. The Group will quantify the effect of adoption of the first phase of HKFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

HKAS 12 Amendments were issued in December 2010. The amendments mainly concern the determination of deferred tax on investment property measured using the fair value model in HKAS 40 Investment Property. The amendments are expected to have no impact on the financial statements of the Group.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. The revised standard also provides some relief for government-related entities to disclose details of all transactions with other government-related entities (as well as with the government itself). The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the amendment is expected to have no impact on the financial statements of the Group.

The HKAS 32 Amendment was issued in October 2009. The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met. The amendment is expected to have no impact on the financial statements of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HK(IFRIC)-Int 14 Amendments were issued in December 2009. The amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in the future contributions is thus equal to the sum of (i) the prepayment of future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. The amendments are expected to have no impact on the financial statements of the Group.

HK(IFRIC)-Int 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with HKAS 39 Financial Instruments: Recognition and Measurement and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognized in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. The interpretation is expected to have no impact on the financial statements of the Group.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. The amendments are expected to have no impact on the financial statements of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post acquisition results and reserves of associates is included in the consolidated statement of comprehensive income and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as of 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties held or under development for sale, financial assets, investment properties, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of comprehensive income in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Hotel buildings	Shorter of 40 years and the remaining terms of the leases, which range from 30 to 40 years
Other buildings	20 years
Golf operational assets	Golf course between 40 and 50 years, club buildings of 30 years, club equipment of 10 years, club fixtures and fittings of 5 years
Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets
Furniture, fitting, fixtures and office equipment	5 to 10 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment property comprises completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met and it is accounted for as a finance lease. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in the year of the retirement or disposal.

Investment properties under construction are stated at fair value with changes in fair values recognised in profit or loss.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of comprehensive income.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables and derivative financial instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in other gains in the statement of comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables or available-for-sale financial assets depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. The loss arising from impairment is recognised in profit or loss.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of comprehensive income in other gains, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the statement of comprehensive income in other gains and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in profit or loss in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial investments whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other gains in the statement of comprehensive income.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to associates, derivative financial instruments, interest-bearing bank loans and other borrowings, guaranteed senior notes, and convertible bonds.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income. The net fair value gain or loss recognised in the statement of comprehensive income does not include any interest charged on these financial liabilities.

Convertible bonds

For convertible bonds which comprise both liability and equity components under HKAS 32, on issuance of convertible bonds, the fair value of the liability component (including host debt and, if any, embedded derivatives other than the equity component) is determined using a market rate for an equivalent non-convertible bond; and the host debt is carried as a liability at amortised cost, and the embedded derivatives that need to be separated from the host debt, if any, are carried as derivative financial liabilities at fair value, until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Where the convertible bonds contain only liability and derivative components, if the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its host debt component. On initial recognition, the derivative component (including all embedded derivatives that should be separated from the host debt) of the convertible bonds is measured at fair value and presented as part of derivative financial liabilities. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host debt component (also as a liability). Transaction costs are apportioned between the host debt and derivative component of the convertible bonds based on the allocation of proceeds to the host debt and derivative component when the instruments are initially recognised. The portion of the transaction costs relating to the host debt is recognised initially as part of the host debt liability. The portion relating to the derivative component is recognised immediately in the statement of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of comprehensive income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

(a) Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

(b) Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

(c) Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Properties held or under development for sale

Properties held or under development for sale are included in current assets at the lower of cost and net realisable value.

The costs of properties held or under development for sale comprise specifically identified cost, including acquisition costs, development expenditures and borrowing costs and other related expenditure directly attributable to the development of such properties. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land development for sale

Development cost of land development for sale comprises the aggregate cost of development, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of construction and other costs directly attributable to such land development for sale.

Land development for sale is stated at the lower of cost and net realisable value. Net realisable value takes into account the Group's share of proceeds derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land development for sale based on prevailing market conditions.

Inventories

Inventories mainly comprise food, beverages, operating supplies and low value consumables used in hotel and golf course operations, and are stated at the lower of cost or net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets with similar nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

Sale of development properties

Revenue from the sale of properties is recognised upon completion of a sale agreement, which refers to the time when properties are completed and delivered to the buyers. Deposits and installments received on properties sold prior to completion of the respective sale agreements are included as advances received from the pre-sale of properties under development.

Revenue from land development

The Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities (owned by the local governments) within certain districts. When the land plots are sold by the local governments to land buyers through public auction, tender or listing, the Group is entitled to receive from the local governments a proportion of the proceeds from land sales (including related public utilities fees, if any). As ancillary public facilities are separately identifiable from land infrastructure, such proceeds to be received by the Group are allocated between land infrastructure and ancillary public facilities based on their relative fair values.

Revenue from land development is recognised upon the transfer of risks and rewards in connection with the land development and when the amount of revenue can be measured reliably, which occurs upon the completion of related construction works as well as sales of land. Accordingly, at the time of the sales of land, proceeds allocated to the completed land infrastructure and completed ancillary public facilities are recognised as revenue, and proceeds allocated to uncompleted construction works are deferred and recognised as revenue when the related construction works are completed.

Golf course operations

Revenue from golf course operations represents the income from the usage of golf courses and ancillary equipment, the provision of golf services, and the provision of food and beverages, etc., which is recognised when the services are rendered or goods are sold.

Golf club membership revenue

Golf club membership entitles the members to golf operations related services provided during the membership period or to purchase goods or services at prices lower than those charged to non-members. Revenue from golf club membership is recognised on the straight-line basis which reflects the expected period when the benefits are provided.

Property leasing under operating lease

Operating lease income from investment properties is recognised on the straight-line basis over the lease term, which is the non-cancellable period for which the lessee has contracted to lease the properties together with any further terms for which the lessee has the option to continue to lease the properties, with or without further payments, when at the inception of the lease, it is reasonably certain that the lessee will exercise the option.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Sale of network equipment

Revenue from the sale of network equipment is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed. The Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Construction of infrastructure for an intelligent network and installation of an intelligent network

Revenue from the construction of infrastructure for an intelligent network and installation of intelligent network is recognised as follows:

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenues and expenses. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recovered.

Property management revenue

Property management revenue is recognised in the accounting period in which the services are rendered.

Hotel operations

Revenue from hotel operations represents the income from hotel rooms and the sale of related food and beverages, which is recognised when the services are rendered or goods are sold.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

Dividend income

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

A subsidiary of the Company, China New Town Development Company Limited ("CNTD") operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the CNTD Group's operations. Employees (including senior executives) of CNTD receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by the Group with assistance from the valuer using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share, where appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Employee retirement scheme

The employees of the Group's entities which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute 14% to 22% (2009: 19% to 22%) of the standard salary announced by the government to the central pension scheme. The contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme. In addition, the Group participates in the Mandatory Provident Fund Scheme, under which contributions of 5% of the Hong Kong employee's basic salaries are made by the employer and the Hong Kong employees, respectively. The provision and contributions have been included in the statement of comprehensive income upon incurrence. The Group has no obligation for the payment of pension benefits beyond the contributions described above.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a weighted average capitalisation rate has been applied to the expenditure on the individual assets.

Government grants

Government grants (including non-monetary grants) are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is deducted from the relevant asset before arriving at the carrying amount of the asset and released to the statement of comprehensive income by way of a reduced cost of assets' charge. Grants received in connection with the Group's role in planning and constructing the ancillary public facilities are deducted from the development cost of the ancillary public facilities and would be recognised indirectly in the form of an increased profit margin over the course of recognising revenue in connection with the ancillary public facilities services.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

(a) *Functional and presentation currencies*

Items included in the financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's and its subsidiaries' functional currency is Renminbi ("RMB"), as the major revenues are derived from operations in Mainland China. Considering the Company is listed on the HKEx, Hong Kong dollars ("HK$") is chosen as the presentation currency to present these financial statements.

(b) *Transactions and balances*

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(c) *Group companies*

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

(i) assets and liabilities of the Group are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period;

(ii) income and expenses of the Group are translated into the presentation currency at the average exchange rates for the period (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated into the presentation currency at the exchange rate ruling at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

(c) Group companies (continued)

For the purpose of the consolidated statement of cash flows, the cash flows of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of which arise throughout the year are translated into the presentation currency at the weighted average exchange rates for the year.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, if any, and all monetary items that provide an effective hedge for such investments, if any, are recognised in other comprehensive income. When a foreign operation is disposed of, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

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

Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities (except for contingent liability recognised in a business combination) and assets are not recognised on the statement of financial position of the Group and the Company.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2010 was HK$672 million (2009: HK$454 million). More details are given in Note 19.

Estimation of fair value of investment properties

Investment properties were revalued at the end of each reporting period during the years ended 31 December 2010 and 31 December 2009 using the discounted cash flow method or term and reversion method on the basis of capitalisation of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property interest by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Investment properties under construction are also carried at fair value as determined by independent professional qualified valuers, except if such values cannot be reliably determined. In the exceptional cases when a fair value cannot be reliably determined, such properties are recorded at cost. The fair value of investment properties under construction is determined using either the discounted cash flow method or the residual method.

Carrying amount of land development for sale

The Group's land development for sale is stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land infrastructure and attributable to ancillary public facilities and infrastructure, and its net realisable value, i.e., the revenue to be derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land development for sale based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land development for sale over its net realisable value should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land development for sale in the periods in which such estimate is changed will be adjusted accordingly.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets, liabilities and current income tax charge

Uncertainties exist with respect to the interpretation of certain tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax credit and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective group entity's domicile.

Deferred tax assets are recognised for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and income tax charge in the period in which such estimate has been changed.

Impairment of receivables

Impairment of receivables is made based on assessment of the recoverability of receivables. The identification of impairment of receivables requires management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimation, such difference will have impact on the carrying value of the receivables and impairment of receivables/reversal of impairment in the period in which such estimate has been changed.

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. Such estimates could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or management will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in Note 2.4. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and the value in use, where the calculations of which involve the use of estimates.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Measurement of revenue from land development

Revenue from the development of land infrastructure and ancillary public facilities (owned by the local governments) is allocated and recognised separately. The allocation of revenue from the land development to land infrastructure and ancillary public facilities is based on their relative fair values of the construction works, determined by reference to the relative estimated construction costs of each component, as the nature of construction works for the components is similar.

Revenue attributable to land infrastructure is recognised in full upon the sale of the relevant land use rights and the specific construction works are completed. However, revenue attributable to ancillary public facilities is recognised for the portions of ancillary public facilities completed at the sale of the land. The remaining revenue attributable to uncompleted portions of ancillary public facilities is recognised as deferred revenue as a current liability in the statements of financial position, and will be recognised as revenue when the related construction works are completed.

Estimation of fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, separated derivative components of the convertible bonds) is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The fair values of the convertible bonds (including the values allocated the host debt, conversion options classified either as a financial liability or equity and other derivatives embedded in the convertible bonds that need to be separately accounted for) that need to be accounted for at fair value at initial recognition (or subsequently if there is any embedded derivative that needs to be separately accounted for), cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow method and option price models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as credit risk, market risk and volatility, etc. Changes in assumptions about these factors could affect the reported carrying values of such financial instruments.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets (other than goodwill) are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- The property development segment develops and sells residential and commercial properties;
- The land development segment provides land infrastructure development and construction of ancillary public facilities;
- The property leasing segment leases offices and commercial properties owned by the Group which are classified as investment properties;
- The hotel operations segment provides hotel accommodation, hotel catering and conference hall services; and
- The corporate and other operations segment comprises, principally, golf course operations and the provision of property management services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices on sales and transfers between operating segments are negotiated on an arm's length basis in a manner similar to transactions with third parties.

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4. OPERATING SEGMENT INFORMATION (continued)

An analysis by business segment is as follows:

	2010					
	Property development	Land development	Property leasing	Hotel operations	Corporate and other operations	Total
Segment revenue						
Sales to external customers	4,360,186	1,382,696	138,524	269,261	138,107	6,288,774
Intersegment sales	–	205,250	–	1,393	98,577	305,220
	4,360,186	1,587,946	138,524	270,654	236,684	6,593,994
Reconciliation:						
Elimination of intersegment sales						(305,220)
Revenue						6,288,774
Segment profit/(loss)	1,303,814	718,347	(39,043)	(21,651)	(214,725)	1,746,742
Finance income						71,317
Finance costs						(312,946)
Finance costs-net						(241,629)
Share of profits and losses of associates						25,459
Profit before tax						1,530,572
Segment assets and liabilities						
Segment assets	22,031,440	6,686,681	6,967,206	2,025,077	2,959,420	40,669,824
Investments in associates						72,182
Total assets						40,742,006
Segment liabilities	16,595,220	2,582,665	3,307,966	146,400	6,782,594	29,414,845
Total liabilities	16,595,220	2,582,665	3,307,966	146,400	6,782,594	29,414,845
Other segment information:						
Depreciation and amortization	9,988	9,663	123	128,217	35,041	183,032
Capital expenditure*	6,397	7,211	124,427	51,233	35,401	224,669
Fair value loss on derivative finance asset, net	–	–	–	–	6,178	6,178
Fair value loss on investment properties	–	–	137,842	–	–	137,842
Provision for impairment losses	–	–	–	–	21,256	21,256

* Capital expenditure consists of additions of property, plant and equipment (HK$96,491 thousand), investment properties (HK$123,950 thousand) and prepaid land lease payments (non-current) (HK$4,228 thousand).

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4. OPERATING SEGMENT INFORMATION (continued)

	2009					
	Property development	Land development	Property leasing	Hotel operations	Corporate and other operations	Total
Segment revenue						
Sales to external customers	1,552,399	910,900	113,320	159,196	94,781	2,830,596
Intersegment sales	–	–	–	–	9,686	9,686
	1,552,399	910,900	113,320	159,196	104,467	2,840,282
Reconciliation:						
Elimination of intersegment sales						(9,686)
Revenue						2,830,596
Segment profit/(loss)	253,150	532,297	628,570	(121,281)	487,865	1,780,601
Finance income						16,884
Finance costs						(179,114)
Finance costs-net						(162,230)
Share of profits and losses of associates						(93,927)
Profit before tax						1,524,444
Segment assets and liabilities						
Segment assets	16,771,222	6,036,235	6,753,736	2,212,531	2,812,571	34,586,295
Investments in associates						87,807
Total assets						34,674,102
Segment liabilities	13,316,164	2,525,710	1,842,959	68,476	5,613,113	23,366,422
Total liabilities	13,316,164	2,525,710	1,842,959	68,476	5,613,113	23,366,422
Other segment information:						
Depreciation and amortisation	6,587	2,815	1,087	98,406	31,169	140,064
Capital expenditure*	20,663	1,221	121,311	91,342	6,602	241,139
Fair value loss on derivative financial liabilities, net	–	–	–	–	89,055	89,055
Fair value gain on investment properties	–	–	(476,162)	–	–	(476,162)
Provision/(Reversal of provision) for impairment losses	2,739	–	–	–	(106,765)	(104,026)

* Capital expenditure consists of additions of property, plant and equipment (HK$30,446 thousand), investment properties (HK$121,161 thousand) and prepaid land lease payments (non-current) (HK$89,532 thousand).

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4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) All the sales to external customers of the Group are generated from Mainland China.

(b) Non-current assets

	2010	2009
Hong Kong	**2,712**	3,229
Mainland China	**10,432,346**	10,223,451
	10,435,058	10,226,680

The non-current asset information above is based on the location of assets and excludes financial instruments and deferred tax assets.

Information about major customers

Land development revenue from the Group's share of proceeds of land sale by local authorities in Shanghai accounted for approximately 22% (2009: 29%) of the Group's revenue in the year ended 31 December 2010.

The Group's other customers are widely dispersed. Other than mentioned in the previous paragraph, no revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer or a group of customers which are known to be under common control for the years ended 31 December 2010 and 2009.

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; room charges from hotel operations and gross rental income received and receivable from investment properties during the year.

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5. REVENUE (continued)

An analysis of revenue is as follows:

	2010	2009
Sale of development properties	4,589,437	1,633,588
Revenue from land development	1,467,053	958,725
Hotel operations	283,656	167,631
Revenue from property leasing (Note 17)	137,031	120,612
Property management revenue	103,011	60,673
Golf operation	68,936	34,504
Revenue from construction of infrastructure for an intelligent network	9,114	10,367
Sale of network hardware and installation of intelligent home equipment	2,610	4,786
Other revenue	4,431	1,870
	6,665,279	2,992,756
Less: Business tax and surcharges	(376,505)	(162,160)
Total revenue	6,288,774	2,830,596

(i) Business tax and surcharges

Business tax is calculated at 5% of the revenue from the sale of properties, the development of land, hotel operations, the installation of intelligent home equipment, the provision of property management services and property leasing, at 20% of the revenue from golf operation and at 3% of the net income received from the construction of infrastructure for an intelligent network after deducting amounts payable to subcontractors.

Government surcharges, comprising City Maintenance and Construction Tax, Education Surtax, Dike Maintenance, Selective Service Surcharge and River Way Management Fee, are calculated at certain percentages of business tax.

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6. OTHER (LOSSES)/GAINS – NET

	2010	2009
Fair value (loss)/gain on investment properties (Note 17)	**(137,842)**	476,162
Derivative instruments at fair value through profit or loss-fair value loss, net	**(6,178)**	(89,055)
(Loss)/gain on disposal of property, plant and equipment, net	**(20,162)**	81
Gain on disposal of subsidiaries	**–**	43,349
Gain on disposal of an investment property	**–**	26,397
Gain on bargain purchase of a subsidiary(Note 44)	**28,940**	–
Reversal impairment of an interest in an associate	**–**	104,403
(Loss)/gain on redemption of guaranteed senior notes (Note 32)	**(4,798)**	179,102
Excess of share of fair value of net assets acquired over consideration for the acquisition of additional interest in an associate	**–**	300,415
Loss on remeasurement (at acquisition-date fair value) of a previously held equity interest held in an acquiree (CNTD)	**–**	(184,398)
The Excess of acquisition-date amounts of the net assets acquired over the aggregate of consideration transferred, the amount of non-controlling interest and the acquisition-date fair value of the Group's previously held equity interest in the acquiree (CNTD)	**–**	236,350
Gain from dilution of equity interest in an associate (Note21(a)(i))	**375**	–
Donation	**(22,216)**	(14,435)
Others	**(5,112)**	9,528
	(166,993)	1,087,899

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7. EXPENSE BY NATURE

	2010	2009
Cost of inventories sold (excluding depreciation)	**3,615,770**	1,475,766
Depreciation of property, plant and equipment (Note 16)	**169,071**	135,860
Employee benefit expense (including directors' emoluments)		
– Wages and salaries	**114,324**	103,511
– Equity-settled share option expense	**6,400**	4,470
– Other social welfare	**39,337**	31,745
	160,061	139,726
Operating lease payment in respect of buildings	**11,625**	14,091
Auditors' remuneration	**11,582**	12,225
Impairment of accounts receivable (Note 27)	**–**	377
Impairment of other receivable	**21,256**	–
Commission for sale of properties and land	**30,387**	90,782
Advertising costs	**69,430**	46,317
Miscellaneous tax	**51,698**	43,180
Transportation fee	**25,001**	16,899
Office expense	**7,605**	7,472
Exhibition fees	**11,270**	11,137
Water and electricity	**19,536**	14,975
Financial advisory service expenses	**4,037**	21,030
Business entertainment expenses	**11,484**	8,702
Expenses incurred for the listing of existing shares of a subsidiary	**36,814**	–
Others	**118,412**	99,355
	4,375,039	2,137,894

8. FINANCE INCOME

	2010	2009
Interest income on bank deposits	**34,295**	15,766
Net foreign exchange gain	**37,022**	1,118
	71,317	16,884

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9. FINANCE COSTS

An analysis of finance costs is as follows:

	2010	2009
Interest expense:		
Interest on bank borrowings and other borrowings – wholly repayable within five years	**391,730**	301,490
Interest on bank borrowings and other borrowings – wholly repayable beyond five years	**183,108**	56,410
Interest on the guaranteed senior notes – wholly repayable within five years (Note 32)	**70,589**	111,494
Interest on CB3 – wholly repayable within five years (Note 35)	**–**	8,708
Interest on CB4 – wholly repayable within five years (Note 35)	**61,407**	25,392
	706,834	503,494
Less: Interest capitalised	**(393,888)**	(324,380)
Finance costs	**312,946**	179,114

During the year ended 31 December 2010, the weighted average interest capitalisation rate was 6.81% (excluding CNTD and its subsidiaries which manage their financing separately from the other entities of the Group) (2009: 7.03%). The weighted average interest capitalisation rate of CNTD during the year ended 31 December 2010 was 6.45% (2009: 9.97%).

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10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

		2010		
Name of director	**Salaries**	**Fees**	**Management Grant***	**Total**
Executive directors				
– Mr. Shi Jian	**3,000**	**–**	**–**	**3,000**
– Mr. Li Yao Min	**3,500**	**–**	**2,270**	**5,770**
– Mr. Yu Hai Sheng	**2,500**	**–**	**–**	**2,500**
– Mr. Jiang Xu Dong	**2,000**	**–**	**–**	**2,000**
– Mr. Shi Pin Ren (appointed in 2010)**	**1,164**	**–**	**–**	**1,164**
– Mr. Yue Wai Leung	**2,440**	**–**	**2,270**	**4,710**
Non-executive directors				
– Mr. Cheung Wing Yui	**–**	**360**	**–**	**360**
– Mr. Jin Bing Rong	**–**	**330**	**–**	**330**
Independent non-executive directors				
– Mr. E Hock Yap	**–**	**330**	**–**	**330**
– Mr. Pan Long Qing (resigned in 2010)	**–**	**330**	**–**	**330**
– Mr. Jiang Xie Fu	**–**	**330**	**–**	**330**
– Mr. Zhuo Fumin (appointed in 2010)	**–**	**30**	**–**	**30**
Total	**14,604**	**1,710**	**4,540**	**20,854**

		2009		
Name of director	Salaries	Fees	Management Grant*	Total
Executive directors				
– Mr. Shi Jian	1,750	–	–	1,750
– Mr. Li Yao Min	2,125	–	962	3,087
– Mr. Yu Hai Sheng	2,000	–	–	2,000
– Mr. Jiang Xu Dong	2,000	–	–	2,000
– Mr. Yue Wai Leung (appointed in 2009)	1,434	–	962	2,396
– Mr. Lee Wai Man (resigned in 2009)	846	–	–	846
Non-executive directors				
– Mr. Cheung Wing Yui	–	330	–	330
– Mr. Jin Bing Rong	–	330	–	330
Independent non-executive directors				
– Mr. Yeung Kwok Wing (resigned in 2009)	–	69	–	69
– Mr. Pan Long Qing (appointed in 2009)	–	210	–	210
– Mr. E Hock Yap	–	220	–	220
– Mr. Jiang Xie Fu	–	272	–	272
Total	10,155	1,431	1,924	13,510

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10. DIRECTORS' REMUNERATION (continued)

* On 5 July 2007, the Board of Directors of CNTD passed a resolution to award a total of 380 shares (equivalent to 28,500,000 shares after CNTD's share split) to certain CNTD's directors and employees ("Entitled Persons") as an incentive for their continued service to CNTD. Mr. Li Yao Min and Mr. Yue Wai Leung, who are also directors of CNTD, were each awarded 79 shares (equivalent to 5,925,000 shares after CNTD's share split), respectively. The terms of CNTD's Management Stock Option Plan (the "Management Grant") are detailed in Note 30(a).

The Management Grant is provided on the basis that the relevant Entitled Persons remain in service within the CNTD Group on the vesting dates and he/she has not submitted a notice of resignation at those dates. The exercise price is RMB8 per share (before CNTD's share split). The Management Grant is accounted for as a compensation for services to be provided by the Entitled Persons in the periods of service (the "vesting periods"). Since the shares granted do not vest until the Entitled Persons complete their services in the vesting periods, CNTD will recognise the expenses over the vesting periods.

Share-based payments in the above tables are expenses recognised during the current year and the period from 9 September 2009 to 31 December 2009, during which CNTD was deemed as a subsidiary of the Company.

** Mr. Shi Pin Ren was appointed as Vice President of the Company before his appointment as an executive director. His remuneration for the year was HK$1,867 thousand, (HK$703 thousand before he was appointed as a director and HK$1,164 thousand when he was a director).

No discretionary bonuses, inducement fees, employer's contribution to pension schemes or compensation for loss of office as directors were given to any of the directors during the years ended 31 December 2010 and 2009.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2010 and 2009.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2009: five) directors, details of whose remuneration are set out in Note 10 above. Details of the remuneration of the remaining one non-director (2009: two) highest paid employees for the year are as follows:

	2010	2009
Salaries, housing allowances, other allowances and benefits in kind	2,200	4,616

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2010	2009
Nil-HK$1,000,000	–	–
HK$1,000,001-HK$1,500,000	–	–
HK$1,500,001-HK$2,000,000	–	1
HK$2,000,001-HK$3,000,000	1	1

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12. INCOME TAX

	2010	2009
Current taxation		
– Mainland China income tax (a)	**719,484**	210,417
– Mainland China LAT (c)	**277,190**	54,947
	996,674	265,364
Deferred taxation (Note 34)		
– Mainland China income tax	**(275,073)**	139,967
– Mainland China LAT	**(9,831)**	–
– Mainland China withholding tax (d)	**103,313**	101,331
	(181,591)	241,298
Total tax charge for the year	**815,083**	506,662

(a) Mainland China income tax

The Group conducts a significant portion of its business in Mainland China and the applicable income tax rate of its subsidiaries operating in Mainland China is generally 25%, in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group, in Mainland China, which are taxed at a preferential rate of 22% (2009: 20%).

For the pre-sale of properties under development, the tax authorities may impose income tax ahead of the completion of sale transactions and revenue recognition based on certain estimations. The outstanding balance of prepaid income tax was approximately HK$55 million as of 31 December 2010 (2009: HK$57 million).

(b) Other income tax

The Company is exempted from taxation in Bermuda until 2016. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

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12. INCOME TAX (continued)

(c) Mainland China land appreciation tax ("LAT")

LAT is incurred upon transfer of property and land ownership and is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures.

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transactions and revenue recognition, generally based on 1% to 5% (2009: 1% to 2%) on proceeds of the sale and pre-sale of properties. Prepaid LAT had been recorded in "prepaid income tax" with an amount of approximately HK$59 million as of 31 December 2010 (2009: approximately HK$26.82 million).

(d) Mainland China withholding tax

Pursuant to the PRC Corporate Income Tax Law which became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained profits as at 31 December 2007 are exempted from withholding tax.

A reconciliation of the tax expense applicable to profit before tax using the statutory tax rate of 25% for the jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax expense at the Group's effective tax rate is as follows:

	2010	2009
Profit before tax	**1,530,572**	1,524,444
Tax at the applicable tax rate of 25%	**382,643**	381,111
Lower tax rates for certain subsidiaries	**(402)**	(1,605)
Tax effect of results attributable to associates	**(6,365)**	23,482
Impact of LAT (which is itself classified as part of income tax) as it is deductible for income tax purposes	**(66,840)**	(13,736)
Income not subject to tax	**(11,628)**	(140,399)
Tax losses not recognised and expenses not deductible for tax	**147,003**	83,622
Effect of withholding tax at 10% on the distributable profits of the Group's subsidiaries in Mainland China	**103,313**	101,331
Tax on gains on disposal of subsidiaries	**–**	17,909
Mainland China income tax	**547,724**	451,715
Mainland China LAT (including deferred LAT)	**267,359**	54,947
Total tax expense for the year at the Group's effective tax rate	**815,083**	506,662

The share of tax attributable to associates amounting to approximately HK$3.7 million (2009: HK$0.5 million) is included in "share of profits and losses of associates" on the face of the consolidated statement of comprehensive income.

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13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a profit of HK$37,235 thousand (2009: profit HK$240,281 thousand) which has been dealt with in the financial statements of the Company (Note 30(b)).

14. DIVIDENDS PAID AND PROPOSED

	2010	2009
Proposed final dividend – HK$0.029 (2009: HK$0.044) per ordinary share	104,513	158,571

A final dividend in respect of 2010 of HK$0.029 per share was proposed at the meeting of Board of Directors held on 25 March 2011. Based on the total number of outstanding ordinary shares of 3,603,881,194 shares, the proposed dividends amounting to approximately HK$104,513 thousand. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in these financial statements.

The dividend paid during the year of 2010 was approximately HK$158,571 thousand (HK$0.044 per share) (2009: Nil).

15. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, assuming conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares are convertible bonds (Note 35) of the Company and potential ordinary shares of CNTD, including CNTD's Management Grant (Note 30(a)) and its convertible bonds. The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense and changes in fair value of separated derivatives embedded in the convertible bonds less any tax effect. The management stock options are treated as options and regarded as outstanding from the grant date.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2010	2009
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	629,652	785,081
Interest expenses recognised on the host debt component of convertible bonds, net of tax (Note 9)	61,407	25,392
Net effect of dilutive potential ordinary shares of a subsidiary	(5,412)	–
Profit attributable to ordinary equity holders of the parent before the above impact arising from convertible bonds	685,647	810,473

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15. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

	Number of shares	
	2010	2009
	(Thousand shares)	(Thousand shares)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,603,881**	3,207,690
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**479,928**	211,694
	4,083,809	3,419,384

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	2010						
	Buildings	Golf operational assets	Leasehold improvements	Furniture, fitting, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost							
Beginning of year	1,780,087	708,901	1,704	643,732	102,612	162,141	3,399,177
Acquisition of subsidiaries (Note 44)	–	–	–	540	2,742	–	3,282
Additions	8,186	2,506	342	41,123	11,322	33,012	96,491
Transfer	–	14,332	–	–	–	(14,332)	–
Other disposals	(32,197)	(46,933)	–	(3,988)	(6,043)	–	(89,161)
Exchange realignment	61,363	23,956	67	23,274	3,757	6,077	118,494
End of year	1,817,439	702,762	2,113	704,681	114,390	186,898	3,528,283
Accumulated depreciation and impairment							
Beginning of year	384,222	88,034	244	192,143	50,413	–	715,056
Acquisition of subsidiaries (Note 44)	–	–	–	237	1,782	–	2,019
Depreciation charge (Note 7)	55,228	21,364	82	76,520	15,877	–	169,071
Other disposals	(1,433)	(4,951)	–	(3,185)	(4,149)	–	(13,718)
Exchange realignment	14,624	3,447	10	8,405	2,070	–	28,556
End of year	452,641	107,894	336	274,120	65,993	–	900,984
Net carrying amount							
Balance, end of year	1,364,798	594,868	1,777	430,561	48,397	186,898	2,627,299
Balance, beginning of year	1,395,865	620,867	1,460	451,589	52,199	162,141	2,684,121

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16. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	2009						
	Buildings	Golf operational assets	Leasehold improvements	Furniture, fitting, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost							
Beginning of year	1,083,612	–	2,813	729,815	43,038	–	1,859,278
Acquisition of subsidiaries	917,578	707,989	–	66,516	44,398	197,102	1,933,583
Additions	3,491	269	–	8,580	25,617	(7,511)	30,446
Transfer	116	–	–	–	–	(27,601)	(27,485)
Disposal of subsidiaries	(227,165)	–	–	(160,624)	(6,167)	–	(393,956)
Other disposals	–	–	(1,113)	(1,708)	(4,397)	–	(7,218)
Exchange realignment	2,455	643	4	1,153	123	151	4,529
End of year	1,780,087	708,901	1,704	643,732	102,612	162,141	3,399,177
Accumulated depreciation and impairment							
Beginning of year	60,492	–	1,155	109,741	19,621	–	191,009
Acquisition of subsidiaries	319,413	81,454	–	38,196	25,365	–	464,428
Depreciation charge (Note 7)	52,177	6,501	90	66,221	10,871	–	135,860
Disposal of subsidiaries	(48,264)	–	–	(21,134)	(2,292)	–	(71,690)
Other disposals	–	–	(1,002)	(1,133)	(3,212)	–	(5,347)
Exchange realignment	404	79	1	252	60	–	796
End of year	384,222	88,034	244	192,143	50,413	–	715,056
Net carrying amount							
Balance, end of year	1,395,865	620,867	1,460	451,589	52,199	162,141	2,684,121
Balance, beginning of year	1,023,120	–	1,658	620,074	23,417	–	1,668,269

Depreciation expenses of approximately HK$133,811 thousand (2009: approximately HK$118,164 thousand) had been expensed in cost of goods sold, approximately HK$5,650 thousand (2009: approximately HK$2,520 thousand) in selling and marketing costs and approximately HK$ 29,610 thousand (2009: approximately HK$15,176 thousand) in administrative expenses.

As of 31 December 2010, the buildings with a net carrying amount of HK$1,361,346 thousand (2009: HK$ 1,395,865 thousand) were pledged as collateral for the Group's bank loans and facilities (Note 31).

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16. PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY

	2010		
	Furniture, fitting, fixtures and office equipment	Motor vehicles	Total
Cost			
Beginning of year	588	3,284	3,872
Additions	26	–	26
Exchange realignment	21	114	135
End of year	635	3,398	4,033
Accumulated depreciation			
Beginning of year	397	246	643
Depreciation charge	43	598	641
Exchange realignment	14	23	37
End of year	454	867	1,321
Net carrying amount			
Balance, end of year	181	2,531	2,712
Balance, beginning of year	191	3,038	3,229

	2009			
	Leasehold improvements	Furniture, fitting, fixtures and office equipment	Motor vehicles	Total
Cost				
Beginning of year	1,102	649	–	1,751
Additions	–	80	3,281	3,361
Disposals	(1,113)	(132)	–	(1,245)
Exchange realignment	11	(9)	3	5
End of year	–	588	3,284	3,872
Accumulated depreciation				
Beginning of year	951	518	–	1,469
Depreciation charge	–	45	246	291
Disposals	(1,002)	(117)	–	(1,119)
Exchange realignment	51	(49)	–	2
End of year	–	397	246	643
Net carrying amount				
Balance, end of year	–	191	3,038	3,229
Balance, beginning of year	151	131	–	282

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17. INVESTMENT PROPERTIES

GROUP

Completed investment properties

	2010	2009
At beginning of year	**6,329,400**	5,248,073
Transfer from investment properties under construction	**199,623**	–
Fair value (loss)/gain (Note 6)	**(135,864)**	476,754
Addition in cost	**9,292**	53,772
Disposal	–	(7,647)
Acquisition of a subsidiary	–	549,189
Exchange realignment	**221,887**	9,259
At end of year	**6,624,338**	6,329,400

Investment properties under construction

	2010	2009
At beginning of year	**193,879**	–
Acquisition of a subsidiary	–	126,914
Additions	**114,658**	67,389
Transfers to completed investment properties	**(199,623)**	–
Fair value loss (Note 6)	**(1,978)**	(592)
Exchange realignment	**4,710**	168
At end of year	**111,646**	193,879

The completed investment properties as at 31 December 2010 mainly represent the properties as follows:

A 3-storey shopping mall at Luwan District, Shanghai, with a fair value of approximately HK$1,236 million. The periods of operating leases entered into for the shopping mall range from 2 to 6 years.

Portions of 8 blocks of multi-storey shopping and office buildings at Putuo District, Shanghai, with a total fair value of approximately HK$1,306 million. The periods of operating leases entered into range from 1.5 to 10 years.

A 7-storey shopping mall at Shenhe District, Shenyang, with a total fair value of approximately HK$3,265 million. The periods of operating leases entered into for the shopping mall range from 1 to 16 years.

A retail street at Baoshan District, Shanghai, with a fair value of approximately HK$494 million. The periods of operating leases are mainly from 1 to 10 years.

A Supermarket Shopping mall at Baoshan District, Shanghai with a fair value of approximately HK$223 million. The period of operating lease is 20 years.

31 December 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

17. INVESTMENT PROPERTIES (continued)

A retail street at Hongshan New Town, Wuxi, with a fair value of approximately HK$81 million. The periods of operating leases are mainly from 1 to 6 years.

As at 31 December 2010, the Group's completed investment properties were valued by Jones Lang Lasalle Sallmanns Limited ("JLL") and Debenham Tie Leung Limited ("DTZ"), independent professionally qualified valuers. As there is no active market for the said properties, and due to the absence of similar properties in the same location and condition, the valuations were performed based on the income approach (term and reversion method or discounted cash flow method) for all completed investment properties. The following main inputs have been used.

	2010	2009
Yield		
Shanghai Oasis Middling Centre-Office	**4.1%-4.4%**	4.1%-4.4%
Shanghai Oasis Middling Centre-Shopping Mall	**6.5%-6.8%**	6.5%-6.8%
Shanghai Richgate Shopping Mall	**6.25%-6.5%**	5%-6%
Shenyang Richgate Shopping Mall	**5%-6%**	5%-6%
Scandinavia Street, Shanghai	**9%-10%**	9%-10%
Retail Street in Wuxi Project	**4%-5%**	4%-5%
Shanghai supermarket shopping mall	**4%-5%**	N/A

In arriving at the fair value of the investment properties under construction, reference is made to the comparable sales evidence available in a relevant market, after taking into account the expended construction costs and the costs that will be expended to complete the development.

The Group's interests in completed investment properties and investment properties under construction at their net book values are analysed as follows:

	2010	2009
In Mainland China, held on:		
Leases of over 50 years	**1,236,431**	1,202,109
Leases of between 10 and 50 years	**5,499,553**	5,321,170
	6,735,984	6,523,279

The investment properties pledged for bank borrowings are disclosed in Note 31.

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17. INVESTMENT PROPERTIES (continued)

The following amounts relating to the investment properties have been recognised in profit or loss:

	2010	2009
Rental income (Note 5)	137,031	120,612
Direct operating expenses arising from investment properties that generate rental income	(27,966)	(50,245)
Rental income on investment properties less direct operating expenses	109,065	70,367

18. PREPAID LAND LEASE PAYMENTS

GROUP

	2010	2009
In Mainland China, held on:		
– Leases of over 50 years	7,909,868	4,368,784
– Leases of between 10 and 50 years	3,507,374	4,151,162
	11,417,242	8,519,946

The Group's interests in leasehold land represent prepaid operating lease payments and their net book values are analysed as follows:

	2010	2009
At beginning of year	8,519,946	7,540,178
Additions	2,343,484	1,395,832
Acquisition of subsidiaries (Note 44)	1,222,926	690,137
Amortisation capitalised as properties under development for sale	(249,822)	(178,738)
Disposals with the sale of completed properties	(725,611)	(92,222)
Disposal of subsidiaries	–	(843,871)
Amortisation	(14,286)	(4,204)
Exchange realignment	320,605	12,834
At end of year	11,417,242	8,519,946
Analysed as:		
Non-current: In relation to properties classified under property, plant and equipment	399,796	565,492
Current: In relation to properties held or under development for sale	11,017,446	7,954,454
	11,417,242	8,519,946

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18. PREPAID LAND LEASE PAYMENTS (continued)

GROUP

As of 31 December 2010, the Group's leasehold land of approximately HK$3,659 million (2009: HK$2,404 million) was pledged as collateral for the Group's bank loans and facilities (Note 31).

19. GOODWILL

GROUP

	2010	2009
Cost		
At beginning of year	**453,788**	447,495
Acquisition of subsidiaries (Note 44)	**196,069**	5,582
Exchange realignment	**22,122**	711
At end of year	**671,979**	453,788
Accumulated impairment		
At beginning and end of year	**–**	–
Net carrying amount		
Balance, end of year	**671,979**	453,788
Balance, beginning of year	**453,788**	447,495

Impairment testing of goodwill

Goodwill acquired through certain business combinations has been mainly allocated to the following cash-generating-units for impairment testing:

(a) Albany Oasis Garden

(b) Richgate II (formerly known as Qinhai Oasis Garden)

(c) Bairun

These cash-generating units are parcels of lands with properties currently under development and located in the cities of Shenyang and Shanghai, respectively, and will be available for sale in the forthcoming one to seven years.

The recoverable amounts for both the Albany Oasis Garden, Richgate II and Bairun property development projects cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on forecasts covering seven-year, five-year and four-year periods respectively, approved by management. The pre-tax discount rates applied to the cash flow projections are 17.2% (2009: 19.13%), 16.5% (2009: 13.2%) and 20.6% (2009: N/A), respectively, and the cash flow for period beyond the five-year period is consistent with the real estate industry market indices. Professional valuers, JLL,were engaged to assist the Group in determining the estimated value in use.

31 December 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

19. GOODWILL (continued)

Impairment testing of goodwill (continued)

The carrying amount of goodwill allocated to each of the three major cash-generating units is as follows:

	2010	2009
Albany Oasis Garden property development project	372,138	359,628
Richgate II property development project	89,160	86,162
Bairun property development project	169,648	–

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

– Selling prices – The market prices of comparable properties nearby

– Construction costs – The estimated costs including infrastructure costs to complete the property development projects

– Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant cash-generating units.

– Price inflation – The basis used to determine the value assigned to selling price inflation is the forecast price indices of 4%-5%, which is consistent with industry trends.

The values assigned to key assumptions are based on historical experiences, current market condition, approved budgets and forecasts and consistent with external information sources.

20. INVESTMENTS IN SUBSIDIARIES AND ADVANCES TO SUBSIDIARIES

(a) Investments in subsidiaries

COMPANY

	2010	2009
Unlisted equity interests, at cost	5,148,045	4,433,839

31 December 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

20. INVESTMENTS IN SUBSIDIARIES AND ADVANCES TO SUBSIDIARIES (continued)

(a) Investments in subsidiaries (continued)

The following is a list of the principal subsidiaries as at 31 December 2010:

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group 2010	2009	Issued and paid-up capital	Authorised share capital	Principal activities
Shanghai Xin Dong Industry Co., Ltd.	PRC 28 May 1993	98%	98%	US$3,457,729	US$3,457,729	Property leasing and real estate agency
Shanghai Real Estate Property Management Co., Ltd.	PRC 1 September 1995	98.57%	98.57%	RMB5,000,000	RMB5,000,000	Property management
Shanghai Oasis Garden Real Estate Co., Ltd.	PRC 29 September 1998	98.75%	98.75%	US$19,600,000	US$19,600,000	Property development
Shanghai Wingo Infrastructure Co., Ltd.	PRC 4 August 1999	98.96%	98.96%	US$20,000,000	US$20,000,000	Development of technology for housing and provision of construction services
Shanghai Zhufu Property Development Co., Ltd. ("Zhufu")	PRC 11 August 2000	50.36%	50.36%	RMB10,000,000	RMB10,000,000	Property development
Anderson Land (Shanghai) Ltd. ("Anderson Shanghai")	British Virgin Islands ("BVI") 29 September 2001	52%	52%	US$100	US$100	Investment holding
Shanghai Anderson Fuxing Land Co., Ltd.	PRC 16 April 2002	51.48%	51.48%	US$20,000,000	US$20,000,000	Property development
Shanghai Hangtou Govern Real Estate Co., Ltd.	PRC 14 June 2002	98%	98%	US$10,000,000	US$10,000,000	Property development
Shanghai Andong Real Estate Development Ltd.	PRC 18 October 2007	99%	99%	RMB370,000,000	RMB370,000,000	Property development
Shanghai Jinwu Real Estate Co., Ltd. ("Jinwu")	PRC 12 August 2002	95.79%	96.80%	US$54,962,000	US$54,962,000	Property development and property leasing
Shanghai Jinxin Real Estate Co., Ltd.	PRC 28 October 2002	100%	100%	RMB700,000,000	RMB700,000,000	Property development
Shanghai Skyway Hotel Co., Ltd.	PRC 9 December 2002	56%	56%	RMB200,000,000	RMB200,000,000	Hotel operations
Shenyang Huarui Shiji Asset Management Co., Ltd. ("Huarui Asset Management") (i)	PRC 30 October 2007	60%	51%	US$31,936,200	US$31,936,200	Property leasing
Shenyang Huajian Real Estate Co., Ltd.	PRC 3 November 2006	100%	100%	US$45,000,000	US$45,000,000	Property leasing

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20. INVESTMENTS IN SUBSIDIARIES AND ADVANCES TO SUBSIDIARIES (continued)

(a) Investments in subsidiaries (continued)

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group 2010	2009	Issued and paid-up capital	Authorised share capital	Principal activities
Shanghai Shuo Cheng Real Estate Co., Ltd.	PRC 29 January 2003	100%	100%	RMB450,000,000	RMB450,000,000	Property development
Shanghai Liangshi Enterprises Ltd.	PRC 24 May 2006	50.36%	50.36%	RMB1,000,000	RMB1,000,000	Property development
Shanghai Shangzhi Real Estate Development Co.,Ltd. ("Shangzhi Real Estate")	PRC 16 October 2008	98.75%	49.86%	RMB10,000,000	RMB10,000,000	Property development
Liaoning Gao Xiao Support Group Property Development Co., Ltd. ("Liaoning Gao Xiao") (ii)	PRC 4 December 2000	90%	70%	RMB750,000,000	RMB750,000,000	Property development
Haikou Century Harbour City Co., Ltd.	PRC 25 June 2008	79%	79%	RMB320,000,000	RMB320,000,000	Property development
Shenyang Lukang Real Estate Ltd.	PRC 13 July 2007	98.95%	98.95%	US$31,250,000	US$31,250,000	Property development
Haikou Century Richgate Business Administration Co., Ltd.	PRC 20 October 2008	100%	100%	US$300,000	US$300,000	Hotel administration
Shanghai Lushan Real Estate Ltd.	PRC 4 August 2004	27.70%	27.70%	RMB11,110,000	RMB11,110,000	Property development
Shanghai Xiangdao Real Estate Ltd.	PRC 21 July 2009	98.75%	98.75%	RMB200,000,000	RMB200,000,000	Property development
Shanghai Xiabo Industry Ltd. ("Xiabo")	PRC 14 September 1995	98.75%	–	RMB3,000,000	RMB3,000,000	Property development
Shanghai Haibo Property development Co., Ltd. ("Haibo")	PRC 27 December 1996	98.75%	–	RMB15,000,000	RMB15,000,000	Property development
Shanghai Bairun Real Estate Co., Ltd. ("Bairun")	PRC 16 May 2002	50.36%	–	RMB112,000,000	RMB112,000,000	Property development
Wuxi Zhongqing Real Estate Co., Ltd. ("Zhongqing")	PRC 11 July 2008	98.75%	–	RMB85,000,000	RMB85,000,000	Property development
Jiaxing Lake Richgate Real Estate Co., Ltd. ("Jiaxing")	PRC 26 September 2007	100%	–	US$25,800,000	US$49,900,000	Property development
China New Town Development Company Limited ("CNTD") (iii)	BVI 4 January 2006	61.54%	50.07%	RMB2,778,853,426	10 billion shares (No par)	Land development
SGLD (iii)	PRC 26 September 2002	44.70%	36.37%	RMB548,100,000	RMB548,100,000	Land development

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20. INVESTMENTS IN SUBSIDIARIES AND ADVANCES TO SUBSIDIARIES (continued)

(a) Investments in subsidiaries (continued)

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group 2010	2009	Issued and paid-up capital	Authorised share capital	Principal activities
Shanghai Lake Malaren Golf Club Co., Ltd. (iii)	PRC 6 July 2004	42.46%	34.55%	RMB5,000,000	RMB5,000,000	Golf club management
Shanghai Lake Malaren Property Management Co., Ltd.	PRC 23 June 2005	98.57%	35.49%	RMB5,000,000	RMB5,000,000	Property management
Shanghai Junyihui Entertainment Co., Ltd. (iii)	PRC 28 July 2005	44.70%	36.37%	RMB1,680,000	RMB1,680,000	Entertainment services provider
Shanghai Jia Tong Enterprises Co., Ltd. (iii)	PRC 12 April 2006	61.54%	50.07%	RMB1,000,000	RMB1,000,000	Consultation services
Shanghai Lake Malaren Hotel Management Co., Ltd. (iii)	PRC 25 April 2006	44.70%	36.37%	RMB5,000,000	RMB5,000,000	Hotel management
Shanghai Golden Luodian Infrastructure Development Co., Ltd. (iii)	PRC 16 March 2009	47.39%	36.32%	RMB10,000,000	RMB10,000,000	Construction of transportation hub and real estate development
Shanghai Lake Malaren Tourism Development Co., Ltd. (iii)	PRC 29 December 2009	40.23%	32.73%	RMB3,000,000	RMB3,000,000	Travelling information and wedding etiquette services
Wuxi Hongshan New Town Development Co., Ltd. (iii)	PRC 6 March 2007	55.38%	45.06%	RMB192,689,000	RMB192,689,000	Land development
Shenyang Lixiang New Town Development Co., Ltd. (iii)	PRC 6 March 2007	55.38%	45.06%	RMB747,667,000	RMB747,667,000	Land development
Shanghai CNTD Management Consulting Co., Ltd. (iii)	PRC 21 June 2007	61.54%	50.07%	RMB1,513,000	RMB1,513,000	Enterprise investment consultation
Wuxi Hongshan New Town Virescence Environmental Protection Construction Co., Ltd. (iii)	PRC 17 August 2007	55.38%	45.06%	RMB372,204,000	RMB372,204,000	Planting, maintenance and management of scenic spots in the Wuxi Project
Changchun New Town Automobile Industry Construct Co., Ltd. (iii)	PRC 15 November 2007	49.24%	40.06%	RMB220,267,000	RMB220,267,000	Land development
Shenyang Lake Malaren Country Club Co., Ltd. (iii)	PRC 6 March 2008	61.54%	50.07%	RMB17,704,000	RMB17,704,000	Sports management
Shenyang Meteorite Park Tourism Development Co., Ltd. (iii)	PRC 13 March 2008	55.38%	50.07%	RMB340,050,000	RMB340,050,000	Landscaping, and plant maintenance and management of scenic spots

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20. INVESTMENTS IN SUBSIDIARIES AND ADVANCES TO SUBSIDIARIES (continued)

(a) Investments in subsidiaries (continued)

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group 2010	2009	Issued and paid-up capital	Authorised share capital	Principal activities
Wuxi Hongshan New Town Commercial Operation and Management Co., Ltd. (iii)	PRC 18 March 2008	55.38%	45.06%	RMB1,000,000	RMB1,000,000	Business management
Shanghai Golden Luodian International Travel Services Co., Ltd. (iii)	PRC 18 June 2010	40.23%	–	RMB1,000,000	RMB1,000,000	Travel service
Chengdu Shanghai Real Estate Co., Ltd. (iii)	PRC 20 December 2010	44.70%	–	RMB20,000,000	RMB20,000,000	Property development
Wuxi Hongqing Real Estate Development Co., Ltd. (iii)	PRC 27 April 2010	55.38%	–	RMB8,000,000	RMB8,000,000	Property development

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Other than disclosed above, the Company has several investment holding subsidiaries incorporated in the BVI or Hong Kong with nominal issued shares. All subsidiaries located in Mainland China are limited liability entities.

The major transactions relating to the investments in subsidiaries are as follows:

(i) On 10 February 2010, Sinopower Limited ("Sinopower"), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with a ultimate shareholder of the non-controlling interest in Huarui Asset Management, to purchase its 100% equity interest in Big Prime Limited which holds 9% equity interest in Huarui Asset Management together with a call option (Note 36) to purchase up to 40% of the equity interest in Huarui Asset Management, for a total consideration of RMB305 million. The transaction was completed in 2010. After completion of these share transfer, equity interest held by the Company in Huarui Asset Management increased from 51% to 60%.

Since this transaction is an acquisition of non-controlling interest in a subsidiary, the difference between the purchase consideration and share of net assets acquired, amounting to approximately HK$153 million, was debited to other reserves.

20. INVESTMENTS IN SUBSIDIARIES AND ADVANCES TO SUBSIDIARIES (continued)

(a) Investments in subsidiaries (continued)

(ii) On 28 October 2009, Konmen, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with a third party to purchase, the entire issued capital of Goldjoy Investment Limited ("Goldjoy") and an interest-free shareholder's loan for a total consideration of HK$750,000,000. HK$250 million, being the partial payment, has been paid in cash during 2010 and the balance of HK$500 million has been promised to be paid on or before 28 October 2011. Goldjoy holds a 20% equity interest in Liaoning Gao Xiao. The transaction was completed prior to the end of the year. After completion of these share transfer, equity interest held by the Company in Liaoning Gao Xiao increased from 70% to 90%.

Since the transaction is an acquisition of non-controlling interest in a subsidiary, the difference between the purchase consideration and share of net assets acquired, amounting to approximately HK$379 million, was debited to other reserves.

(iii) On 19 April 2010, Sinopower, a 100% owned subsidiary of the Company, has acquired 97,939,859 CNTD Shares on the SGX-ST at the price of S$0.12 per CNTD Share for a total consideration of approximately S$11.75 million (equivalent to approximately HK$66.75 million) plus the relevant stamp duty and related expenses. On the same date, Sinopower, served a notice to CNTD relating to the exercise of the conversion rights attached to the convertible bonds (subscribed by Sinopower on 28 July 2009) in full. Upon conversion of the bonds, the number of CNTD shares owned by the Company increased by 754,145,894 accordingly. Upon the conversion and the acquisition, the Group's equity interest in CNTD increased from approximately 50.01% to 62.36%.

On 7 July 2010, CNTD has sold all of its 51,639,250 treasury shares on open market (SGX-ST) to investors other than the Group at a price of S$0.105 per share. Upon completion of such sale, the percentage of shares held by the Group has accordingly decreased from approximately 62.36% to 61.54%.

Since the transaction is an acquisition of non-controlling interest in a subsidiary, the excess of share of net assets acquired over the purchase consideration, amounting to approximately HK$135 million, was credited to other reserves.

For all subsidiaries and associate of CNTD, the percentage of equity interest attributable to the Group has changed in line with the change of the Group's equity interest percentage in CNTD.

(iv) During current year, the group completed business acquisition on five subsidiaries as Xiabo, Haibo, Wuxi Zhongqing, Bairun and Cheswing, detailed information, please refer to Note 44.

(b) Advances to subsidiaries

COMPANY

All the advances to subsidiaries are unsecured and have no fixed repayment terms, other than an advance amounting to approximately HK$73.7 million (2009: HK$73.7 million) to Anderson Shanghai which earns interest at 3% (2009: 3%) per annum and a US$4.5 million loan to Huarui Asset Management which earns interest at the prevailing London Interbank Offered Rate per annum, the advances to other subsidiaries were interest-free.

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21. INVESTMENTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES

(a) Investments in associates

GROUP

	2010	2009
Share of net assets	72,182	87,807
Less: Provision for impairment	–	–
	72,182	87,807
Market value of listed shares	–	–

Particulars of the Group's associates as at 31 December 2010 are set out below:

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group 2010	2009	Issued and paid-up capital	Authorised share capital	Principal activities
Shanghai Housing Industry New Technology Development Co., Ltd. ("New Technology")	PRC 6 May 1997	26%	26%	RMB100,000,000	RMB100,000,000	Research and development of housing technology
Shanghai Orda Opto-electronics Science and Technology Co., Ltd.	PRC 23 March 2000	23.52%	23.52%	RMB11,000,000	RMB11,000,000	Development and sale of photo electronic products, computer hardware and software
Shanghai Telecom Broadband Networking Co., Ltd. ("Broadband") (i)	PRC 24 October 2000	19.80%	39.59%	RMB100,000,000	RMB100,000,000	Development and sale of netware and construction of broadband fibre projects
Shanghai Malaren Lake Artwork Exhibition Co., Ltd.	PRC 25 April 2006	8.95%*	7.28%	RMB1,000,000	RMB1,000,000	Artwork exhibition

* Please refer to Note 20(a)(iii) for the changes in the Company's interests in CNTD during the year.

(i) On 16 April 2010, shareholders of Broadband approved to merge by absorption of Shanghai Smartelnet Company. After this merger, the Company's ultimate ownership in Broadband decreased from 39.59% to 19.80% while direct ownership in Broadband changed from 40% to 20%.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

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21. INVESTMENTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (continued)

(a) Investments in associates (continued)

The year end financial statements of the above associates are coterminous with those of the Group.

The Group's shareholdings in the associates all comprise equity shares held through certain wholly-owned subsidiaries and non-wholly-owned subsidiaries of the Company. All the above associates have been accounted for using the equity method in these financial statements.

Extracts of financial information of principal associates

The following tables illustrate the financial information of the Group's principal associates as extracted from their financial statements:

(1) **Broadband**

	2010	2009
Assets	**377,094**	205,911
Liabilities	**(182,898)**	(60,741)
Revenue	**193,444**	139,478
Profit after tax	**63,652**	39,487

(2) **New Technology**

	2010	2009
Assets	**134,083**	120,239
Liabilities	**(6,743)**	(6,732)
Revenue	**7,646**	2,179
Profit after tax	**32,626**	1,243

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21. INVESTMENTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (continued)

(b) Amounts due from associates

	Group		Company	
	2010	2009	**2010**	2009
Amounts due from:				
– Broadband	**8,113**	1,825	–	–
	8,113	1,825	–	–

The above amounts due from an associate at 31 December 2010 included a RMB6 million (31 December 2009: nil) of dividend receivable from Broadband.

The Group's amount due to an associate is disclosed in Note 40 to the financial statements.

22. OTHER NON-CURRENT ASSETS

	Group		Company	
	2010	2009	**2010**	2009
Prepayments for acquisition of companies (a)	–	305,391	–	279,485
Deferred commission from sale of golf membership	**56,970**	57,526	–	–
Others	**1,004**	18	–	–
	57,974	362,935	–	279,485

(a) On 17 August 2008, the Company signed a letter of intent with a third party (the "Vendor") to acquire its 100% equity interest in a resort investment management company in Jiaxing with a total consideration of US$50 million (HK$387 million). In connection with this transaction, the Group paid US$36 million (approximately HK$279 million) to the Vendor as earnest money. The earnest money was interest-free, and should be refunded to the Company if the conditions for the completion of the acquisition are not met by 30 June 2009. On 30 June 2009, the Company signed a memorandum with the Vendor to extend the deadline to 30 June 2010. As described in Note 44(5), the share transfer has been completed in the year and the prepayment was used to settle the purchase consideration.

In December 2009, Shangzhi Real Estate, a subsidiary of the Company, entered into two acquisition agreements with third parties. Pursuant to the agreements, Shangzhi Real Estate agreed to purchase the entire equity interests in two property development companies incorporated in the PRC for RMB75,250 thousand and RMB38,800 thousand, respectively. The prepayments of RMB23 million (approximately HK$26 million) have been made to original shareholder as at 31 December 2009. As described in Note 44(1) and Note 44(2), these acquisitions have been completed in January 2010 and the prepayments were used to settle the purchase consideration.

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23. PROPERTIES HELD OR UNDER DEVELOPMENT FOR SALE

GROUP

	2010	2009
At cost		
– In Shanghai City, the PRC	3,991,432	3,634,893
– In Shenyang City, the PRC	1,196,374	810,719
– In Wuxi City, the PRC	198,286	–
– In Jiaxing City, the PRC	38,925	–
– In Haikou City, the PRC	699,491	259,766
	6,124,508	4,705,378

	2010	2009
Properties held or under development expected to be recovered		
– Within one year	3,939,019	3,428,077
– After one year	2,185,489	1,277,301
	6,124,508	4,705,378

As of 31 December 2010 and 2009, certain of the Group's properties held or under development for sale had been pledged as collateral for the Group's bank loans and facilities (Note 31).

24. LAND DEVELOPMENT FOR SALE

GROUP

	2010	2009
At cost:		
Mainland China	4,416,924	4,353,169

Land development for sale is expected to be realised in the normal operating cycle, which is longer than 12 months.

As mentioned in the accounting policy on revenue recognition in Note 2.4, the realisation of land development for sale depends on the timing of sales of related land plots by the local governments, which is uncertain and out of the control of the Group, and the amounts of land development for sale recognised as cost of sales upon realisation change significantly from year to year.

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25. PREPAYMENTS AND OTHER CURRENT ASSETS

	Group		Company	
	2010	2009	**2010**	2009
Prepaid business tax	**172,639**	177,205	–	–
Prepayments	**483,391**	81,324	–	50,146
Others	**15,301**	2,485	**3,117**	1,360
	671,331	261,014	**3,117**	51,506

The above prepayment balances at 31 December 2010 included a RMB214 million (31 December 2009: nil) and a RMB137 million (31 December 2009: nil) of prepayments for land use right located in Chengdu and Shenyang respectively.

26. OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
Receivables in connection with acquisition of Konmen Investment Limited (a)	**551,201**	550,382	–	–
Receivables in respect of CNTD's Changchun Project (b)	**343,281**	366,132	–	–
Receivables in connection with the disposal of subsidiaries	**491**	300,474	–	–
Deposit for a real estate project	**35,257**	–	–	–
Capital contribution to a company pending registration	–	10,789	–	–
Interest subsidy receivable (d)	**21,256**	21,022	–	–
Deposit for land bidding	**111,827**	–	–	–
Compensation receivable due from two third-party constructors (c)	**41,133**	–	–	–
Others	**103,158**	80,272	–	86
	1,207,604	1,329,071	–	86
Less: provision for impairment (d)	**(21,256)**	–	–	–
Other receivable, net	**1,186,348**	1,329,071	–	86

26. OTHER RECEIVABLES (continued)

(a) On 17 August 2007, SRE Investment Holding Limited (a substantial shareholder of the Company, or the "Vendor") and an independent third party (the "Original Shareholder") entered into an acquisition agreement (the "Vendor Acquisition Agreement"), pursuant to which the Vendor agreed to purchase, from the Original Shareholder, the entire issued share capital (the "Sale Share") of Konmen Investment Limited ("Konmen"), which in turn holds a 70% interest in Liaoning Gao Xiao, for a consideration of HK$1,600 million.

On the same date, the Vendor and a subsidiary of the Company (the "Purchaser") entered into an acquisition agreement (the "Acquisition Agreement"), pursuant to which the Purchaser agreed to purchase the Sale Share from the Vendor for a consideration of HK$1,600 million. Pursuant to the Acquisition Agreement, the consideration was satisfied by the Company issuing 526,315,789 shares at a price of HK$3.04 per share, representing approximately 23.80% of the then existing issued share capital of the Company and approximately 19.22% of the issued share capital of the Company as enlarged by the newly issued shares. The market share price on the acquisition date was HK$3.36 per share.

On 15 November 2007, a supplemental agreement was entered into between the Vendor, the Company, the Purchaser, the Original Shareholder and Konmen (the "Supplemental Agreement").

Liaoning Gao Xiao is the developer of two properties (the "Properties") and also successfully won the bid in August 2007 for the acquisition of a parcel of land (the "Land") with a site area of approximately 153,696 square metres. Both the Properties and the Land are located at Shenyang City, the PRC. The total purchase cost of the Land including demolition and relocation costs that would be incurred is estimated at RMB1,192,680,960 (the "Land Purchase Cost"). Also, Liaoning Gao Xiao had assets (the "Assets") other than the Land and the unsold part of Properties, and other liabilities (the "Liabilities"), upon completion of the acquisition.

According to the above agreements, the Original Shareholder agreed to pay Liaoning Gao Xiao the Land Purchase Cost, to bear the Liabilities and to reimburse Liaoning Gao Xiao the relevant amounts payable in respect of the Liabilities, to the extent that they have not been paid for by the Original Shareholder and/or the other shareholder who holds the remaining 30% equity interest in Liaoning Gao Xiao. If the amounts paid by the Original Shareholder are made to the Vendor, the Vendor agreed to transfer such amounts to the Group. The Original Shareholder is also entitled to receive the Assets from the Group through the Vendor, to the extent that such assets have not been paid to the Original Shareholder and/or the shareholder who holds the remaining 30% equity interest in Liaoning Gao Xiao.

Pursuant to the above agreements, the Vendor has also undertaken to pay Liaoning Gao Xiao the Land Purchase Cost, and to bear the Liabilities and to reimburse Liaoning Gao Xiao the relevant amounts payable in respect of the Liabilities, to the extent they have not been paid for by the Original Shareholder and/or the other shareholder who holds the remaining 30% equity interest in Liaoning Gao Xiao. In addition, in the event that Liaoning Gao Xiao fails to obtain the relevant land use right to the Land by 30 June 2010, the Vendor undertakes to pay the Company HK$1,600 million in cash on or before 30 December 2010 (the "Undertaking").

26. OTHER RECEIVABLES (continued)

(a) (continued)

It was subsequently announced by the Company on 26 June 2009 that as at 30 April 2009, Liaoning Gao Xiao has only obtained land use rights for approximately 28% of the site area of the Land. On 4 December 2009, the Special General Meeting of the Company passed a resolution that the Company shall not exercise its rights under the Undertaking for the time being and shall delay enforcement of the Undertaking against the Vendor to 31 December 2012 if Liaoning Gao Xiao still fails to obtain the land use rights certificates in respect of the remaining portion of the Land by then.

In connection with the above, RMB515 million (HK$549 million) were received by the Group in 2007. As of 31 December 2010, the outstanding receivable in respect of this transaction amounted to approximately RMB469 million (approximately HK$551 million) (2009: approximately RMB485 million (approximately HK$550 million)).

(b) The above other receivable balances at 31 December 2010 included a RMB292 million (approximately HK$343 million) (31 December 2009: RMB322 million, approximately HK$378 million) estimated receivable due from the Changchun Auto Industry Development Zone Administrative Committee (the "Changchun Committee"). In December 2009, the Group has entered into an agreement ("the 2009 Agreement") with the Changchun Committee to cease the land development by the Group through Changchun New Town Automobile Industry Construct Co., Ltd. in Changchun. Pursuant to the 2009 Agreement, although no detailed repayment schedule had been set out in the 2009 Agreement, the Changchun Committee agreed to fully repay the Group within a year from the date of the 2009 Agreement, for, firstly, the cost of construction, which shall be determined by independent qualified professional parties after conducting construction audits, and, secondly, the cost of relocation that has been incurred by the Group in accordance with the relevant relocation agreement, and compensate the Group for finance costs (including certain related miscellaneous expenditure) at an interest rate of 10% per annum based on the time elapsed since the actual date when such finance costs were incurred by the Group. During the year ended 31 December 2010, RMB33 million (approximately HK$39 million) had been collected by the Group (2009: RMB10 million, approximately HK$12 million), among which RMB19 million (2009: nil) was used to settle the estimated payables to constructors on behalf of the Changchun Committee during the year ended 31 December 2010. In addition, the estimated receivables from the Changchun Committee and estimated payables to constructors both increased by a total amount of RMB3 million as a result of the construction audits to date. The total collections so far from the Changchun Committee amounted to approximately RMB51 million (approximately HK$60 million) (RMB8 million had been received before the 2009 Agreement was reached). In December 2010, due to the delay in construction audits and other necessary procedures, the Changchun Committee issued a letter requesting to extend the repayment of remaining balances from end of 2010 to no later than end of 2011. Since the Changchun Committee promised, in the letter, to continue to honour all other clauses of the 2009 Agreement, the directors expect that the receivable will be fully settled, and hence, no provision had been made for the receivable due from the Changchun Committee as at 31 December 2010 (2009: no provision). The transaction did not contribute any significant profit or loss to the Group.

26. OTHER RECEIVABLES (continued)

(c) The above other receivable balances at 31 December 2010 also included an amount of RMB35 million (approximately HK$41 million) receivable due from two third-party constructors. In December 2008, due to illegal occupation of agricultural land for the purpose of constructing a golf course, the Liaoning Department of Land and Resources established that as a case for investigation, and it issued the Administrative Penalty Decision Notice in this respect. Though the CNTD Group has instructed third-party constructors to stop the construction of the golf course on the agricultural land, those constructors still continued such construction and therefore those constructors agreed to compensate the Group by RMB41 million (approximately HK$48 million). Up to May 2010, the Group has fulfilled what was required by the Liaoning Department of Land and Resources, i.e., the golf clubhouse which was established within the grounds of the sports and recreation park under the Shenyang Project, was confiscated, the Group paid a fine of approximately RMB14.7 million (approximately HK$17 million) and was required to reinstate the portion of agricultural land that was illegally occupied for the construction of the golf course and clubhouse. The confiscation of club house and reinstatement of a portion of agricultural land caused the Group to write down a total carrying amount of RMB30.6 million (approximately HK$36 million) during 2010 of property, plant and equipment. Since the RMB41 million (approximately HK$48 million) compensation from the constructors partially compensate the fine and the write-down of property, plant and equipment, the Group incurred a loss of RMB4.3 million (approximately HK$5 million). During the year ended 31 December 2010, RMB6 million (approximately HK$7 million) has been collected by the Group and the third-party constructors promised to repay the remaining amounts in the year ended 31 December 2011.

As of 31 December 2010, no further provision in respect of the case was made as the case was closed officially in June 2010 and the directors expect that the receivable will be fully settled.

(d) There is a bad debt provision for other receivables of RMB18,510 thousand (approximately HK$21 million), which has been outstanding for almost four years and is not expected to be recovered. The Group does not hold any collateral or other credit enhancements over this balance.

No other asset is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

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27. ACCOUNTS RECEIVABLE

GROUP

	2010	2009
Accounts receivable	**617,983**	411,635
Less: Provision for impairment	**(10,118)**	(10,313)
	607,865	401,322
Non-current accounts receivable	**109,598**	106,365
	717,463	507,687

	2010	2009
Accounts receivable		
Receivables from land development for sale	**555,791**	326,226
Receivables from the sale of golf club membership	**8,977**	50,794
Receivables from hotel operations	**10,010**	5,455
Receivables from property leasing	**3,660**	4,367
Receivables from sale of residential and commercial properties	**28,934**	9,708
Receivables from network hardware and installation of intelligent home equipment	**–**	8,429
Others	**10,611**	6,656
Less: Provision for impairment	**(10,118)**	(10,313)
	607,865	401,322
Non-current accounts receivable		
Receivables from land development for sale	**109,540**	99,152
Receivables from the sale of golf club membership	**58**	7,213
	109,598	106,365
	717,463	507,687

An aged analysis of accounts receivable as at the end of the reporting period, from the date when they were recognised, is as follows:

	2010	2009
Within 6 months	**57,294**	201,473
6 months to 1 year	**394,640**	16,717
1 to 2 years	**52,588**	181,490
Over 2 years	**223,059**	118,320
	727,581	518,000

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27. ACCOUNTS RECEIVABLE (continued)

The Group's sale of development properties, hotel and golf (other than golf membership) operations are generally on a cash basis. While the Group's trading terms with its customers for other operations are mainly on credit. The credit terms of the Group are as follows:

– Golf club membership: they are receivable in installments, the credit terms range from 2 to 3 years;

– Land development: there is no clearly specified credit terms, the receivables represent the Group's share of the proceeds from land sold by local governments through public auction, the collection of such receivables from the local governments are generally collectible within 6 months after the land sale. However, it may take the Group longer to receive certain portions (e.g. the amount attributable to public utility fee) of the receivable which takes more than one year.

– Others: generally within 6 months.

Except for the amounts receivable in respect of the sale of land receivable from the local governments, the Group's other accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Accounts receivable which are neither past due nor impaired and aging analysis for past due but not impaired accounts receivables are as follows:

	2010	2009
Neither past due nor impaired	**684,250**	473,679
Past due but not impaired:		
Within 30 days	**5,804**	1,759
30 to 60 days	**1,110**	758
60 to 90 days	**12,879**	1,399
90 to 120 days	**2**	587
Over 120 days	**13,418**	29,505
	717,463	507,687

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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27. ACCOUNTS RECEIVABLE (continued)

The movements in provision for impairment of accounts receivable are as follows:

	2010	2009
At beginning of year	10,313	9,920
Impairment losses recognised (Note 7)	–	377
Amount written off as uncollectible	(541)	–
Exchange realignment	346	16
At end of year	10,118	10,313

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of approximately HK$10 million (2009: approximately HK$10 million) with an aggregate carrying amount before provision of approximately HK$10 million (2009: HK$10 million). These individually impaired accounts receivable have been outstanding for over 2 years and are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

28. CASH AND BANK BALANCES

	Group		Company	
	2010	2009	2010	2009
Cash on hand	1,894	1,820	15	31
Demand and notice deposits	3,883,060	4,018,720	158,147	84,790
Time deposits with original maturity of no more than 3 months	2,350	113,572	–	–
Cash and cash equivalents	3,887,304	4,134,112	158,162	84,821
Time deposits with original maturity of more than 3 months	273,501	7,950	–	–
Pledged bank deposits (a)	1,097,661	126,292	–	–
Restricted bank deposits under a development project (b)	98,631	284,770	–	–
Restricted bank deposits relating to legal arbitration (c)	3,561	–	–	–
Restricted bank deposits relating to interest on borrowings (d)	42,308	49,698	–	–
Cash and bank balances	5,402,966	4,602,822	158,162	84,821

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28. CASH AND BANK BALANCES (continued)

(a) As at 31 December 2010, the bank deposits of approximately HK$1,098 million (2009: HK$126 million) were pledged as securities for bank borrowings (Note 31).

(b) These restricted bank deposits are mainly funds designated for relocating existing residents under a development project.

(c) These restricted bank deposits were frozen by bank for legal arbitration according to the progression of these lawsuits. The management considered the impact of these lawsuits to the Group was minimal.

(d) An amount of RMB36 million (equivalent to HK$42,308 thousand) (2009: RMB36 million, equivalent to HK$40,886 thousand) is related to the interest to be paid for the RMB600 million bank loan. The balance as of 31 December 2009 also included an amount of US$1,135 thousand relating to the interest to be paid for CNTD Guaranteed Senior Notes in March 2010, which have been escrowed in interest reserve accounts.

The carrying amounts of the cash and bank balances which are denominated in the following currencies are:

	Group		Company	
	2010	2009	**2010**	2009
Hong Kong dollars	**267,946**	12,900	**157,965**	4,362
United States dollars	**16,083**	95,465	**196**	80,459
Singapore dollars	**109**	85	**1**	–
RMB	**5,118,828**	4,494,372	**–**	–
	5,402,966	4,602,822	**158,162**	84,821

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Demand deposits earn interest at floating rates based on daily bank deposit rates. Notice deposits are made for varying periods of between one day and seven days depending on the immediate cash requirements of the Group, and earn interest at the respective notice deposit rates. Time deposits earn interest rate at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents, pledged and restricted deposits approximate to their fair values.

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29. SHARE CAPITAL AND PREMIUM

GROUP AND COMPANY

		Amount		
	Number of shares (thousands)	**Issued capital**	**Share premium**	**Total**
At 1 January 2010 and 31 December 2010	**3,603,881**	**360,388**	**4,376,101**	**4,736,489**

		Amount		
	Number of shares (thousands)	Issued capital	Share premium	Total
At 1 January 2009	2,783,881	278,388	3,724,713	4,003,101
Issue of shares upon conversion of convertible bonds (Note 41)	300,000	30,000	217,212	247,212
Issue of new shares	520,000	52,000	434,176	486,176
At 31 December 2009	3,603,881	360,388	4,376,101	4,736,489

The total authorised number of ordinary shares is 8,000 million shares (2009: 8,000 million shares) with a par value of HK$0.10 per share (2009: HK$0.10 per share). All issued shares are fully paid.

(a) The Company's share option scheme was approved at a special general meeting held on 23 May 2002. According to this share option scheme, the directors may, at their discretion, at any time during the 10 years from the date of approval of the scheme, invite any executive and/or employee of the Group to take up share options of the Company. The subscription price is determined by the directors and may not be less than the higher of (i) the average official closing price of the shares on the HKEx for the five trading days immediately preceding the relevant offer date and (ii) the official closing price of the shares on the HKEx on the relevant offer date.

No share options of the Company were outstanding as at 31 December 2010 and 2009. CNTD's Management Stock Option Plan was detailed in Note 30(a).

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity. Pursuant to the relevant laws and regulations for sino-foreign joint venture enterprises, a portion of the profits of the Group's entities which are established in Mainland China has been transferred to reserve funds which are restricted as to use.

Companies within the Group, most of which are registered in the PRC as foreign invested entities, are required to make appropriations from statutory net profits to the reserve fund and the enterprise expansion fund, upon distribution of their post-tax profits of the current year. The percentages to be appropriated to the reserve fund and the enterprise expansion fund are determined by the boards of directors of these companies.

Companies within the Group, which are registered in the PRC as domestic invested entities, are required to appropriate 10% of statutory net profits to the statutory surplus reserve, upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. Upon contribution to the statutory surplus reserve using its post-tax profit, a company may make further contribution to the surplus reserve using its post-tax profit in accordance with a resolution of the board of directors.

CNTD's Management Stock Option Plan ("Management Grant")

Since CNTD was deemed as a subsidiary of the Company on 9 September 2009, CNTD's Management Grant was included in the consolidated financial statements of the Group. The detailed information of the Management Grant since it was launched is as follows:

On 5 July 2007, the Board of Directors of the CNTD passed a resolution to award a total of 380 CNTD shares (equivalent to 28,500 thousand CNTD shares after the CNTD share split in 2007) to certain of the CNTD's directors and employees ("Entitled Persons") as an incentive for their continued service to CNTD in the following proportions.

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30. RESERVES (continued)

(a) Group (continued)

CNTD's Management Stock Option Plan ("Management Grant") (continued)

	Number of CNTD shares allotted	
Entitled Person	**Before the CNTD share split**	**Equivalent to the numbers after the CNTD share split**
Li Yao Min	79	5,925,000
Yue Wai Leung, Stan	79	5,925,000
Yang Yong Gang	68	5,100,000
Gu Bi Ya	40	3,000,000
Cheng Wai Ho	40	3,000,000
Mao Yi Ping	33	2,475,000
Tai Kuo Lin	25	1,875,000
Ma Da Yu	10	750,000
Sun Xiao Meng	3	225,000
Zhang Qiong	3	225,000
Total	380	28,500,000

In accordance with the terms of the Management Grant, the shares are allotted and will vest as follows: (a) 10% at the end of the 12th month after the date of listing of CNTD on the Main Board of the SGX-ST; (b) 15% at the end of the 24th month after the date of listing of CNTD on the Main Board of the SGX-ST; (c) 20% at the end of the 36th month after the date of listing of CNTD on the Main Board of the SGX-ST; (d) 25% at the end of 48th month after the date of listing of CNTD on the Main Board of the SGX-ST; and (e) the remaining 30% at the end of the 60th month after the date of listing of CNTD on the Main Board of the SGX-ST.

The Management Grant is provided on the basis that the relevant Entitled Persons remain in service within CNTD on the vesting days and he/she has not submitted a notice of resignation at those dates. The exercise price is RMB8 per CNTD share (before the CNTD share split in 2007, after the CNTD share split, the exercise price is RMB8 per 75,000 CNTD shares). The Management Grant is accounted for as a compensation for services to be provided by the Entitled Persons in the periods of service (the "vesting periods") as specified above. Since the CNTD shares granted do not vest until the Entitled Persons complete their services in the vesting periods, CNTD recognises the expenses over the vesting periods.

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30. RESERVES (continued)

(a) Group (continued)

CNTD's Management Grant-Fair value of stock options granted

The fair value of the equity-settled stock options was approximately RMB 2.023 per CNTD share (after CNTD's share split in 2007) at the date of grant. There have been no cancellations or modifications to the Management Grant, and the Management Grant was not replaced as a result of the acquisition of CNTD. The fair value on 9 September 2009 was approximately RMB 0.576 per share.

The fair value of the stock option was estimated using the binomial option pricing model. Since the exercise price of the equity-settled stock options is close to zero per share (after CNTD's share split in 2007), the single most important input to the valuation model is price of the CNTD's shares, which were estimated to be approximately RMB 2.023 per share (after CNTD's share split in 2007) at the date of grant, and was quoted at RMB 0.576 per share (after CNTD's share split in 2007) on 9 September 2009.

Some of the Entitled Persons who have totally 43 CNTD shares (before CNTD share split) left CNTD till end of 31 December 2010, so their rights under Management Grant were forfeited according to the terms of Management Grant.

There have been no cancellations or modifications to any of Management Grant during the years ended 31 December 2010 and 2009.

CNTD's Management Grant-Movement in the year

The following table illustrates the number of and movements in the Management Grant during the year:

	2010 Number of CNTD's shares (after the share split)	2009 Number of CNTD's shares (after the share split)
Outstanding at the beginning of the year	**24,772,500**	27,750,000
Forfeited during the year	**(2,250,000)**	(225,000)
Exercised during the year	**(4,128,750)**	(2,752,500)
Outstanding at the end of the year	**18,393,750**	24,772,500
Exercisable at the end of the year	**4,905,000**	4,128,750

The weighted average of the CNTD share price at the date of exercise for CNTD share options exercised during the year ended 31 December 2010 was SG$0.13 (year ended 31 December 2009: SG$0.07).

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30. RESERVES (continued)

(b) Company

	Share option reserve	Exchange fluctuation reserve	Equity component of convertible bonds	Retained profits	Total
Balance at 1 January 2010	**248**	**535,225**	**179,361**	**246,098**	**960,932**
Total comprehensive income for the year	**–**	**194,295**	**–**	**37,235**	**231,530**
Cash dividends	**–**	**–**	**–**	**(158,571)**	**(158,571)**
Balance at 31 December 2010	**248**	**729,520**	**179,361**	**124,762**	**1,033,891**

	Share option reserve	Exchange fluctuation reserve	Equity component of convertible bonds	Retained profits	Total
Balance at 1 January 2009	248	526,838	–	5,817	532,903
Total comprehensive income for the year	–	8,387	–	240,281	248,668
Equity component of CB4	–	–	179,361	–	179,361
Balance at 31 December 2009	248	535,225	179,361	246,098	960,932

31 December 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group and Company

	Group		Company	
	2010	2009	**2010**	2009
Short-term bank borrowings				
– Secured	**200,140**	90,857	**–**	–
Other short-term borrowings				
– Unsecured	**129,745**	–	**–**	–
Current portion of long-term bank borrowings				
– Secured	**2,637,662**	1,453,151	**947,302**	–
Current portion of other long-term borrowings				
– Secured	**51,332**	–	**–**	–
– Unsecured	**150,675**	45,950	**33,152**	45,950
Borrowings, current portion	**3,169,554**	1,589,958	**980,454**	45,950
Long-term bank borrowings				
– Secured	**8,306,434**	5,732,283	**155,683**	247,294
Other long-term borrowings				
– Secured	**446,711**	–	**–**	–
– Unsecured	**109,883**	210,266	**15,865**	46,072
Borrowings, non-current portion	**8,863,028**	5,942,549	**171,548**	293,366
The long-term borrowings are repayable as follows:				
– Within 1 year	**2,839,669**	1,499,101	**980,454**	45,950
– 1 to 2 years	**1,768,369**	1,293,989	**171,548**	119,869
– 2 to 3 years	**2,507,839**	1,166,882	**–**	173,497
– 3 to 5 years	**1,481,880**	1,067,903	**–**	–
– After 5 years	**3,104,940**	2,413,775	**–**	–
	11,702,697	7,441,650	**1,152,002**	339,316
Less: long-term borrowings, current portion	**(2,839,669)**	(1,499,101)	**(980,454)**	(45,950)
Long-term borrowings, non-current portion	**8,863,028**	5,942,549	**171,548**	293,366

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Group and Company (continued)

Short-term bank borrowings – secured

As at 31 December 2010, a short-term bank loan of approximately HK$200 million (2009: Nil) was pledged by bank deposits. As at 31 December 2009, a short-term bank loan of approximately HK$91 million was secured by a pledge of the Group's investment properties and property, plant and equipment.

Other short-term borrowings – unsecured

Unsecured short-term borrowings of approximately HK$130 million (2009: approximately HK$164 million) are entrusted loan from a non-controlling shareholder of a subsidiary of the Company.

Long-term bank borrowings – secured

As at 31 December 2010, long-term bank borrowings of approximately HK$10,944 million (2009: approximately HK$7,185 million) were secured by pledges of the Group's leasehold land, together with bank deposits, property, plant and equipment, investment properties, properties held or under development for sale and equity interest of a subsidiary. Among the above long-term bank borrowings, a long-term bank loan with a principal of HK$176 million (2009: HK$400 million) was guaranteed by Mr. Shi Jian, the Chairman of the Company.

Other long-term borrowings – secured

As at 31 December 2010, long-term borrowing of approximately HK$498 million (2009: Nil) is from a third party trust fund which is secured by pledge of the Group's equity interest in a subsidiary.

Other long-term borrowings – unsecured

As at 31 December 2010, unsecured long-term borrowing of approximately HK$49 million is from an external banker (2009: approximately HK$92 million) in connection with the termination of the cross currency swaps, entered into during the year ended 31 December 2007, and unsecured long-term borrowing of approximately HK$212 million (2009: Nil) is from a third party trust fund.

Overall collateral arrangements for bank and other borrowings

As at 31 December 2010, bank deposits of approximately HK$1,098 million (2009: approximately HK$126 million) (Note 28), leasehold land of approximately HK$3,659 million (2009: approximately HK$2,404 million) (Note 18), investment properties of approximately HK$6,414 million (2009: approximately HK$6,115 million), properties held or under development for sale of approximately HK$2,939 million (2009: approximately HK$1,966 million), and property, plant and equipment of approximately HK$1,361 million (2009: approximately HK$1,396 million) (Note 16) and 100% equity interest in Bairun with a cost of approximately HK$59 million (2009: Nil) and 95% equity interest in Jinwu with a cost of approximately HK$494 million (2009: Nil) were pledged as collateral for the Group's long-term borrowings and banking facilities.

31 December 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Group and Company (continued)

The weighted average effective interest rates for these borrowings at the end of the reporting period are as follows:

	2010			2009		
	HK$	US$	RMB	HK$	US$	RMB
Short-term bank borrowings	1.79%	–	–	–	–	6.37%
Other short-term borrowings	–	–	5.56%	–	–	–
Long-term bank borrowings	2.76%	–	5.89%	2.80%	–	5.77%
Other long-term borrowings	–	6.01%	11.56%	–	6.01%	7.07%

As bank loans are all borrowed at prevailing market interest rates, which would be adjusted from time to time in line with interest rate changes in the market, the carrying amounts of the bank loans approximate to their fair values.

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

	Group		Company	
	2010	2009	2010	2009
Hong Kong dollars	1,303,124	637,517	1,102,985	247,294
United States dollars	49,017	92,022	49,017	92,022
RMB	10,680,441	6,802,968	–	–
	12,032,582	7,532,507	1,152,002	339,316

The Group had the following undrawn credit facilities as of the end of the reporting period:

	2010	2009
Floating rate loan facilities		
– expiring within 1 year	16,453	261,215
– expiring beyond 1 year	458,338	–
	474,791	261,215

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32. GUARANTEED SENIOR NOTES

Group and Company

	Group		Company	
	2010	2009	**2010**	2009
Non-current				
SRE Guaranteed Senior Notes (a)	**557,322**	552,463	**557,322**	552,463
Current				
CNTD Guaranteed Senior Notes (b)	**–**	95,813	**–**	–
	557,322	648,276	**557,322**	552,463

SRE Guaranteed Senior Notes

At initial recognition, the SRE Guaranteed Senior Notes in their original currency are as follows:

	US$'000
Face value of SRE Guaranteed Senior Notes	200,000
Less: issuance cost	(6,841)
Carrying amount on initial recognition	193,159

The movements in the carrying amount of SRE Guaranteed Senior Notes during the year are as follows:

	2010		2009	
		HK$ equivalent		HK$ equivalent
	US$'000	**HK$'000**	US$'000	HK$'000
At beginning of year	**71,240**	**552,463**	198,448	1,537,947
Foreign exchange gain	**–**	**(16,874)**	–	–
Exchange realignment	**–**	**18,891**	–	680
Add: interest expense (Note 9)	**6,529**	**50,737**	13,081	101,409
Less: payment of interest	**(6,164)**	**(47,895)**	(11,707)	(90,756)
Less: amount redeemed (including accrued interest)	**–**	**–**	(128,582)	(996,817)
At end of year	**71,605**	**557,322**	71,240	552,463

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32. GUARANTEED SENIOR NOTES (continued)

CNTD Guaranteed Senior Notes

The movements in the carrying amount of CNTD Guaranteed Senior Notes during the year are as follows:

	2010		2009	
		HK$ equivalent		HK$ equivalent
	RMB'000	HK$'000	RMB'000	HK$'000
At beginning of year	84,363	95,813	–	–
Acquisition of subsidiaries	–	–	83,231	94,452
Exchange realignment	–	1,067	–	76
Add: interest expense (Note 9)	17,287	19,852	8,886	10,085
Less: payment of interest	(15,495)	(17,794)	(7,754)	(8,800)
Less: amount redeemed (including accrued interest)	(86,155)	(98,938)	–	–
At end of year	–	–	84,363	95,813

(a) On 24 April 2006, the Company issued guaranteed senior notes maturing on 24 April 2013 (the "Maturity Date"), with an aggregate principal amount of US$200 million and a fixed interest rate of 8.625% per annum (the "SRE Guaranteed Senior Notes"). The SRE Guaranteed Senior Notes are guaranteed by some investment holding subsidiaries which are not incorporated in the PRC.

Interest of the SRE Guaranteed Senior Notes is payable semi-annually in arrears on 24 April and 24 October in each year commencing from 24 October 2006. With regard to the principal amount, the Company has the following redemption options:

i) prior to 24 April 2009, redeem on one or more occasions up to 35% of the aggregate principal amount of the SRE Guaranteed Senior Notes originally issued, at a redemption price of 108.625% of the principal amount, plus accrued and unpaid interest to the redemption date, or

ii) at any time or from time to time prior to the Maturity Date, redeem all or part of the SRE Guaranteed Senior Notes at a redemption price equal to 100% of the principal amount thereof plus an applicable premium plus accrued and unpaid interest to such redemption date.

32. GUARANTEED SENIOR NOTES (continued)

CNTD Guaranteed Senior Notes(continued)

(a) (continued)

On 25 April 2006, the SRE Guaranteed Senior Notes were listed on the HKEx.

Interest expense on the SRE Guaranteed Senior Notes is calculated using the effective interest method by applying the effective interest rate of 9.30% per annum.

On 9 June 2009, the Company announced that it has commenced a tender offer to purchase for cash any and all of its US$200,000,000 SRE Guaranteed Senior Notes. In response to the tender offer, the notesholders holding SRE Guaranteed Senior Notes in an aggregate principal amount of US$128,539 thousand, representing approximately 64.27% of the total aggregate principal amount of the US$200 million SRE Guaranteed Senior Notes had tendered their SRE Guaranteed Senior Notes to be repurchased by the Company in cash. As a result of the redemption, the Group reported a gain on redemption of Guaranteed Senior Notes of approximately HK$179,102 thousand in 2009 (Note 6).

Following the redemption of the SRE Guaranteed Senior Notes, US$71,461,000 of the principal amount of the SRE Guaranteed Senior Notes remained outstanding as at 31 December 2009. The original payment terms of the remaining Guaranteed Senior Notes remained unchanged.

(b) On 12 September 2008, 17.75% US dollar settled Senior Secured Guaranteed Notes (the "CNTD Guaranteed Senior Notes") with the principal amount of RMB593.3 million due on 12 September 2011 was issued by CNTD when CNTD was an associate of the Group.

In September 2009, CNTD completed the repurchase of RMB505,940 thousand in a principal amount of the CNTD Guaranteed Senior Notes from the noteholders by an aggregate of newly issued 229,586,468 ordinary shares (with a fair value equivalent to HK$150 million) of CNTD by way of a private placement and cash amounting to US dollar equivalent of HK$386 million. After the repurchase and as of 31 December 2009, the principal amount of outstanding CNTD Guaranteed Senior Notes was RMB87,360 thousand (equivalent to HK$99,216 thousand).

On 19 November 2010, CNTD completed the repurchase of all its outstanding RMB87,360 thousand in the principal amount (with a carrying amount of RMB86,155 thousand including interest accrued) of the CNTD Guaranteed Senior Notes for a total cash consideration of RMB90,332 thousand (i.e. the principal amount plus all accrued but unpaid interest of RMB2,972 thousand up to 19 November 2010). The repurchase resulted in a loss of RMB4,177 thousand (equivalent to HK$4,798 thousand) (Note 6)and no CNTD Guaranteed Senior Notes were outstanding after the repurchase.

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33. DEFERRED INCOME

Group

		2010	2009
Deferred income arising from:			
Non-current:			
Sale of golf club membership	(i)	**632,478**	639,041
Current:			
Land development	(ii)	**1,111,837**	696,291
		1,744,315	1,335,332

(i) The revenue arising from the sale of golf club membership is deferred and recognised on the straight-line basis over the expected period when the related benefits would be provided.

(ii) The deferred revenue arising from land development for sale represents the portion of amounts received/receivable from the land authorities as a result of the sales of parcels of land developed by the Group that are not yet recognised as revenue, because the developments of the ancillary public facilities attributable to the parcels of land sold are still in progress. The amounts received/receivable are non-refundable unless the Group cannot complete the development work. The deferred income is classified as a current liability as the remaining development work is expected to be provided within the normal operating cycle.

34. DEFERRED TAX

Group

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes, if any, levied by the same tax authority and the same taxable entity.

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34. DEFERRED TAX (continued)

Group (continued)

The gross movements in the deferred tax account are as follows:

	2010	2009
At beginning of year	**1,461,199**	1,410,785
Reclassified to current tax liability in the current year	**–**	(92,040)
Disposal of subsidiaries	**–**	(28,942)
Acquisition of subsidiaries (Note 44)	**310,653**	(72,178)
Recognised in profit or loss (Note 12)	**(181,591)**	241,298
Exchange realignment	**53,804**	2,276
At end of year	**1,644,065**	1,461,199

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets:

	Tax losses carried forward	**The difference in accounting and tax bases arising from golf club revenue and costs**	**The difference in accounting and tax bases arising from share transfer consideration**	**Other temporary differences**	**Total**
At 1 January 2009	19,811	–	–	–	19,811
Acquisition of subsidiaries	15,071	126,865	–	42,696	184,632
Recognised in profit or loss	16,169	3,478	–	(4,378)	15,269
Exchange realignment	57	118	–	36	211
At 31 December 2009	51,108	130,461	–	38,354	219,923
Recognised in profit or loss	19,877	3,880	230,282	5,642	259,681
Exchange realignment	2,405	4,629	5,385	1,468	13,887
At 31 December 2010	**73,390**	**138,970**	**235,667**	**45,464**	**493,491**

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34. DEFERRED TAX (continued)

Group (continued)

Deferred tax liabilities:

	Fair value gains	Excess of fair value over book value in the subsidiaries as a result of business combination	Withholding taxes	Others	Total
At 1 January 2009	762,164	367,138	184,415	116,879	1,430,596
Reclassified to current tax liability during the year	–	–	–	(92,040)	(92,040)
Disposal of subsidiaries	(4,441)	(24,501)	–	–	(28,942)
Acquisition of subsidiaries	34,395	78,059	–	–	112,454
Recognised in profit or loss	133,791	(8,958)	101,331	30,403	256,567
Exchange realignment	1,369	602	227	289	2,487
At 31 December 2009	927,278	412,340	285,973	55,531	1,681,122
Acquisition of subsidiaries (Note 44)	–	310,653	–	–	310,653
Recognised in profit or loss	(21,511)	(26,571)	103,313	22,859	78,090
Exchange realignment	31,755	20,726	12,365	2,845	67,691
At 31 December 2010	**937,522**	**717,148**	**401,651**	**81,235**	**2,137,556**

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

	2010	2009
Net deferred tax assets recognised in the consolidated statement of financial position	**(432,186)**	(177,588)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**2,076,251**	1,638,787
	1,644,065	1,461,199

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34. DEFERRED TAX (continued)

Group (continued)

Deferred tax assets have not been recognised in respect of the following items:

	2010	2009
Tax losses	**786,191**	689,819
Deductible temporary differences	**3,436**	9,357
	789,627	699,176

The above tax losses arising in Mainland China for offsetting against future taxable profit will expire in one to five years. Deferred tax assets have not been recognised in respect of the tax losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which these temporary differences can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings derived after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008 onward.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

35. CONVERTIBLE BONDS

Group and Company

The carrying value of the host debt components of the convertible bonds as at the end of the reporting period is as follows:

	2010	2009
Convertible Bonds 4 – host debt	**354,548**	312,219
	354,548	312,219

35. CONVERTIBLE BONDS (continued)

Group and Company (continued)

Convertible Bonds 3 ("CB3")

On 29 December 2008 (the "Issue Date"), the Company issued convertible bonds (the "CB3") maturing on 29 December 2013, in the aggregate principal amount of HK$165 million with an initial conversion price of HK$0.55 per ordinary share of the Company (subject to certain anti-dilutive adjustments). The coupon interest rate is 2.5% per annum, payable semi-annually in arrears on 29 June and 29 December in each year. The bondholders have the option to convert the CB3 to ordinary shares of the Company at any time after 60 days from the Issue Date to seven business days before its maturity. The bondholders also have the option to require redemption at 120% of the principal amount (or an amount that will give holders a return of 15% per annum if certain events occur) at any time after three years from the Issue Date. The Company also has the option to redeem, at an amount that will give holders a return of 15% per annum, part of the CB3 before its maturity if the share price of the Company rises to a certain level. Unless previously redeemed, converted or purchased and cancelled, the CB3 will be redeemed at 135% of the principal amount (or an amount that will give holders a return of 15% per annum if certain events occur) on 29 December 2013.

During the year ended 31 December 2009, the entire CB3 with the face value of HK$165 million were converted into shares of the Company when the relevant holders exercised their conversion right. There was no outstanding balance for the CB3 as at 31 December 2009.

Convertible Bonds 4 ("CB4")

On 23 July 2009 (the "Issue Date"), the Company issued convertible bonds (the "CB4"), maturing on 23 July 2014, in the aggregate principal amount of RMB446.9 million with an initial conversion price of HK$1.056 per share with a fixed exchange rate applicable to the conversion of RMB0.8818 = HK$1.00 per ordinary share of the Company (subject to certain anti-dilutive adjustments). The coupon interest rate is 6% per annum, payable semi-annually in arrears on 23 January and 23 July in each year. The bondholders have the option to convert the CB4 to ordinary shares of the Company at any time after 41 days from the Issue Date to 10 business days before its maturity. The bondholders also have the option to require redemption at 100% of the principal amount at any time after three years from the Issue date. The Company also has the option to redeem, at an amount at 100% of the principal amount, all of the CB4 if at least 90% in the principal amount of the Bonds (including bonds issued pursuant to the option) originally issued has already been converted, redeemed or purchased and cancelled before 30 days prior to its maturity date.

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35. CONVERTIBLE BONDS (continued)

Group and Company (continued)

Convertible Bonds 4 ("CB4") (continued)

On 24 July 2009, the CB4 were listed on the HKEx.

The face value of the outstanding CB4 as at 31 December 2010 amounted to RMB446,900 thousand (equivalent to HK$525,209 thousand).

The conversion option embedded in the CB4 meets the definition of equity instruments of the Company, and therefore it is classified as equity and presented separately from the liability component of the convertible bonds. The other embedded derivatives are not separated from host debt because their economic characteristics and risks are closely related to those of the host debt. The liability component is initially recognised as its fair value, net of transaction costs allocated to the liability component, and is subsequently measured at amortised cost. The residual amount (i.e. the excess of net proceeds over the amount allocated to the liability component) is assigned as the equity component (the conversion option) and is included in shareholders' equity.

The various components of the respective convertible bonds recognised on initial recognition are as follows:

	CB3	CB4
Gross proceeds from issuance of convertible bonds	165,000	507,149
Transaction costs attributable to the host debt component	(7,382)	(17,378)
Separated embedded derivative component	(95,710)	–
Transaction costs attributable to the equity component	–	(10,535)
Equity component, net of transaction costs	–	(179,361)
Host debt component on initial recognition upon issuance	61,908	299,875

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35. CONVERTIBLE BONDS (continued)

Group and Company (continued)

The movements in the host debt component for the year are as follows:

	2010	
	CB4	**Total**
Host debt component at 1 January 2010	**312,219**	**312,219**
Interest expense (Note 9)	**61,407**	**61,407**
Payment of interest	**(30,792)**	**(30,792)**
Exchange realignment	**11,714**	**11,714**
Host debt component at 31 December 2010	**354,548**	**354,548**
Less: amount classified as current liability	**–**	**–**
Amount classified as non-current liability	**354,548**	**354,548**

		2009	
	CB3	CB4	Total
Host debt component at 1 January 2009	62,008	–	62,008
Newly issued host debts-CB4	–	299,875	299,875
Interest expense (Note 9)	8,708	25,392	34,100
Payment of interest	(1,029)	–	(1,029)
Exchange realignment	–	259	259
Amount converted	(69,687)	–	(69,687)
Less: interest payable included in other payables	–	(13,307)	(13,307)
Host debt component at 31 December 2009	–	312,219	312,219
Less: amount classified as current liabilities	–	(312,219)	(312,219)
Amount classified as non-current liabilities	–	–	–

Interest expenses on the CB3 and the CB4 are calculated using the effective interest method by applying the effective interest rates of 33.86% and 19.93% to the host debt component, respectively.

Separated embedded derivatives of the convertible bonds

The fair values of the separated embedded derivatives of the convertible bonds on initial recognition are as follows:

	CB3
Initial recognition upon issuance of bonds	95,710

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35. CONVERTIBLE BONDS (continued)

The fair value movement in the derivative financial liability embedded in the CB3 for the year ended 31 December 2009 is as follows:

	2009 CB3
Embedded derivative component at beginning of year	88,470
Fair value loss recognised in profit or loss (note 6)	89,055
Conversion to shares	(177,525)
Embedded derivative component at end of year	–

Those multiple embedded derivatives (holders' put options, issuer's call options and holders' conversion options, etc., that are not independent of each other) in a single instrument that are not closely related to the host contract are treated as a single compound embedded derivative. They are presented as derivative financial liabilities.

36. DERIVATIVE FINANCIAL INSTRUMENTS

Group

Asset:

	2010	2009
Call option on a non-controlling interest	**55,894**	–
	55,894	–

This derivative financial asset represents a call option to purchase in aggregate up to 40% of the equity interest in Huarui Asset Management. This call option was acquired in a transaction with a shareholder of non-controlling interests (see Note 20(a)(i)) in Huarui Asset Management and may be exercised by the Company more than once from time to time and at any time during the period of 2 years from May 2010.

The derivative financial instrument is reported at fair value appraised by Greater China Appraisal Limited using generally accepted valuation methodologies, including, but not limited to, the Binomial Lattice model.

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37. ADVANCES RECEIVED FROM THE PRE-SALE OF PROPERTIES UNDER DEVELOPMENT

Group

	2010	2009
Advances received from the pre-sale of properties under development	**4,546,137**	4,943,649

The Group conducts the pre-sale of properties when they are still under development. As contracted with customers, advances amounting to a substantial portion of sales consideration are paid to the Group shortly from the signing of the pre-sales contracts. Such amounts held by the Group are non-interest-bearing. Business tax, generally calculated at a rate of 5% on advances received, is imposed by the tax authorities.

38. ACCOUNTS PAYABLE

Group

An aging analysis of accounts payable as at the end of the reporting period, from the date when they were incurred, is as follows:

	2010	2009
Within 1 year	**2,670,441**	2,546,524
1 to 2 years	**337,099**	522,927
Over 2 years	**351,091**	106,922
	3,358,631	3,176,373

Accounts payable represent payables arising from property construction and land development. The accounts payable are non-interest-bearing and are normally settled within one year.

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39. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010	2009	**2010**	2009
Payables for prepaid land lease payments	**799,437**	898,076	–	–
Receipts in excess of the Group's estimated share of land sales proceeds	**75,770**	30,070	–	–
Deposits received from and other payable to customers and construction companies	**150,615**	321,540		
Business tax and surtaxes payable	**389,870**	301,651	–	–
Interest payable to a former non-controlling shareholder of a subsidiary	**5,807**	7,884	–	–
Dividends payable to non-controlling shareholders of subsidiaries	**10,651**	11,801	–	–
Relocation costs payable	**93,660**	269,211	–	–
Audit fees	**13,811**	4,429	–	–
Deposits from stores, rents received for developers and public utility fees collected and paid for tenants	**36,069**	26,831	–	–
Payables to contractors on behalf of the Changchun Committee	**133,601**	150,057	–	–
Agency fee payables for promotional services	**4,768**	47,700	–	–
Obligation to construct a transportation centre	–	60,445	–	–
Earnest money received from potential investor	–	49,522	–	–
Accruals for commission of golf club membership	**29,535**	32,355	–	–
Payroll and welfare payable	**21,934**	11,977	–	–
Accrued interest	**20,029**	19,158	**15,250**	13,307
Payables to former shareholders of a subsidiary for business combination (Note 41)	**21,154**	–	–	–
Payables to a former shareholder of a subsidiary for acquisition of a non-controlling interest (Note 20(a)(ii))	**500,000**	–	**500,000**	–
Others	**114,437**	96,653	**1,663**	12,008
	2,421,148	2,339,360	**516,913**	25,315

40. AMOUNTS DUE TO ASSOCIATES

	Group		Company	
	2010	2009	**2010**	2009
Amounts due to:				
An associate – New Technology	–	11,358	–	–
	–	11,358	–	–

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41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to cash (used in)/generated from operations:

	Notes	2010	2009
Profit before tax		**1,530,572**	1,524,444
Adjustments for:			
Depreciation of property, plant and equipment		**169,071**	135,860
Impairment of accounts receivables		**–**	377
Impairment of other receivables		**21,256**	–
Reversal of impairment of interest in an associate		**–**	(104,403)
Loss/(gain) on disposal of property, plant and equipment, net		**20,162**	(81)
Share of profits and losses of associates		**(25,459)**	93,927
Fair value loss on derivative financial instruments		**6,178**	89,055
Loss/(gain) on redemption of Guaranteed Senior Notes		**4,798**	(179,102)
Fair value loss/(gain) on completed investment properties		**135,864**	(476,754)
Fair value loss on investment properties under construction		**1,978**	592
Gain on disposal of subsidiaries		**–**	(43,349)
Gain on bargain purchase of a subsidiary		**(28,940)**	–
Excess of share of fair value of net assets acquired over considerations for the acquisition of an additional interest in an associate (CNTD)		**–**	(300,415)
Loss on remeasurement (at acquisition-date fair value) of previously held equity interest in an acquiree (CNTD)		**–**	184,398
The Excess of acquisition-date amounts of the net assets acquired over the aggregate of consideration transferred, amount of non-controlling interests and acquisition-date fair value of the Group's previously held equity interest in the acquiree (CNTD)		**–**	(236,350)
Gain on disposal of an investment property		**–**	(26,397)
Dilution gain on an associate company		**(375)**	–
Management share option expenses		**6,400**	4,470
Expenses incurred for the listing of existing shares of a subsidiary		**36,814**	–
Finance income	8	**(71,317)**	(16,884)
Finance costs	9	**312,946**	179,114
		2,119,948	828,502

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41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	2010	2009
Decrease in restricted bank deposits	**182,578**	230,760
Increase in prepaid land lease payments	**(1,322,442)**	(1,261,620)
Increase in properties held or under development for sale	**(648,277)**	(1,421,892)
(Increase)/decrease in inventories	**(9,068)**	12,133
Decrease in amounts due from associates	**1,354**	6,860
Increase in prepayments and other current assets	**(371,216)**	(856,357)
Increase in other receivables	**(112,600)**	(600,349)
(Increase)/decrease in accounts receivable	**(167,808)**	123,396
(Decrease)/increase in accounts payable	**(267,610)**	74,354
(Decrease)/increase in other payables and accruals	**(548,488)**	1,322,587
Decrease in amounts due to associates	**(11,358)**	(12,516)
Increase in land development for sale	**95,483**	652,379
Increase in deferred income	**265,538**	242,963
(Decrease)/increase in advances received from the pre-sale of properties under development	**(556,104)**	3,770,801
Cash (used in)/generated from operations	**(1,350,070)**	3,112,001

(a) Major non-cash transactions:

	2010	2009
Payables to former shareholder of a subsidiary for acquisition of non-controlling interest (Note 20(a)(ii))	**500,000**	–
Prepayments used to settle purchase consideration for business combination (Note 44)	**310,061**	–
Payables to former shareholder of a subsidiary for business combination (Note 39)	**21,154**	–
Partial purchase considerations for additional shares in CNTD offset against earnest money for purchase of assets paid by the Company to CNTD, when CNTD was an associate of the Company	**–**	132,543
Conversion of CB3 into the Company's issued capital and share premium (Note 29)	**–**	247,212

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42. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (Note 17) under operating lease arrangements, with leases negotiated for terms mainly ranging from 1 to 20 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2010, the Group had total future minimum lease receivables under operating leases with its tenants falling due as follows:

Group

	2010	2009
Within one year	159,056	175,055
In the second to fifth years, inclusive	296,259	521,999
After five years	122,342	360,283
	577,657	1,057,337

The contingent rental income recognised in 2010 was HK$8,467 thousand (2009: HK$4,564thousand).

(b) As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 5 years, and those for office equipment are for terms ranging between 2 and 5 years.

At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	2010	2009
Within one year	9,456	8,998
In the second to fifth years, inclusive	7,219	14,537
After five years	1,175	–
	17,850	23,535

Company

	2010	2009
Within one year	5,257	5,259
In the second to fifth years, inclusive	6,132	11,394
	11,389	16,653

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43. CAPITAL COMMITMENTS AND COMMITMENTS IN RESPECT OF LAND OR PROPERTY DEVELOPMENT FOR SALE

The Group and the Company had the following capital commitments and commitments in respect of land or property development for sale at the end of the reporting period:

	Group		Company	
	2010	2009	**2010**	2009
Contracted, but not provided for				
Investment property under construction	**4,583**	114,911	–	–
Land development for sale	**2,423,583**	2,517,112	–	–
Properties held or under development for sale	**2,107,673**	2,351,719	–	50,000
Consideration for potential business combination	–	853,634	–	–
Property, plant and equipment and leasehold land	**366,928**	306,664	–	–
	4,902,767	6,144,040	–	50,000
Authorised, but not contracted for				
Investment property under construction	**170,284**	192,011	–	–
Land development for sale	**5,618,624**	6,033,393	–	–
Properties held or under development for sale	**1,737,764**	3,163,732	–	–
Property, plant and equipment and leasehold land	**3,395,176**	2,875,480	–	–
	10,921,848	12,264,616	–	–
	15,824,615	18,408,656	–	50,000

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44. BUSINESS COMBINATIONS

(1) Xiabo

In January 2010, Shangzhi Real Estate, a non-wholly-owned subsidiary of the Company completed the acquisition of a 100% equity interest in Xiabo, a property development company located in Shanghai City, the PRC.

The fair values of the identifiable assets and liabilities of Xiabo as at the date of acquisition were as follows:

	Fair value recognised on acquisition
Prepaid land lease payments (Note 18)	88,504
Prepayments and other current assets	54
Other receivables	4,868
Cash and bank balances	2,249
Deferred tax liabilities (Note 34)	(59,778)
Other payables and accruals	(5,723)
Total identifiable net assets at fair value	30,174
Goodwill on acquisition (Note 19)	14,000
Total consideration	44,174
Satisfied by:	
Cash	44,174

An analysis of the cash flows in respect of the acquisition of the subsidiary during the year is as follows:

Cash and bank balances acquired	(2,249)
Net outflow of cash and cash equivalents included in cash flows from investing activities	41,925

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44. BUSINESS COMBINATIONS (continued)

(2) Haibo

In January 2010, Shangzhi Real Estate, a non-wholly-owned subsidiary of the Company completed the acquisition of a 100% equity interest in Haibo, a property development company located in Shanghai City, the PRC.

The fair values of the identifiable assets and liabilities of Haibo as at the date of acquisition were as follows:

	Fair value recognised on acquisition
Prepaid land lease payments (Note 18)	171,596
Properties held or under development for sale	26,174
Cash and bank balances	25
Deferred tax liabilities (Note 34)	(114,204)
Other payables and accruals	(22)
Total identifiable net assets at fair value	83,569
Goodwill on acquisition (Note 19)	2,104
Total consideration	85,673
Satisfied by:	
Prepayments used to settle purchase consideration	26,194
Cash	59,479

An analysis of the cash flows in respect of the acquisition of the subsidiary during the year is as follows:

Cash and bank balances acquired	(25)
Net outflow of cash and cash equivalents included in cash flows from investing activities	59,454

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44. BUSINESS COMBINATIONS (continued)

(3) Bairun

In January 2010, Zhufu, a non-wholly-owned subsidiary of the Company completed the acquisition of a 100% equity interest in Bairun, a property development company located in Shanghai City, the PRC.

The fair values of the identifiable assets and liabilities of Bairun as at the date of acquisition were as follows:

	Fair value recognised on acquisition
Property, plant and equipments (Note 16)	1,015
Prepaid land lease payments (Note 18)	467,997
Properties held or under development for sale	181,749
Prepayments and other current assets	427
Other receivables	3,433
Accounts receivable	21,118
Cash and bank balances	205
Deferred tax liabilities (Note 34)	(56,001)
Accounts payable	(500,678)
Other payables and accruals	(110,698)
Other interest-bearing borrowings	(115,991)
Total identifiable net liabilities at fair value	(107,424)
Goodwill on acquisition (Note 19)	164,348
Total consideration	56,924
Less: Cash consideration payable to original shareholder	20,492
Satisfied by:	
Cash	36,432

An analysis of the cash flows in respect of the acquisition of the subsidiary during the year is as follows:

Cash and bank balance acquired	(205)
Net outflow of cash and cash equivalents included in cash flows from investing activities	36,227

Though there was a contingent consideration of RMB40 million depending upon actual settlement of liabilities and assets of Bairun, as at date of acquisition and 31 December 2010, the Group considered it is unlikely to pay any contingent consideration in the future.

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44. BUSINESS COMBINATIONS (continued)

(4) Zhongqing

In April 2010, Shangzhi Real Estate, a non-wholly-owned subsidiary of the Company completed the acquisition of a 100% equity interest in Zhongqing, a property development company located in Wuxi City, the PRC.

The fair values of the identifiable assets and liabilities of Zhongqing as at the date of acquisition were as follows:

	Fair value recognised on acquisition
Property, plant and equipments (Note 16)	105
Prepaid land lease payments (Note 18)	104,296
Properties held or under development for sale	2,497
Prepayments and other current assets	2,275
Other receivables	27
Cash and bank balances	13,122
Deferred tax liabilities (Note 34)	(3,643)
Other payables and accruals	(11,436)
Total identifiable net assets at fair value	107,243
Goodwill on acquisition (Note 19)	15,617
Total consideration	122,860
Satisfied by:	
Cash	122,860

An analysis of the cash flows in respect of the acquisition of the subsidiary during the year is as follows:

Cash and bank balance acquired	(13,122)
Net outflow of cash and cash equivalents included in cash flows from investing activities	109,738

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44. BUSINESS COMBINATIONS (continued)

(5) Cheswing Limited

In December 2010, Sinopower, a wholly-owned subsidiary of the Company completed the acquisition of a 100% equity interest in Cheswing Limited, hold 100% equity interest in a PRC subsidiary, which holds a property development company located in Jiaxing City, the PRC.

The fair values of the identifiable assets and liabilities of Cheswing Limited as at the date of acquisition were as follows:

	Fair value recognised on acquisition
Property, plant and equipments (Note 16)	143
Prepaid land lease payments (Note 18)	390,533
Properties held or under development for sale	22,328
Other receivables	1,746
Cash and bank balances	23,659
Deferred tax liabilities (Note 34)	(77,027)
Accounts payable	(12,934)
Other payables and accruals	(35,641)
Total identifiable net assets at fair value	312,807
Gain on bargain purchase of subsidiaries (Note 6)	(28,940)
Total consideration	283,867
Satisfied by:	
Prepayments used to settle purchase consideration	283,867

An analysis of the cash flows in respect of the acquisition of the subsidiary during the year is as follows:

Cash and bank balance acquired	(23,659)
Net inflow of cash and cash equivalents included in cash flows from investing activities	(23,659)

None of the goodwill recognised is expected to be deductible for income tax purposes.

No significant profit or loss or revenue contributed by acquired entities as the properties of these companies are still under development or pre-sale as at 31 December 2010.

Had all these business combinations taken place at the beginning of the year ended 31 December 2010, the impact on the Group's revenue and operating result was minimal.

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45. RELATED PARTY TRANSACTIONS

Group

In addition to the related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with related parties.

SRE Investment Holding Limited owned 34.64% of the Company's shares as at 31 December 2010 (34.64% as at 31 December 2009). The remaining 65.36% of the shares are held by various different shareholders.

(a) Related party transactions during the year:

i) *Sales to and purchases from associates*

	2010	2009
Portion of the Group's consideration for purchase of land plots (developed by CNTD) that CNTD is entitled to receive (i)	–	329,070
Construction of infrastructure for an intelligent network for CNTD (ii)	–	–
Sale of goods to Broadband (ii)	3,912	4,074
Purchase goods from New Technology(ii)	3,052	–

(i) During the period from 1 January 2009 to 9 September 2009, the Group purchased one parcel of land, developed by CNTD, through public bidding procedures conducted by the relevant government authorities for the purpose of property development. The total purchase considerations for such parcels of land were HK$479,346 thousand. As a result, according to the arrangements between government authorities and CNTD, CNTD is entitled to receive, from the government authorities, an agreed portion of the purchase considerations for such parcels of land.

(ii) The sales were based on negotiated prices.

ii) *Loan guarantee*

	2010	2009
The Group's bank borrowings guaranteed by Mr. Shi Jian (Chairman) (Note 31)	176,272	400,000

iii) *Compensation of key management personnel of the Group*

	2010	2009
Salaries and other short-term employee benefits	22,311	15,309
Share-based payments (Management Grant)	4,540	1,924
	26,851	17,233

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45. RELATED PARTY TRANSACTIONS (continued)

Group (continued)

(a) Related party transactions carried out during the year (continued):

iv) *Sales of properties to key management personnel and their close family members of the Group*

	2010	2009
Sales of properties #	7,975	–
	7,975	–
Advance from customer – key management of the group in relation of properties sales	1,653	–

The sales of properties were based on negotiated contract prices.

46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets	2010	2009
Loans and receivables		
– Amounts due from associates	8,113	1,825
– Other receivables	1,186,348	1,329,071
– Accounts receivable	717,463	507,687
– Cash and bank balances	5,402,966	4,602,822
Financial assets at fair value through profit or loss		
– Derivative financial asset	55,894	–
	7,370,784	6,441,405

Financial liabilities	2010	2009
Financial liabilities at amortised cost		
– Interest-bearing bank and other borrowings	12,032,582	7,532,507
– Guaranteed senior notes, non-current portion	557,322	552,463
– Guaranteed senior notes, current portion	–	95,813
– Convertible bonds-host debts	354,548	312,219
– Accounts payable	3,358,631	3,176,373
– Amounts due to associates	–	11,358
– Others	2,009,344	2,031,602
	18,312,427	13,712,335

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46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial assets	**2010**	2009
Loans and receivables		
– Dividends receivable from subsidiaries	**886,004**	727,651
– Advances to subsidiaries	**2,153,125**	1,346,117
– Other receivables	**–**	86
– Cash and bank balances	**158,162**	84,821
	3,197,291	2,158,675

Financial liabilities	**2010**	2009
Financial liabilities at amortised cost		
– Interest-bearing bank and other borrowings	**1,152,002**	339,316
– Guaranteed senior notes	**557,322**	552,463
– Convertible bonds-host debts	**354,548**	312,219
– Others	**516,913**	25,315
	2,580,785	1,229,313

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47. FAIR VALUE AND FAIR VALUE HIERARCHY

The Group enters into a derivative financial instrument with a counterparty. The call option is measured using valuation techniques including the Binomial Lattice model. The model incorporates various inputs including the value of the underlying equity interest. The carrying amount of the call option is the same as its fair value.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

As at 31 December 2010

Group	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Derivative financial asset	–	–	55,894	55,894

The movements in fair value measurements in Level 3 during the year are as follows:

	2010
Derivative financial asset	
At 1 January 2010	–
Addition	62,072
Total losses recognised in the income statement included in other income	(6,178)
At 31 December 2010	55,894

The Group did not have any financial assets or financial liabilities measured at fair value as at 31 December 2009.

During the year, there were no transfers at fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2009: Nil).

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2010 and 31 December 2009.

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, convertible bonds, guaranteed senior notes, other interest-bearing loans, and cash and bank deposits. The main purpose of these financial instruments is to raise funds to finance the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The Group does not enter into derivative transactions for trading purposes, the derivative instrument held by the Group is a call option held by the Group for a possible future acquisition of a non-controlling interest. The Group's accounting policies in relation to derivatives are set out in Note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to manage its interest rate risk. The interest rates and terms of repayment of the borrowings are disclosed in Note 31.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings). The Group's and the Company's equity is not affected, other than the consequential effect on retained profits (a component of the Group's and the Company's equity) by the changes in profit before tax.

	Group		**Company**	
	2010	2009	**2010**	2009
	Impact on profit before tax	Impact on profit before tax	**Impact on profit before tax**	Impact on profit before tax
Changes in variables – RMB interest rate				
+ 50 basis points	**(49,209)**	(32,675)	**–**	–
– 50 basis points	**49,209**	32,675	**–**	–
Changes in variables – HK$ interest rate				
+ 50 basis points	**(5,515)**	(3,300)	**(5,515)**	(1,300)
– 50 basis points	**5,515**	3,300	**5,515**	1,300

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Most of the Group's operating entities operate in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange risk with only limited exposure arising primarily with respect to cash at banks, guaranteed senior notes, convertible bonds, bank borrowings, etc. denominated in United States dollars ("US$") or Hong Kong dollars ("HK$").

Renminbi is not a freely convertible currency. The conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ and the HK$ exchange rates, with all other variables held constant, of the Group's and the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities). The Group's and the Company's equity is not affected, other than the consequential effect on retained profits (a component of the Group's and the Company's equity) by the impact on profit before tax as disclosed below.

	Group		Company	
	2010	2009	**2010**	2009
	Impact on profit before tax	Impact on profit before tax	**Impact on profit before tax**	Impact on profit before tax
Changes in exchange rate of US$ against Renminbi				
+ 5%	**(29,457)**	(26,889)	**(30,251)**	(27,741)
– 5%	**29,457**	26,889	**30,251**	27,741
Changes in exchange rate of HK$ against Renminbi				
+ 5%	**(67,598)**	(32,405)	**(73,097)**	(13,379)
– 5%	**67,598**	32,405	**73,097**	13,379

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk arises from cash at banks, accounts receivable, other receivables and amounts due from associates, the balances of which represent the maximum credit risk exposure of the Group. For the sale of developed properties to retail customers, consideration would be settled in cash or customers' purchase would be financed by mortgage loans provided by banks. Receivable balances are monitored on an on-going basis, other than the significant receivables in Note 26 and Note 27, there is no other significant concentration of credit risk within the Group as other debtors of the Group's receivables are widely dispersed and the majority of the Group's financial assets are cash at banks as at 31 December 2010.

The table below shows the maximum exposure to credit risk for the assets subject to credit risk at the end of the reporting period. The maximum exposure is shown gross, before the effect of mitigation through any collateral held or other credit enhancement.

	Group		Company	
	2010	2009	**2010**	2009
Financial assets				
Derivative financial asset	**55,894**	–	**–**	–
Loans and receivables				
– Dividends receivable from subsidiaries	**–**	–	**886,004**	727,651
– Advances to subsidiaries	**–**	–	**2,153,125**	1,346,117
– Amounts due from associates	**8,113**	1,825	**–**	–
– Other receivables	**1,186,348**	1,329,071	**–**	86
– Accounts receivable	**717,463**	507,687	**–**	–
– Cash at banks	**5,401,072**	4,601,002	**158,147**	84,790
Total credit risk exposure	**7,368,890**	6,439,585	**3,197,276**	2,158,644

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group maintains sufficient liquidity at all times with a financial planning system which is used to monitor the Group's future state of liquidity as is evident from the results of the Group's strategic and planning process. A 12-month forecast of fund requirements is updated monthly for the latest development.

Other than properties developed for sale, the Group also develops and holds properties for long-term operation, such as hotel properties and investment properties. Such long-term assets have constituted an increasing proportion of total assets in recent years, which bring liquidity risk to the Group. In order to mitigate the liquidity risk, the Group adjusted its financing strategy to get more long-term borrowings and increase equity, through the issuance of convertible bonds, as well as new shares.

The Group has developed strategic relationship with certain major state-owned banks that will normally provide financing to the Group when approval from the relevant government authorities for the commencement of a project is obtained. The Group also seeks financing from overseas markets through close cooperation with several world-wide bankers.

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2010					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank and other borrowings	201,060	147,017	3,602,461	6,935,031	3,667,940	14,553,509
Guaranteed Senior Notes	–	–	47,972	628,151	–	676,123
Convertible bonds	–	15,756	15,756	619,746	–	651,258
Accounts payable	692,987	16,192	2,169,309	480,143	–	3,358,631
Others	298,666	3,916	681,214	999,426	6,092	1,989,314
	1,192,713	182,881	6,516,712	9,662,497	3,674,032	21,228,835

	2009					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank and other borrowings	–	373,487	1,580,786	4,760,896	2,443,877	9,159,046
Guaranteed Senior Notes	104,572	–	47,797	673,667	–	826,036
Convertible bonds	–	15,227	15,227	629,365	–	659,819
Accounts payable	543,610	428,506	1,846,099	358,158	–	3,176,373
Others	441,699	28,175	1,561,728	–	–	2,031,602
	1,089,881	845,395	5,051,637	6,422,086	2,443,877	15,852,876

31 December 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

	2010					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank and other borrowings	–	5,630	994,260	172,360	–	1,172,250
Guaranteed Senior Notes	–	–	47,972	628,151	–	676,123
Convertible bonds	–	15,756	15,756	619,746	–	651,258
Others	–	–	501,663	–	–	501,663
	–	21,386	1,559,651	1,420,257	–	3,001,294

	2009					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank and other borrowings	–	1,476	51,701	317,104	–	370,281
Guaranteed Senior Notes	–	–	47,797	673,667	–	721,464
Convertible bonds	–	15,227	15,227	629,365	–	659,819
Others	10,000	15,311	–	–	–	25,311
	10,000	32,014	114,725	1,620,136	–	1,776,875

31 December 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values of financial assets and liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about the various financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market or when current market prices are not available, fair value is determined using valuation techniques (Note 2.4).

The Group's financial assets mainly include cash and bank balances, receivables and derivative financial asset.

The Group's financial liabilities mainly include interest-bearing bank and other borrowings, guaranteed senior notes, convertible bonds and payables.

Except as indicated below, the fair values of the Group's and the Company's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and appropriate valuation models.

Group

	2010		2009	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Guaranteed senior notes	**557,322**	**493,621**	648,276	592,577
Convertible bonds-host debts	**354,548**	**443,726**	312,219	371,041

Company

	2010		2009	
	Carrying Amount	**Fair value**	Carrying amount	Fair value
Guaranteed senior notes	**557,322**	**493,621**	552,463	488,005
Convertible bonds-host debts	**354,548**	**443,726**	312,219	371,041

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

As the Group is mainly engaged in the development of properties and large-scale new towns, it needs substantial amount of funds. The Group monitors capital using a gearing ratio, as defined by management for capital management purposes, which is net debt divided by the total capital plus net debt.

31 December 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

For capital management purposes, the Group has changed the way the net debt and equity were defined before in the calculation of gearing ratio to be more in line with industry practice since year 2010. Net debt includes interest-bearing bank and other borrowings, Guaranteed Senior Notes and liability components (host debts) of convertible bonds and excludes trade and other payables. Equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios are calculated as follows:

	2010	2009
Interest-bearing bank and other borrowings (Note 31)	**12,032,582**	7,532,507
Convertible bonds – host debts (Note 35)	**354,548**	312,219
Guaranteed Senior Notes (Note 32)	**557,322**	648,276
Less: Cash and bank balances (Note 28)	**(5,402,966)**	(4,602,822)
Net debt	**7,541,486**	3,890,180
Equity attributable to owners of the parent	**8,544,783**	8,191,741
Non-controlling interests	**2,782,378**	3,115,939
Capital	**11,327,161**	11,307,680
Capital and net debt	**18,868,647**	15,197,860
Gearing ratio	**40%**	26%

49. EVENT AFTER THE REPORTING PERIOD

On 9 December 2010, SRE Investment Holding Limited entered into a subscription agreement with the company to subscribe for a total of 700,000,000 Subscription Shares at the price of HK$0.81 per subscription share. This has been passed by the independent shareholders at the Special General Meeting held on 27 January 2011.

50. COMPARATIVE AMOUNTS

As further explained in Note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2011.