1. General

Shui On Land Limited (the "Company") was incorporated on 12 February 2004 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 4 October 2006.

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

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 46. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. Application of New and Revised International Financial Reporting Standards

In the current year, the Group has applied, for the first time, the following new and revised International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") and Interpretations ("IFRIC") (hereinafter collectively referred to as "new and revised IFRSs"), which are effective for the Group's financial year beginning on 1 January 2010.

IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (as revised in 2008)	Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners

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

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

In line with the amendments to IAS 1, the Group has classified the liability component of convertible bonds issued in the current year as non-current based on when cash settlement may be required to be made (see Note 30). This amendment has had no effect on the amounts reported in prior years because the Group has not previously issued instruments of this nature.

IFRS 3 (as revised in 2008) Business Combinations

The Group applies IFRS 3 (as revised in 2008) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010.

As there was no transaction during the current year to which IFRS 3 (as revised in 2008) was applicable, the application of IFRS 3 (as revised in 2008) has had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which IFRS 3 (as revised in 2008) and the consequential amendments to the other IFRSs are applicable.

2. Application of New and Revised International Financial Reporting Standards (Continued)

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

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

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under IAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions set out in IAS 27 (as revised in 2008). The application of the revised Standard has affected the accounting for the Group's acquisition of additional equity interest in Shanghai Yang Pu Centre Development Co., Ltd. ("KIC"), a subsidiary of the Group, in the current year (note 36(a)). The change in policy has resulted in the difference of RMB34 million between the excess of the Group's share of additional interest in the carrying amount of the net assets of KIC attributable to the acquisition over the cost of the acquisition, being recognised directly in equity, instead of in the consolidated income statement. Therefore, the change in accounting policy has resulted in a decrease in the profit for the year of RMB34 million.

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

Impact on basic and diluted earnings per share	Basic earnings per share RMB	Diluted earnings per share RMB
Reported figure before adjustments	**0.56**	**0.54**
Adjustments arising from change in accounting policy	**(0.01)**	**(0.01)**
Reported figure after adjustments	**0.55**	**0.53**

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[1]
IFRS 1 (Amendments)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[2]
IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
IFRS 9	Financial Instruments[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
IAS 24 (as revised in 2009)	Related Party Disclosures[6]
IAS 32 (Amendments)	Classification of Rights Issues[7]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]

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

2. Application of New and Revised International Financial Reporting Standards (Continued)

New and revised Standards and Interpretations issued but not yet effective (Continued)

IFRS 9 Financial Instruments was issued in November 2009 and revised in October 2010. It introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

The Directors of the Company anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and that the application of this new Standard will not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

The amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. All of the Group's investment properties are located in the People's Republic of China ("PRC"). The Directors of the Company are in the process of assessing the financial impact.

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

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

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

The significant accounting policies adopted are set out as follows:

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

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

3. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were not allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Merger accounting for common control combinations

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, based on the carrying amount of the net assets attributable to the change in interests, and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

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

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in the consolidated income statement.

3. Significant Accounting Policies (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in consolidated income statement for the period in which they arise.

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

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

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of buildings over their estimated useful lives or where shorter, the terms of leasehold land where the buildings are located, using the straight-line method.

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

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

Prepaid lease payments

Prepaid lease payments for leasehold land classified as operating leases are charged to the consolidated income statement on a straight-line basis over the period of the land use rights.

Properties under development for sale

Properties under development which are intended to be held for sale are carried at lower of cost and net realisable value and are shown as current assets. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised during construction period.

Properties under development for sales are transferred to properties held for sale when the relevant completion certificates are issued by the respective government authorities.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realised value is determined based on prevailing market conditions.

3. Significant Accounting Policies (Continued)

Interests in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

Interests in jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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

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

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

3. Significant Accounting Policies (Continued)

Financial instruments

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

Financial assets

The Group's financial assets are classified as loans and receivables.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivable, loans receivable, loans to associates, amounts due from associates, amounts due from related companies, amounts due from non-controlling shareholders of subsidiaries and bank balances and pledged bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of loans and receivables have been impacted.

The objective evidence of impairment could include:

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

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

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of loans and receivables (Continued)

If, in a subsequent period, the amount of impairment loss of loans and receivables decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Convertible bonds

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

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into the Company's own equity instruments, is included in equity (convertible bond equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond equity reserve until the embedded option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Notes

At the date of issue, the net proceeds received were assigned to the notes according to their fair values. Transaction costs are included in the carrying amount of the notes and amortised over the period of the notes using the effective interest method.

Other financial liabilities

The Group's other financial liabilities (including accounts payable, amounts due to related companies, amounts due to associates, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in consolidated income statement depends on the nature of the hedge relationship.

Hedge accounting

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement as part of other income or other expenses. Amounts deferred in equity are reclassified in the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement.

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 "Revenue".

Derecognition

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

3. Significant Accounting Policies (Continued)

Derecognition (Continued)

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

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

Leasing

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

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

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

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

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

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

3. Significant Accounting Policies (Continued)

Taxation (Continued)

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

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

Foreign currencies

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

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

Equity-settled share-based payment transactions

Share options granted to employees and directors

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

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

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

3. Significant Accounting Policies (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's defined benefit obligations and the fair value of plan assets at the end of the previous reporting period are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Government grants

Government grants are recognised in the consolidated income statement over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable for expenses or losses already incurred are recognised in the consolidated income statement in the period when they become receivable.

Revenue recognition

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

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

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on straight-line basis over the lease term.

Revenue from serviced apartment operation is recognised in the consolidated income statement upon the provision of the services.

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

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

4. Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described in note 3, the Directors of the Company have made the following judgements concerning key sources of estimation uncertainty at the end of the reporting period. The key assumptions concerning the future that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Investment properties

Completed investment properties and investment properties under construction or development stated at fair value are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the Directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and the Group has not finalised its land appreciation tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation tax and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax provisions in the periods in which such tax is finalised with local tax authorities.

5. Turnover and Segmental Information

An analysis of the Group's turnover for the year is as follows:

	2010	2009
	RMB'million	RMB'million
Property development:		
Property sales	**4,133**	6,078
Property investment:		
Rental income received from investment properties	**597**	542
Income from serviced apartments	**22**	18
Property management fees	**34**	28
Rental related income	**53**	55
	706	643
Others	**40**	37
	4,879	6,758

For management purposes, the Group is organised based on the business activities of the Group, which are broadly categorised into property development and property investment.

5. Turnover and Segmental Information (Continued)

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

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

For the year ended 31 December 2010

	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Turnover				
Segment revenue	4,133	706	40	4,879
Results				
Segment results	1,323	3,120	26	4,469
Interest income				150
Share of results of associates				58
Finance costs, net of exchange gain				42
Net unallocated expenses				(352)
Profit before taxation				4,367
Taxation				(1,357)
Profit for the year				3,010
Other Information				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital additions of completed investment properties and property, plant and equipment	23	47	5	75
Development costs for investment properties under construction or development	–	3,790	–	3,790
Development costs for properties under development held for sale	4,884	–	–	4,884
Depreciation of property, plant and equipment	13	39	14	66
Allowance for bad and doubtful debts	–	4	–	4
Release of prepaid lease payments charged to consolidated income statement	–	1	–	1
Increase in fair value of investment properties	–	2,711	–	2,711
Financial Position				
Assets				
Segment assets	19,070	27,571	58	46,699
Interests in associates				920
Loans to associates				1,270
Amounts due from associates				318
Unallocated corporate assets				7,046
Consolidated total assets				56,253
Liabilities				
Segment liabilities	(4,427)	(464)	(3)	(4,894)
Amounts due to associates				(29)
Unallocated corporate liabilities				(25,302)
Consolidated total liabilities				(30,225)

5. Turnover and Segmental Information (Continued)

For the year ended 31 December 2009

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

5. Turnover and Segmental Information (Continued)

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

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

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

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

Over 90% of the Group's turnover and contribution to operating profit is attributable to customers in the PRC. Accordingly, no analysis of geographical segment is presented.

No geographical segment information of the Group's assets and liabilities is shown as the Group's assets and liabilities are substantially located in the PRC.

6. Other Income

	2010 **RMB'million**	2009 RMB'million
Interest income from banks	**75**	56
Interest income on non-current accounts receivable from sales of properties	**8**	7
Imputed interest income on non-current accounts receivable from sales of properties	**–**	17
Interest income on consideration receivable on partial disposals of equity interests in subsidiaries	**–**	2
Interest income from amounts due from associates	**8**	11
Interest income from loans to associates	**23**	–
Imputed interest income from loans to associates	**36**	55
Interest income from a fellow subsidiary	**–**	1
Guarantee fee income from a non-controlling shareholder of a subsidiary	**19**	–
Sundry income	**24**	1
Grants received from local government	**33**	20
	226	170

7. Operating Profit

	2010 RMB'million	2009 RMB'million
Operating profit has been arrived at after charging (crediting):		
Auditor's remuneration	**5**	5
Depreciation of property, plant and equipment	**67**	54
Less: Amount capitalised to properties under development for sale	**(1)**	(1)
	66	53
Release of prepaid lease payments	**1**	1
Loss on disposal of property, plant and equipment	**1**	–
Allowance for bad and doubtful debts	**4**	–
Employee benefits expenses		
Directors' emoluments		
Fees	**2**	2
Salaries, bonuses and allowances	**25**	14
Retirement benefits costs	**2**	1
Share-based payment expenses	**2**	(2)
	31	15
Other staff costs		
Salaries, bonuses and allowances	**309**	261
Retirement benefits costs	**23**	34
Share-based payment expenses	**17**	49
	349	344
Total employee benefits expenses	**380**	359
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(91)**	(78)
	289	281
Cost of properties sold recognised as an expense	**2,619**	3,080
Rental charges under operating leases	**54**	45

8. Finance Costs, Net of Exchange Gain

	2010 RMB'million	2009 RMB'million
Interest on bank loans and overdrafts wholly repayable within five years	**573**	507
Interest on amounts due to non-controlling shareholders of subsidiaries wholly repayable within five years (notes 24 and 41(b))	**–**	46
Interest on loan from a non-controlling shareholder of a subsidiary wholly repayable within five years (notes 26 and 41(b))	**125**	56
Interest on loan from a director wholly repayable within five years (note 41(b))	**–**	35
Imputed interest on loan from a non-controlling shareholder of a subsidiary wholly repayable within five years (notes 26 and 41(b))	**–**	1
Interest on convertible bonds (note 30)	**56**	–
Interest on notes (note 31)	**5**	–
Add: Net interest expenses from interest rate swaps designated as cash flow hedge (note 32)	**129**	116
Total interest costs	**888**	761
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(796)**	(634)
Interest expense changed to consolidated income statement	**92**	127
Net exchange gain on bank borrowings and other financing activities	**(200)**	(44)
Others	**66**	6
	(42)	89

Borrowing costs capitalised during the year ended 31 December 2010 arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of approximately 6.6% (2009: 8.4%) per annum to expenditure on the qualifying assets.

9. Taxation

	2010 RMB'million	2009 RMB'million
PRC Enterprise Income Tax		
– Current provision	**335**	537
Deferred taxation (note 33)		
– Provision for the year	**807**	297
PRC Land Appreciation Tax		
– Provision for the year	**215**	467
	1,357	1,301

9. Taxation (Continued)

No provision for Hong Kong Profits Tax has been made as the income of the Group neither arises in, nor is derived from, Hong Kong.

PRC Enterprise Income Tax has been provided at the applicable income tax rate of 25% (2009: 25%) on the assessable profits of the companies in the Group during the year.

The provision of Land Appreciation Tax is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. Land Appreciation Tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowings costs and the relevant property development expenditures.

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

	2010 **RMB'million**	2009 RMB'million
Profit before taxation	**4,367**	3,894
PRC Enterprise Income Tax at 25% (2009: 25%)	**1,092**	974
PRC Land Appreciation Tax	**215**	467
Tax effect of PRC Land Appreciation Tax	**(54)**	(117)
Deferred tax provided for withholding tax on income derived in the PRC	**76**	33
Tax effect of share of results of associates	**(14)**	(109)
Tax effect of expenses not deductible for tax purposes	**122**	74
Tax effect of income not taxable for tax purposes	**(85)**	(29)
Tax effect of tax losses not recognised	**6**	10
Tax effect of utilisation of tax losses previously not recognised	**(1)**	(2)
Tax charge for the year	**1,357**	1,301

10. Directors' Emoluments and Five Highest Paid Employees

The emoluments paid or payable to the directors of the Company were as follows:

Name of director	Notes	Fees RMB'000	Salaries and other benefits RMB'000	Performance related incentive payments RMB'000	Retirement benefit costs RMB'000	Share-based payment expenses RMB'000	2010 Total RMB'000	2009 Total RMB'000
Mr. Vincent H.S. LO		–	–	–	–	–	–	–
Mr. Louis H.W. WONG		–	3,254	4,336	731	1,013	9,334	6,569
Mr. Daniel Y.K. WAN		–	3,334	7,837	–	–	11,171	5,828
Mr. Freddy C.L. LEE	(a)	–	2,926	3,752	754	773	8,205	–
Mr. Aloysius T.S. LEE	(b)	–	–	–	–	–	–	576
Sir John R.H. BOND	(c)	348	–	–	–	–	348	308
The Honourable LEUNG Chun Ying	(d)	261	–	–	–	–	261	264
Dr. Edgar W.K. CHENG	(c)	349	–	–	–	–	349	353
Dr. William K.L. FUNG	(c)	391	–	–	–	–	391	374
Professor Gary C. BIDDLE	(c)	522	–	–	–	–	522	485
Dr. Roger L. McCARTHY	(c)	349	–	–	–	–	349	353
Mr. David J. SHAW	(c)	261	–	–	–	–	261	264
Total for 2010		2,481	9,514	15,925	1,485	1,786	31,191	15,374
Total for 2009		2,401	8,774	5,045	896	(1,742)	15,374	

Notes:
(a) Executive director appointed during the year
(b) Executive director resigned in year 2009
(c) Independent non-executive directors
(d) Non-executive director

Of the five highest paid individuals in the Group, three (2009: two) are executive directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2009: three) individuals are as follows:

	2010 RMB'million	2009 RMB'million
Salaries and other benefits	5	7
Performance related incentive payments	3	4
Retirement benefit costs	1	2
Share-based payment expenses	1	3
	10	16

10. Directors' Emoluments and Five Highest Paid Employees (Continued)

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

	2010 Number of employees	2009 Number of employees
Emolument bands		
HK$5,000,001 – HK$5,500,000	1	–
HK$5,500,001 – HK$6,000,000	1	1
HK$6,000,001 – HK$6,500,000	–	1
HK$7,000,001 – HK$7,500,000	–	1
	2	3

No directors waived any emoluments in the years ended 31 December 2010 and 31 December 2009.

11. Dividends

	2010 RMB'million	2009 RMB'million
Interim dividend paid in respect of 2010 of HK$0.06 per share (2009: HK$0.01 per share)	270	44
Final dividend proposed in respect of 2010 of HK$0.05 per share (2009: HK$0.12 per share)	220	530
	490	574

A final dividend for the year ended 31 December 2010 of HK$0.05 (equivalent to RMB0.042) per share, amounting to HK$261 million (equivalent to RMB220 million) in aggregate, was proposed by the Directors on 16 March 2011 and is subject to the approval of the shareholders at the forthcoming annual general meeting.

In November 2010, an interim dividend in respect of 2010 of HK$0.06 (equivalent to RMB0.053) per share was paid to the shareholders. The 2010 interim dividend was paid in the form of cash and/or shares of the Company as the shareholders were given the option to elect to receive their interim dividend in new, fully paid shares in lieu of all or part of cash. 71.7% of the shareholdings elected to receive shares in lieu of cash dividends at HK$3.84 per share and accordingly, 57,753,920 new and fully paid shares were issued. These new shares rank pari passu to the existing shares of the Company.

In May 2010, a final dividend in respect of 2009 of HK$0.12 (equivalent to RMB0.11) per share was approved by the shareholders of the Company at the annual general meeting held on 27 May 2010. The 2009 final dividend was paid in July 2010 in the form of cash and/or shares of the Company as the shareholders were given the option to elect to receive their final dividend in new, fully paid shares in lieu of all or part of cash. 69.0% of the shareholdings elected to receive shares in lieu of cash dividends at HK$3.168 per share and accordingly, 131,177,173 new and fully paid shares were issued. These new shares rank pari passu to the existing shares of the Company.

188,931,093 shares in aggregate issued during the year on the shareholders' election to receive shares. Details of these shares issuances are set out in note 28.

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

12. Earnings Per Share

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

Earnings

	2010 RMB'million	2009 RMB'million
Earnings for the purposes of basic earnings per share and diluted earnings per share, being profit for the year attributable to shareholders of the Company	**2,809**	2,673

Number of shares

	2010 'million	2009 'million
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,091**	4,823
Effect of dilutive potential shares:		
Convertible bonds	**168**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,259**	4,823
Basic earnings per share (note (b))	**RMB0.55** **HK$0.63**	RMB0.55 HK$0.63
Diluted earnings per share (note (b))	**RMB0.53** **HK$0.61**	RMB0.55 HK$0.63

Notes:

(a) There are no dilution effects for share options granted as the exercise price of these share options granted were higher than the average market price for 2010 and 2009.

(b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.150 for 2010 and RMB1.000 to HK$1.135 for 2009, being the average exchange rates that prevailed during the respective years.

13. Investment Properties

	Completed investment properties RMB'million	Investment properties under construction or development RMB'million	Total RMB'million
At 1 January 2009	8,466	–	8,466
Reclassified from prepaid lease payments and properties under development (notes 15 and 16)	–	8,657	8,657
Additions	3	3,548	3,551
Transfer upon completion	660	(660)	–
Transfer from properties, plant and equipment (note 14)	13	–	13
Transfer to properties, plant and equipment (note 14)	(17)	–	(17)
Increase in fair value recognised in the consolidated income statement	259	277	536
At 31 December 2009	9,384	11,822	21,206
At 31 December 2009			
Stated at fair value	9,384	6,129	15,513
Stated at cost	–	5,693	5,693
At 1 January 2010	**9,384**	**11,822**	**21,206**
Additions	**42**	**3,790**	**3,832**
Acquisition of a subsidiary (note 35)	**–**	**67**	**67**
Eliminated upon disposal	**(162)**	**–**	**(162)**
Transfer upon completion	**3,965**	**(3,965)**	**–**
Transfer from properties, plant and equipment (note 14)	**39**	**–**	**39**
Transfer to properties, plant and equipment (note 14)	**(258)**	**–**	**(258)**
Transfer to prepaid lease payments (note 15)	**(31)**	**–**	**(31)**
Transfer to properties under development for sale (note 16)	**–**	**(511)**	**(511)**
Increase in fair value recognised in the consolidated income statement	**1,140**	**1,571**	**2,711**
At 31 December 2010	**14,119**	**12,774**	**26,893**
At 31 December 2010			
Stated at fair value	**14,119**	**6,815**	**20,934**
Stated at cost	**–**	**5,959**	**5,959**

The investment properties are all situated in the PRC under long/medium-term leases. All the completed investment properties are rented out under operating leases or are held for capital appreciation purposes.

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

13 Investment Properties (Continued)

The fair values of the Group's investment properties at 31 December 2010 and 31 December 2009 and at dates of transfer upon completion of development of investment properties under construction or development have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuers not connected to the Group.

For completed investment properties, the valuations have been arrived at using the capitalisation of net income method of valuation, based on the present value of the income to be derived from the properties. For the properties which are currently vacant, the valuation was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term.

For investment properties under construction or development, the valuations have been arrived at adopting market-based valuation approach with reference to sales evidence of comparable properties with adjustments made to account for any differences and assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The valuations have also taken into account the relevant future cost of development, including construction costs, finance costs, professional fees and developer's profit which duly reflects the risks associated with the development of the properties.

14. Property, Plant and Equipment

	Land and buildings RMB'million	Furniture, fixtures, equipment and motor vehicles RMB'million	Total RMB'million
At Cost			
At 1 January 2009	284	177	461
Transfer from investment properties (note 13)	17	–	17
Transfer to investment properties (note 13)	(13)	–	(13)
Transfer from properties under development (note 16)	16	–	16
Additions	–	47	47
Disposals	–	(3)	(3)
At 31 December 2009	304	221	525
Transfer from investment properties (note 13)	**258**	**–**	**258**
Transfer to investment properties (note 13)	**(42)**	**–**	**(42)**
Additions	**5**	**28**	**33**
Disposals	**–**	**(2)**	**(2)**
At 31 December 2010	**525**	**247**	**772**
Accumulated Depreciation			
At 1 January 2009	34	84	118
Charge for the year	7	47	54
Eliminated on disposals	–	(3)	(3)
At 31 December 2009	41	128	169
Charge for the year	**18**	**49**	**67**
Transfer to investment properties (note 13)	**(3)**	**–**	**(3)**
Eliminated on disposals	**–**	**(1)**	**(1)**
At 31 December 2010	**56**	**176**	**232**
Carrying Values			
At 31 December 2010	**469**	**71**	**540**
At 31 December 2009	263	93	356

14. Property, Plant and Equipment (Continued)

The owner-occupied leasehold land and buildings amounted to RMB48 million (2009: RMB55 million) at the end of the reporting period are included in property, plant and equipment, as in the opinion of the Directors, allocations between the land and buildings elements could not be made reliably.

The land and buildings are all situated in the PRC and are depreciated using the straight-line method over their estimated useful lives of 50 years or, where shorter, the terms of leasehold land where the buildings are located.

Furniture, fixtures, equipment and motor vehicles are depreciated using the straight-line method after taking into account of their estimated residual values over their estimated useful lives of 3 to 5 years.

15. Prepaid Lease Payments

	2010 **RMB'million**	2009 RMB'million
At beginning of the year	**43**	6,290
Reclassified to investment properties (note 13)	**–**	(6,246)
Transfer from investment properties (note 13)	**31**	–
Release for the year (note 7)	**(1)**	(1)
At end of the year	**73**	43

The cost of prepaid lease payments represents the amount paid to the government of the PRC with lease terms ranging from 40 to 70 years.

16. Properties Under Development

	Non-current		**Current**	
	2010 **RMB'million**	2009 RMB'million	**2010** **RMB'million**	2009 RMB'million
At beginning of the year	**–**	2,411	**11,532**	7,786
Reclassified to investment properties (note 13)	**–**	(2,411)	**–**	–
Transfer from investment properties (note 13)	**–**	–	**511**	–
Additions	**–**	–	**4,839**	4,205
Acquisition of a subsidiary (note 35)	**–**	–	**45**	–
Transfer to properties held for sale	**–**	–	**(2,619)**	(443)
Transfer to property, plant and equipment (note 14)	**–**	–	**–**	(16)
At end of the year	**–**	–	**14,308**	11,532

The properties under development are all situated in the PRC.

Included in the current portion of properties under development as at 31 December 2010 is carrying value of RMB11,524 million (2009: RMB9,322 million) which represents the carrying value of the properties expected to be completed after more than twelve months from the end of the reporting period.

17. Interests in Associates/Loans to Associates/Amounts Due from Associates/Amounts Due to Associates

	2010 RMB'million	2009 RMB'million
Cost of investments, unlisted	**357**	357
Share of post-acquisition profits	**563**	505
	920	862
Loans to associates	**1,270**	1,273
Amounts due from associates	**318**	147
Amounts due to associates	**29**	45

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

	2010 RMB'million	2009 RMB'million
Total assets	**8,822**	6,716
Total liabilities	**(6,564)**	(4,568)
Net assets	**2,258**	2,148
Group's share of net assets of associates	**920**	862

	2010 RMB'million	2009 RMB'million
Revenue	**–**	–
Profit for the year	**94**	708
Group's share of results of associates for the year	**58**	436

17. Interests in Associates/Loans to Associates/Amounts Due from Associates/ Amounts Due to Associates (Continued)

Particulars of the Group's principal associates at 31 December 2010 and 31 December 2009 are as follows:

Name of associate	Form of legal entity	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group	Place of incorporation/ registration and operations	Principal activities
Richcoast Group Limited ("Richcoast") (note)	Sino-Foreign Joint Venture	61.54%	British Virgin Islands ("BVI")	Investment holding
Dalian Qiantong Science & Technology Development Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Ruisheng Software Development Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Delan Software Development Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Jiadao Science & Technology Development Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Software Park Shuion Fazhan Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Software Park Shuion Kaifa Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development

Note:
The Group does not have control over Richcoast because the Group has the power to appoint only 4 out of the 10 directors of that company.

Pursuant to the Joint Venture Agreement dated 25 May 2007 entered into among Innovate Zone Group Limited ("Innovate Zone"), an indirect subsidiary of the Company, Main Zone Group Limited ("Main Zone"), a direct wholly-owned subsidiary of Shui On Construction and Materials Limited (an associate of Shui On Company Limited "SOCL", a substantial shareholder of the Company) and Many Gain International Limited ("Many Gain"), an independent third party, whereby the parties agreed to form a joint venture company, Richcoast, which is owned 61.54%, 28.20% and 10.26% by Innovate Zone, Main Zone, and Many Gain, respectively, for the development and operation of Dalian Tiandi project in Dalian, the PRC.

Loans to associates represent the loans to subsidiaries of Richcoast for financing the development of Dalian Tiandi project. Pursuant to the Joint Venture Agreement, the loans are unsecured, interest free and with no fixed terms of repayment until Many Gain has contributed its share of the shareholder's loan to the subsidiaries of Richcoast. Thereafter, the loans will bear interest at a rate of 5% per annum, subject to shareholders' approval. As at 31 December 2010 of the loans to associates, an amount of RMB465 million (2009: nil) are bearing interest at a rate of 5% per annum and the remaining balance of RMB805 million (2009: RMB1,273 million) are carried at amortised cost using the effective interest rate of 5.4% (2009: 7.3%) per annum.

The amounts due from associates are unsecured, interest bearing at 5.7% (2009: 5.8%) per annum and repayable on demand.

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

18. Interest in a Jointly Controlled Entity/Amount Due from a Jointly Controlled Entity

	2010 RMB'million	2009 RMB'million
Cost of investment, unlisted	–	–
Share of post-acquisition losses	–	–
	–	–
Amount due from a jointly controlled entity	11	11
Less: Allowance	(11)	(11)
	–	–

Particulars of the Group's jointly controlled entity at 31 December 2010 and 2009 are as follows:

Name of jointly controlled entity	Form of legal entity	Proportion of nominal value of issued ordinary share capital held by the Group	Place of incorporation and operation	Principal activity
Crystal Jade Food and Beverage (Hangzhou) Limited	Limited liability company	50%	Hong Kong	Investment holding

The amount due from a jointly controlled entity is unsecured, interest free and repayable on demand.

19. Accounts Receivable, Deposits and Prepayments

	2010 RMB'million	2009 RMB'million
Non-current accounts receivable comprise:		
Deferred rental receivables	64	59
Current accounts receivable comprise:		
Trade receivables (note a)	146	186
Prepayments of relocation costs (note b)	1,304	483
Deposit for land acquisition for properties under development for sale	1,838	–
Other deposits, prepayments and receivables	316	264
	3,604	933

Trade receivables comprise:

(i) receivables arising from sales of properties which are due for settlement in accordance with the terms of the relevant sale and purchase agreements; and

(ii) rental receivables which are due for settlement upon issuance of monthly debit notes to the tenants.

19. Accounts Receivable, Deposits and Prepayments (Continued)

The following is an aged analysis of trade receivables (net of allowance for bad and doubtful debts, if any) at the end of each reporting period:

	2010 RMB'million	2009 RMB'million
Not yet due	122	172
Within 30 days	20	5
31 – 60 days	1	3
61 – 90 days	–	2
Over 90 days	3	4
	146	186

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB24 million (2009: RMB14 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss.

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

	2010 RMB'million	2009 RMB'million
Within 30 days	20	5
31 – 60 days	1	3
61 – 90 days	–	2
Over 90 days	3	4
	24	14

Movement in the allowance for bad and doubtful debts:

	2010 RMB'million	2009 RMB'million
Balance at beginning of the year	–	–
Impairment losses recognised on trade receivables	4	–
Amounts written off as uncollectible	(4)	–
Balance at end of the year	–	–

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the date of the reporting period. Allowance for bad and doubtful debts are generally not required as the Group has collected rental deposits from the tenants to secure any potential losses from uncollectible debts.

19. Accounts Receivable, Deposits and Prepayments (Continued)

Notes:

(a) The amounts are unsecured and repayable on or before 31 December 2010 as follows:

	2010 RMB'million	2009 RMB'million
Current accounts receivable		
Interest free	**146**	63
Interest bearing (note (i))	**–**	123
	146	186

Note (i): The interest bearing receivables had the following terms:

- the whole amount bore interest at simple interest rate of 6% per annum from 1 January 2009 to 31 December 2009; and
- the full amount bore interest at simple interest rate of 8% per annum in 2010. The amount is fully settled during the year.

These receivables are carried at amortised cost at effective interest rate of 8% per annum.

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

20. Pledged Bank Deposits/Bank Balances

Pledged bank deposits represent deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to RMB1,569 million (2009: RMB1,222 million) have been pledged to secure long-term bank loans and are therefore classified as non-current assets.

Bank balances carry interest at market rates which range from 0.4% to 1.4% (2009: 0.4% to 1.4%) per annum. The pledged bank deposits carry interest at fixed rates ranging from 0.4% to 1.4% (2009: 0.4% to 1.4%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

21. Properties Held For Sale

The Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at cost.

22. Loans Receivable

The loans are denominated in RMB, unsecured, fixed interest bearing ranging from 5.9% to 6.4% (2009: 5.9% to 7.5%) per annum and repayable on or before December 2011.

23. Amounts Due from/to Related Companies

The amounts are unsecured, interest free and repayable on demand. Related companies are subsidiaries or associates of SOCL.

24. Amounts Due from/to Non-controlling Shareholders of Subsidiaries

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

	2010 RMB'million	2009 RMB'million
Amounts due from non-controlling shareholders of subsidiaries		
Interest free	**38**	17
Amounts due to non-controlling shareholders of subsidiaries		
Interest free	**462**	191
Interest bearing at 5% per annum	**–**	84
Interest bearing at 7.6% per annum	**–**	200
	462	475

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

25. Accounts Payable, Deposits Received and Accrued Charges

	2010 RMB'million	2009 RMB'million
Trade payables aged analysis:		
Not yet due	**1,683**	1,138
Within 30 days	**68**	5
31 – 60 days	**1**	6
61 – 90 days	**1**	2
Over 90 days	**12**	–
	1,765	1,151
Retention payables (note)	**169**	128
Deed tax, business tax and other tax payables	**481**	442
Deposits received and receipt in advance from property sales	**2,074**	2,235
Deposits received and receipt in advance in respect of rental of investment properties	**242**	174
Accrued charges	**256**	175
	4,987	4,305

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

26 Loans From Non-controlling Shareholders of Subsidiaries

	2010 RMB'million	2009 RMB'million
Current	**300**	442
Non-current	**1,653**	670
	1,953	1,112

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

Denominated in	Interest rate per annum	2010 RMB'million	2009 RMB'million
RMB	110% of People's Bank of China ("PBOC") Prescribed Interest Rate (note a)	**1,003**	–
RMB	105.87% of PBOC Prescribed Interest Rate (note b)	**300**	–
United States dollars ("US$")	Interest free (note c)	**–**	442
US$	110% of PBOC Prescribed Interest Rate (2009: 8.4%) (note a)	**650**	670
		1,953	1,112

Notes:

(a) The loans are unsecured and will not be demanded for payment, until the group subsidiaries are in a position to repay the loans, which are to be mutually agreed between both parties. The Directors are in the opinion that the loans are not repayable in the next twelve months from the end of the reporting period.

(b) The amount is unsecured and repayable in April 2011.

(c) The amount was unsecured and settled during the year.

27. Bank and Other Borrowings

	2010 RMB'million	2009 RMB'million
Bank borrowings repayable within a period of:		
– Not more than 1 year or on demand	**1,644**	2,098
– More than 1 year, but not exceeding 2 years	**6,321**	934
– More than 2 years, but not exceeding 5 years	**3,894**	6,684
– More than 5 years	**993**	487
	12,852	10,203
Other borrowings repayable within a period of:		
– More than 2 years, but not exceeding 5 years	**331**	–
	13,183	10,203
Less: Amount due within one year shown under current liabilities	**(1,644)**	(2,098)
Amount due after one year	**11,539**	8,105

27. Bank and Other Borrowings (Continued)

The carrying amount of the Group's bank and other borrowings are analysed as follows:

Denominated in	Interest rate	2010 RMB'million	2009 RMB'million
RMB	90% to 115% (2009: 90% to 115%) of PBOC Prescribed Interest Rate	**4,576**	3,595
HK$	Hong Kong Interbank Offered Rates ("HIBOR") plus 2% to 4.5% (2009: HIBOR plus 2% to 4.5%)	**8,276**	6,349
US$	London Interbank Offered Rates ("LIBOR") plus 14% (2009: LIBOR plus 0% to 2.5%)	**331**	259
		13,183	10,203

As at 31 December 2010, the weighted average effective interest rate on the bank and other borrowings was 4.4% (2009: 4.1%), and are further analysed as follows:

	2010	2009
Denominated in RMB	**5.7%**	5.7%
Denominated in HK$	**3.3%**	3.3%
Denominated in US$	**14.3%**	2.8%

The bank and other borrowings at the end of the reporting period were secured by the pledge of assets as set out in note 38.

28. Share Capital

	Authorised		Issued and fully paid	
	Number of shares	US$'000	Number of shares	US$'000
Ordinary shares of US$0.0025 each				
At 1 January 2009	12,000,000,000	30,000	4,185,597,171	10,464
Issue of bonus shares (note 11)	–	–	418,559,717	1,046
Issue of new shares	–	–	418,500,000	1,046
At 31 December 2009	12,000,000,000	30,000	5,022,656,888	12,556
Issue of shares in lieu of cash dividends (note 11)	**–**	**–**	**188,931,093**	**473**
At 31 December 2010	**12,000,000,000**	**30,000**	**5,211,587,981**	**13,029**

	2010 RMB'million	2009 RMB'million
Shown in the consolidated statement of financial position as	**102**	99

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

28. Share Capital (Continued)

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

29. Other Reserves

(a) Merger reserve represents the aggregate of:

(i) the difference between the nominal value of the share capital and share premium on the shares issued by the Company and the aggregate of the share capital and share premium of the holding companies of the subsidiaries acquired;

(ii) the share of profit attributable to the deemed non-controlling shareholders exchanged upon the group reorganisation in 2004; and

(iii) the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from a non-controlling shareholder upon the group reorganisation in 2004.

(b) Special reserve

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

During the year ended 31 December 2010, an amount of RMB30 million (2009: RMB205 million) was released to the consolidated income statement upon the disposal by the subsidiaries of the assets to which it relates. In addition, an amount of RMB91 million was released to the consolidated income statement upon recognition of fair value changes of the related assets during the year ended 31 December 2009.

(c) Other reserve comprises:

(i) An amount of RMB483 million represents payable waived in 2004 by Shui On Investment Company Limited, a subsidiary of SOCL, in respect of development costs of the same amount originally paid by Shanghai Shui On Property Development Management Co., Ltd., a fellow subsidiary of Shui On Investment Company Limited, and recharged to certain subsidiaries of the Company.

(ii) Capital contribution of RMB21 million arising on the fair value adjustments at the initial recognition of an interest free loan advanced by a non-controlling shareholder of a subsidiary in 2005.

(iii) Non-distributable reserve of RMB99 million arising from the capitalisation of retained profits as registered capital of a subsidiary in the PRC in 2006.

(iv) An amount of RMB34 million represents the difference between the fair value of the consideration paid and the carrying value of the net assets attributable to the additional interest of 16.8% in Yang Pu Centre Development Co., Ltd being acquired from the non-controlling interests in 2010 (note 36(a)).

30. Convertible Bonds

On 29 September 2010, the Company issued RMB denominated US$ settled 4.5% convertible bonds with the aggregate principal amount of RMB2,720 million with initial conversion price of HK$4.87 at a fixed exchange rate of RMB1.00 to HK$1.1439. An adjustment has been made to the conversion price from HK$4.87 to HK$4.78 as a result of the interim dividend for 2010.

Conversion may occur at any time between 10 November 2010 and 19 September 2015. The Company will, at the option of the holder of any bond, redeem all or some only of such holder's bonds on 29 September 2013 at an amount equal to the US$ equivalent of their RMB principal amount, together with accrued but unpaid interest.

If the bonds have not been converted or redeemed at the date of maturity, they will be redeemed at an amount equal to the US$ equivalent of their RMB principal amount, together with accrued but unpaid interest.

The Company may at any time after 29 September 2013 redeem all, but not some only, of the bonds for the time being outstanding at the US$ equivalent of their RMB principal amount, together with interest accrued to the date fixed for redemption, provided that the closing price of the shares of the Company translated into RMB at the prevailing rate applicable to the relevant trading day, for 20 out of 30 consecutive trading days prior to the date upon which notice of such redemption is published was at least 130% of the conversion price then in effect, translated into RMB at the fixed rate of RMB1.00 = HK$1.1439.

The Company may at any time redeem all, but not some only, of the bonds being outstanding at a redemption price equal to the US$ equivalent of their RMB principal amount, together with accrued but unpaid interest to the date fixed for redemption, if prior to the date of notice at least 90% in RMB principal amount of the bonds originally issued has already been converted, redeemed or purchased and cancelled.

The convertible bonds contain two components: equity and liability elements. The equity element of RMB605 million is presented in equity heading "convertible bond equity reserve". The movement of the liability component of the convertible bonds for the year is set out below:

	2010 **RMB'million**	2009 RMB'million
At 1 January	**–**	–
Issue of convertible bonds	**2,115**	–
Expenses on issue of convertible bonds	**(54)**	–
Interest charged during the year	**56**	–
At 31 December	**2,117**	–

The effective interest rate of the liability component on initial recognition is 10.7% per annum.

The fair value of the liability component at inception date is determined based on the valuation carried out by an independent valuer.

31. Notes

	2010 RMB'million	2009 RMB'million
At 1 January	–	–
Issue of senior notes due 2013	3,000	
Expenses on issue of senior notes	(60)	–
Interest charged during the year	5	–
At 31 December	2,945	–

On 23 December 2010, Shui On Development (Holding) Limited ("SOD"), a wholly owned subsidiary of the Company, issued RMB3,000 million senior notes with a maturity of three years due on 23 December 2013 (the "2013 Notes"). The 2013 Notes are denominated in RMB and settled in US dollars, and bear coupon at 6.875% per annum payable semi-annually in arrears.

The principal terms of the notes

The 2013 Notes are:

(a) senior in right of payment to any existing and future obligations of SOD expressly subordinated in right of payment to the Notes;

(b) at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SOD (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); and

(c) guaranteed by the Company on a senior basis;

(d) effectively subordinated to the secured obligations (if any) of the Company and SOD, to the extent of the value of the assets serving as security therefore; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SOD.

At any time prior to the date of maturity of the 2013 Notes, SOD may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the written agreement between the Company, SOD, and the trustee of the 2013 Notes.

At any time on or before all the 2013 Notes are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the profit attributable to shareholders after taking into account certain adjustments prescribed in the terms of the 2013 Notes.

32. Derivative Financial Instruments Designated as Hedging Instruments

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

At 31 December 2010 and 31 December 2009, the Group has outstanding interest rate swaps to hedge against the variability of cash flows arising from the interest rate fluctuations. Under these swaps, the Group would receive interests at variable rates at HIBOR and pay interest at fixed rates ranging from 0.95% to 3.58% (2009: 3.32% to 3.58%) based on the notional amounts of HK$5,581 million (2009: HK$4,581 million) in aggregate. The Group designated the interest rate swaps as hedges against the variability of interest payments of certain bank borrowings of the Group amounting to HK$5,581 million (2009: HK$4,581 million) which bear variable interest rates at HIBOR plus spread ranging from 2.75% to 3.65% (2009: 2.75% to 2.90%) and mature on or before March 2013. The principal terms of the interest rate swaps have been negotiated to match the terms of the related bank borrowings.

During the year ended 31 December 2010, fair value loss arising from the interest rate swaps of RMB7 million (2009: gain of RMB45 million) was deferred in equity as hedge reserve, which is expected to be recognised in the consolidated income statement at various dates upon the interest payments of the related bank borrowings are expected to settle.

33. Deferred Tax Assets/Liabilities

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

	Accelerated tax depreciation	Revaluation of investment properties	Tax losses	Recognition of sales and related cost of sales	Withholding tax on income derived in the PRC	Others	Total
	RMB'million	RMB'million	RMB'million	RMB' million	RMB' million	RMB' million	RMB' million
At 1 January 2009	783	1,130	(31)	(40)	19	(105)	1,756
Charge (credit) to consolidated income statement	130	134	(9)	(29)	33	38	297
At 31 December 2009	913	1,264	(40)	(69)	52	(67)	2,053
Charge (credit) to consolidated income statement	**112**	**678**	**20**	**34**	**76**	**(113)**	**807**
Transfer to current taxation	**–**	**(11)**	**–**	**–**	**(10)**	**–**	**(21)**
At 31 December 2010	**1,025**	**1,931**	**(20)**	**(35)**	**118**	**(180)**	**2,839**

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

	2010	2009
	RMB'million	RMB'million
Deferred tax assets	**(162)**	(139)
Deferred tax liabilities	**3,001**	2,192
	2,839	2,053

At the end of the reporting period, the Group had unused tax losses of RMB511 million (2009: RMB633 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB79 million (2009: RMB160 million). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB432 million (2009: RMB473 million) due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

	2010	2009
	RMB'million	RMB'million
2010	**–**	46
2011	**44**	45
2012	**73**	73
2013	**241**	268
2014	**19**	41
2015	**55**	–
	432	473

34. Provident and Retirement Fund Schemes

Hong Kong

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

The MPF Scheme

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

The Group's contributions to the MPF Scheme charged to the consolidated income statement as staff costs during the year ended 31 December 2010 were less than RMB1 million.

The Plan

Contributions to the Plan are made by the members at 5% of their salaries and by the Group which are based on recommendations made by the actuary of the Plan. The current employer contribution rate ranges from 5% to 10% of the members' salaries. Under the Plan, a member is entitled to retirement benefits which comprise the sum of any benefits transferred from another scheme and the greater of the sum of employer's basic contribution plus the member's basic contribution accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the length of employment with the Group on the attainment of the retirement age of 60. For members who joined the Plan before 1997, the retirement age is 60 for male members and 55 for female members. No other post-retirement benefits are provided.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out at 31 December 2010 and 31 December 2009 by Ms. Elaine Hwang of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

The principal actuarial assumptions used as at the end of the reporting period are as follows:

		2010		2009
Discount rate		**2.7%**		2.6%
Expected rate of salary increase	**2011+:**	**5.0%**	2010:	4.0%
			2011+:	5.0%
Expected rate of return on plan assets		**7.00%**		7.25%

The actuarial valuation showed that the fair value of the plan assets attributable to the Group at 31 December 2010 was RMB54 million (2009: RMB57 million), representing 63% (2009: 61%) of the benefits that had accrued to members.

34. Provident and Retirement Fund Schemes (Continued)

Hong Kong (Continued)

The Plan (Continued)

Amounts recognised in the consolidated income statement for the year ended 31 December 2010 and 31 December 2009 in respect of the defined benefit plan are as follows:

	2010 RMB'million	2009 RMB'million
Current service cost	3	4
Interest cost	2	1
Expected return on plan assets	(4)	(3)
Net actuarial losses recognised during the year	3	5
Net amount charged to consolidated income statement as staff costs	4	7

The actual returns on plan assets allocated to the Group for the year ended 31 December 2010 were gains of RMB6 million (2009: RMB15 million).

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

	2010 RMB'million	2009 RMB'million
Present value of funded defined benefit obligations	85	94
Unrecognised actuarial losses	(27)	(35)
Fair value of plan assets	(53)	(57)
Defined benefit liabilities	5	2

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

	2010 RMB'million	2009 RMB'million
At 1 January	94	99
Exchange realignment	(2)	–
Current service cost	3	4
Interest cost	2	1
Contributions from plan participants	1	1
Actuarial gains	(3)	(8)
Transfer-out liabilities	–	(2)
Benefits paid	(10)	(1)
At 31 December	85	94

34. Provident and Retirement Fund Schemes (Continued)

Hong Kong (Continued)

The Plan (Continued)

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

	2010 RMB'million	2009 RMB'million
At 1 January	**(57)**	(44)
Exchange realignment	**2**	–
Expected return on plan assets	**(4)**	(3)
Actuarial gains	**(2)**	(11)
Contributions from the employer	**(1)**	(1)
Contributions from plan participants	**(1)**	(1)
Benefits paid	**10**	1
Transfer-in assets	**–**	2
At 31 December	**(53)**	(57)

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

	2010 RMB'million	2009 RMB'million
Equities	**30**	30
Hedge funds	**12**	15
Bonds and cash	**11**	12
	53	57

The Group expects to make a contribution of RMB2 million (2009: RMB1 million) to the defined benefit plans during the next financial year.

PRC

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specific percentage of the payroll of their employees to retirement benefit schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the respective schemes.

35. Acquisition of a Subsidiary

During the year ended 31 December 2010, a subsidiary of the Company acquired the entire interest of a company incorporated in the PRC from an independent third party for a cash consideration of RMB109 million. The acquired company owned the property development right on a piece of land adjacent to Shanghai Rui Hong Xin Cheng project.

The acquisition was accounted for as purchase of assets and liabilities rather than as business combination as the subsidiary acquired is an investment and property holding company with no business concerns.

The net assets acquired in the transaction were as follows:

	RMB'million
Investment properties under construction or development	67
Properties under development for sale	45
Accounts receivable, deposits and prepayments	4
Other payables and accrued charges	(7)
Net assets acquired	109
Cash consideration	109

During the year ended 31 December 2010, the acquired company did not contribute any turnover or results to the Group.

36. Acquisition of Additional Equity Interests in Subsidiaries

(a) 16.8% equity interest in Shanghai Yang Pu Centre Development Co., Ltd. ("KIC")

Pursuant to an amendment agreement dated 14 August 2009 (the "Amendment Agreement") entered into between Bright Continental Limited ("BCL", an indirect wholly owned subsidiary of the Company) and a non-controlling shareholder of KIC, the registered capital in KIC was increased from US$60,500,000 to US$137,500,000, by US$77,000,000, whereby BCL injected the entire portion of the increase in equity capital from US$60,500,000 to US$137,500,000 and at a premium of US$8,470,000 in cash (being US$85,470,000 in total). The non-controlling shareholder of KIC did not participate in injecting any additional equity capital into KIC. Upon completion of the Amendment Agreement in the year ended 31 December 2010, the interest of BCL in the equity capital of KIC was increased from 70% to 86.8% by 16.8% and interest of the non-controlling shareholder of KIC was diluted from 30% to 13.2% by 16.8%.

The difference of RMB34 million between the excess of the Group's share of additional interest in the carrying amount of the net assets of KIC attributable to the acquisition over the cost of the acquisition were recognised directly in equity (note 29(c)).

(b) 30% equity interest in Globe State Properties Limited ("Globe State")

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

A gain of RMB6 million arose from the above acquisition, representing the excess of the Group's share of additional interest in the fair value of the net assets of Globe State attributable to the acquisition over the cost of the acquisition, has been recognised in the consolidated income statement for the year ended 31 December 2009.

37. Share-based Payment Transactions

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

At 31 December 2010, 142,152,612 share options (2009: 166,375,605 share options) remained outstanding under the Scheme, representing 2.7% (2009: 3.3%) of the shares of the Company in issue at that date. The Scheme allows the Board of Directors, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable.

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

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

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

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

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

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

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

Other than the replacement of options as mentioned above, no share options were granted during the years ended 31 December 2010 and 2009.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of options, to be paid within 1 month from the date of the offer.

37. Share-based Payment Transactions (Continued)

The vesting period and the exercisable period of the share options granted to eligible employees and directors are as follows:

	Vesting period	Exercisable period
The first 1/7 of the grant:	From date of grant to the 2nd anniversary	From the 2nd to the 7th anniversary to the date of grant
The second 1/7 of the grant:	From date of grant to the 3rd anniversary	From the 3rd to the 8th anniversary to the date of grant
The third 1/7 of the grant:	From date of grant to the 4th anniversary	From the 4th to the 9th anniversary to the date of grant
The fourth 1/7 of the grant:	From date of grant to the 5th anniversary	From the 5th to the 9th anniversary to the date of grant
The fifth 1/7 of the grant:	From date of grant to the 6th anniversary	From the 6th to the 9th anniversary to the date of grant
The sixth 1/7 of the grant:	From date of grant to the 7th anniversary	From the 7th to the 9th anniversary to the date of grant
The last 1/7 of the grant:	From date of grant to the 8th anniversary	From the 8th to the 9th anniversary to the date of grant

The vesting period and the exercisable period of the share options granted to a consultant are as follows:

	Vesting period	Exercisable period
The first 1/5 of the grant:	Unconditional and fully vested at the date of grant	Before the 5th anniversary to the date of grant
The second 1/5 of the grant:	From date of grant to the 1st anniversary	Before the 6th anniversary to the date of grant
The third 1/5 of the grant:	From date of grant to the 2nd anniversary	Before the 7th anniversary to the date of grant
The fourth 1/5 of the grant:	From date of grant to the 3rd anniversary	Before the 8th anniversary to the date of grant
The last 1/5 of the grant:	From date of grant to the 4th anniversary	Before the 9th anniversary to the date of grant

The share options granted to independent non-executive directors, a non-executive director and a consultant are unconditional and fully vested at the date of grant and exercisable on or before the 5th anniversary to the date of grant.

The Group recognised the total expense of RMB19 million (2009: RMB47 million) in the consolidated income statement in relation to share options granted by the Company.

During the years ended 31 December 2010 and 31 December 2009, none of the share options were exercised.

37. Share-based Payment Transactions (Continued)

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

		Number of options				
Date of grant	**Exercise price HK$**	**At 1 January 2010**	**Granted during the year**	**Replacement during the year**	**Lapsed during the year**	**At 31 December 2010**
20 June 2007	**7.00**	**106,632,098**	**–**	**–**	**(15,241,206)**	**91,390,892**
1 August 2007	**8.18**	**1,269,802**	**–**	**–**	**(159,869)**	**1,109,933**
2 October 2007	**10.00**	**2,468,768**	**–**	**–**	**(402,312)**	**2,066,456**
1 November 2007	**11.78**	**1,301,615**	**–**	**–**	**(577,065)**	**724,550**
3 December 2007	**9.88**	**1,234,329**	**–**	**–**	**(653,463)**	**580,866**
2 January 2008	**8.97**	**3,358,409**	**–**	**–**	**(180,400)**	**3,178,009**
1 February 2008	**8.05**	**1,717,382**	**–**	**–**	**(272,500)**	**1,444,882**
3 March 2008	**7.68**	**735,670**	**–**	**–**	**(102,662)**	**633,008**
2 May 2008	**7.93**	**7,238,273**	**–**	**–**	**(1,816,341)**	**5,421,932**
2 June 2008	**7.34**	**15,231,560**	**–**	**–**	**(1,565,848)**	**13,665,712**
2 July 2008	**6.46**	**1,482,175**	**–**	**–**	**(534,944)**	**947,231**
4 September 2009	**4.90**	**23,705,524**	**–**	**–**	**(2,716,383)**	**20,989,141**
		166,375,605	**–**	**–**	**(24,222,993)**	**142,152,612**
Number of options exercisable		**19,586,617**				**35,906,115**

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

38. Pledge of Assets

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

	2010	2009
	RMB'million	RMB'million
Investment properties	**17,091**	13,243
Property, plant and equipment	**114**	128
Prepaid lease payments	**42**	43
Properties under development for sale	**6,065**	4,948
Properties held for sale	**33**	406
Accounts receivable	**45**	90
Bank deposits	**1,885**	2,019
	25,275	20,877

Included in pledged bank deposits above is an amount of RMB265 million (2009: RMB265 million) which has been pledged to a bank to secure the banking facilities granted to an associate. All the other assets were pledged to secure banking facilities granted to the Group.

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

39. Lease Arrangements

As lessor

Property rental income in respect of the investment properties earned, net of outgoings of RMB13 million (2009: RMB10 million), was RMB584 million (2009: RMB532 million). The investment properties held have committed tenants for the next one to eleven years at fixed rentals. Certain leases contain contingent rental income recognised during the year ended 31 December 2010 amounting to RMB12 million (2009: RMB7 million). These contingent rentals are generally based on specified percentages of turnover of the tenants.

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

	2010	2009
	RMB'million	RMB'million
Within one year	**615**	526
In the second to fifth years inclusive	**1,005**	780
Over five years	**117**	100
	1,737	1,406

39. Lease Arrangements (Continued)

As lessee

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

	2010 RMB'million	2009 RMB'million
Within one year	**44**	46
In the second to fifth years inclusive	**39**	71
Over five years	**72**	81
	155	198

Operating lease payments represent rentals payable by the Group for certain of its office and retail properties. Leases are negotiated for an average term of one to thirteen years.

40. Commitments and Contingencies

(a) Capital and other commitments

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

	2010 RMB'million	2009 RMB'million
Contracted but not provided for:		
Development costs for investment properties under construction or development	**4,673**	6,534
Development costs for properties under development held for sale	**9,906**	7,884
	14,579	14,418

(ii) Pursuant to an agreement entered into with the 上海市虹口區衛生局 of the Hongkou District, Shanghai, the PRC on 20 June 2006, the Group has committed to build a hospital to be located in the Rui Hong Xin Cheng area of the Hongkou District as compensation for the removal of those medical and health care services originally located in that area. As at 31 December 2010 and 2009, no construction contracts related to the hospital were entered into. No provision for the construction costs has been made in the consolidated financial statements as the amount cannot be measured reliably.

(iii) On 28 April 2008, the Group agreed to provide further funding or financial assistance of RMB1,128 million to the associates formed for the development of Dalian Tiandi project, whereby the Group ultimately holds a 48% effective interest. Details of the transactions are set out in the announcement dated 28 April 2008 and the circular dated 19 May 2008.

At 31 December 2009, the Group had commitment in respect of provision of such further funding or financial assistance contracted but not provided for in the consolidated financial statements amounting to approximately RMB121 million. During the year ended 31 December 2010, the Group has made further investment to the associate and at 31 December 2010, the Group had had no outstanding commitment in respect of investments in associates.

40. Commitments and Contingencies (Continued)

(b) Contingent liabilities

Financial guarantee contracts:

(i) Pursuant to an agreement entered into with the district government (the "Hongkou Government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July 2002, guarantees of no more than RMB324 million (2009: RMB324 million) will be granted by the Group to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 December 2010, no amount had been drawn down under this arrangement (2009: nil).

(ii) As at 31 December 2010, the Group has issued guarantees amounting to RMB265 million (2009: RMB528 million) to banks in respect of banking facilities granted to an associate, in which the associate has drawn down bank loans amounting to RMB250 million (2009: RMB480 million).

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, accordingly, no value has been recognised in the consolidated statement of financial position as at 31 December 2010 and 31 December 2009.

41. Related Party Transactions

Apart from the related party transactions and balances as stated in notes 17, 18, 23, 24, 26 and 40, the Group had the following transactions with related parties during the year:

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

	2010	2009
	RMB'million	RMB'million
Project construction costs	**466**	196
Rental and building management fee expenses	**32**	36
Travelling expenses	**17**	–
Project management fee income	**17**	1
Rental and building management fee income	**–**	2
Interest income	**–**	1

41. Related Party Transactions (Continued)

(b) Other related parties

	2010 RMB'million	2009 RMB'million
Associates		
Project management fee income	22	8
Imputed interest income	36	55
Interest income	31	11
Non-controlling shareholders of subsidiaries		
Guarantee fee income	19	–
Interest income	–	2
Imputed interest expenses	–	1
Interest expenses	125	102
Project management fee expenses	8	7
Jointly controlled entity		
Rental and building management fee income	4	4
A director		
Interest expenses	–	35
Senior management		
Property sales	20	43
Close family members of senior management		
Property sales	–	20

42. Event After The Reporting Period

On 26 January 2011, SOD issued RMB3,500 million senior notes with a maturity of four years due on 26 January 2015 (the "2015 Notes"). The 2015 Notes are denominated in RMB and settled in US dollars, and bear coupon at 7.625% per annum payable semi-annually in arrears.

43. Capital Risk Management

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

The capital structure of the Group consists of net debt, which includes bank and other borrowings, convertible bonds and notes disclosed in notes 27, 30 and 31, respectively net of bank balances and cash and pledged bank deposits, and equity attributable to equity holders of the Company, comprising issued share capital and reserves, and non-controlling interests.

The Directors of the Company review the capital structure of the Group by using a gearing ratio, which is calculated on the basis of dividing the excess of the sum of convertible bonds, notes, bank and other borrowings over the sum of bank balances and cash (inclusive of pledged bank deposits) by total equity. The review is conducted at least quarterly and before each major financing or investment decision is made.

43. Capital Risk Management (Continued)

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

	2010 RMB'million	2009 RMB'million
Bank and other borrowings	13,183	10,203
Convertible bonds	2,117	–
Notes	2,945	–
Pledged bank deposits	(1,885)	(2,019)
Bank balances and cash	(4,905)	(2,928)
Net debt	11,455	5,256
Total equity	26,028	22,574
Net debt to total equity	44%	23%

44. Financial Instruments

a. Categories of financial instruments

	2010 RMB'million	2009 RMB'million
Financial assets		
Loans and receivables (including bank balances and cash)	12,730	7,827
Financial liabilities		
Derivative instruments designated as hedging instruments	218	211
Amortised cost	23,697	13,974

b. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, loans receivable, loans to associates, amounts due from associates, amounts due from related companies, amounts due from non-controlling shareholders of subsidiaries, pledged bank deposits, accounts payable, amounts due to related companies, amounts due to associates, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries and bank borrowings.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Currency risk

All of the Group's turnover is denominated in RMB. However, the Group has certain bank balances and debt obligations that are denominated in foreign currency. As a result, the Group is exposed to fluctuations in foreign exchange rates. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

44. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Currency risk (Continued)

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

	2010 RMB'million	2009 RMB'million
HK$		
Assets	**2,469**	2,006
Liabilities	**8,365**	6,458
US$		
Assets	**1,374**	313
Liabilities	**1,032**	1,285

Sensitivity analysis

The Group is mainly exposed to the currency of HK$ and US$.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items assuming the balances at the end of the reporting period outstanding for the whole year and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Notes	2010 RMB'million	2009 RMB'million
HK$			
Profit or loss	(i)	**281**	212
US$			
Profit or loss	(ii)	**(16)**	46

Notes:

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

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

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

44. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings at variable rates. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR, and PBOC prescribed interest rate arising from the Group's HK$ and RMB borrowings. In order to mitigate the cash flow interest rate risk, the Group has entered into several interest rate swaps (which have been designated as hedging instruments) whereby the Group will receive interest at variable rates at HIBOR and pay interests at fixed rates. Details of the interest rate swaps are set out in note 32.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank and other borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would decrease/increase by RMB10 million (2009: decrease/increase by RMB17 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings, after taking into consideration the effects of the interest rate swaps designated as hedging instruments.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable-rate debt instruments.

Credit risk

The Group's principal financial assets are bank balances and cash, pledged bank deposits, accounts receivable, loans receivable, loans to associates, amounts due from associates, amounts due from non-controlling shareholders of subsidiaries and amounts due from related companies, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its loans to associates, accounts receivable, loans receivable and amount of contingent liabilities in relation to the financial guarantees provided by the Group. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, except for as at 31 December 2010 where the largest debtor amounting to approximately RMB68 million (2009: RMB123 million) arising from sales of properties, loans to associates of RMB1,270 million (2009: RMB1,273 million) and loans receivable of RMB597 million (2009: RMB378 million).

The credit risk on liquid funds is limited because the funds were deposited with various creditworthy financial institutions located in Hong Kong and in the PRC.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank and other borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the maturities of the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

For derivative instruments that settle on a net basis, undiscounted net cash outflows are presented.

Liquidity and interest risk tables

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2010
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
2010							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	2,913	–	–	–	2,913	2,913
Bank and other borrowings at variable rates	4.4%	2,195	6,748	4,648	1,135	14,726	13,183
Convertible bonds	10.7%	122	122	3,087	–	3,331	2,117
Notes	7.5%	206	206	3,206	–	3,618	2,945
Amounts due to related companies	–	95	–	–	–	95	95
Amounts due to associates	–	29	–	–	–	29	29
Amounts due to non-controlling shareholders of subsidiaries	–	462	–	–	–	462	462
Loans from non-controlling shareholders of subsidiaries							
– variable rate	6.1%	407	101	303	1,754	2,565	1,953
Financial guarantee contracts	–	265	–	–	–	265	–
		6,694	7,177	11,244	2,889	28,004	23,697
Derivatives – net settlement							
Cash flow hedge instruments	–	130	130	–	–	260	218

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2009
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
2009							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	2,070	–	–	–	2,070	2,070
Bank borrowings at variable rates	4.1%	2,482	1,249	7,141	543	11,415	10,203
Amounts due to related companies	–	69	–	–	–	69	69
Amounts due to associates	–	45	–	–	–	45	45
Amounts due to non-controlling shareholders of subsidiaries	4.1%	494	–	–	–	494	475
Loans from non-controlling shareholders of subsidiaries							
– variable rate	8.4%	56	56	168	670	950	670
– interest free	–	442		–	–	442	442
Financial guarantee contracts	–	528	–	–	–	528	–
		6,186	1,305	7,309	1,213	16,013	13,974
Derivatives – net settlement							
Cash flow hedge instruments		130	130	–	–	260	211

44. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

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

c. Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions as inputs; and

- the fair values of derivative instruments, are calculated using quoted prices as inputs. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

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

Included in other comprehensive income is a loss of RMB7 million (2009: gain of RMB45 million) related to interest rate swaps designated in cash flow hedge held at the end of the reporting period.

45. Summarised Statement of Financial Position of The Company

	2010 RMB'million	2009 RMB'million
Investments in subsidiaries	**2,413**	2,413
Loan to a subsidiary	**6,747**	6,365
Amounts due from subsidiaries	**4,014**	2,203
Other prepayment	**22**	22
Bank balances	**604**	–
Total assets	**13,800**	11,003
Convertible bonds	**2,117**	–
Total liabilities	**2,117**	–
Net assets	**11,683**	11,003
Share capital	**102**	99
Reserves	**11,581**	10,904
Total equity	**11,683**	11,003

46. Particulars of the Principal Subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2010 and 31 December 2009 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2010	2009	Place of operation	Principal activities
Ally Victory Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Atlantic Best Limited	Hong Kong 5 January 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Best View Development Limited	Hong Kong 5 March 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Billion China Investments Limited	BVI 18 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Billion Glory Limited	Hong Kong 14 March 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Billion World Limited	Hong Kong 19 November 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Bondwise Profits Limited	BVI 28 December 2000	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Bright Continental Limited	Hong Kong 5 March 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Bright Power Enterprises Limited	BVI 1 July 2004	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Bright Winner Limited	Hong Kong 27 December 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Brixworth International Limited	BVI 3 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Central Fit Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Century Team Limited	Hong Kong 16 January 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Chinalink Capital Limited	BVI 16 July 2003	999 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
China Advance Limited	Hong Kong 13 November 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
China Wealth (H.K.) Limited	Hong Kong 4 January 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Chongqing Shui On Tiandi Property Development Co. Ltd.	PRC 21 November 2003	Registered and paid up capital US$359,000,000	79.4%	79.4%	PRC	Property development and property investment
Citichamp Limited	Hong Kong 19 July 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Cititop Pacific Limited	Hong Kong 1 December 2000	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Costworth Investments Limited	BVI 12 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Crown Fame Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Cybricity Limited	Hong Kong 28 April 2000	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2010	2009	Place of operation	Principal activities
Dalian Yingjia Science and Technology Development Co., Ltd.	PRC 3 December 2009	Registered and paid up capital US$23,000,000	100%	100%	PRC	Science and Technology development
East Capital Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
East Trend Limited	Hong Kong 14 February 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Eastern View Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Excel Efficient Limited	BVI 19 August 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Excellent Win Enterprises Limited	Hong Kong 5 February 2010	1 ordinary share of HK$1	100%	-	Hong Kong	Investment holding
Fast China Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Feng Cheng Property Management Services Limited	Hong Kong 14 November 2003	100 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Fieldcity Investments Limited	BVI 30 March 2005	100 ordinary shares of US$1 each	75%	75%	Hong Kong	Investment holding
Focus Top Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Foresight Profits Limited	BVI 8 February 2001	100 ordinary shares of US$1 each	75%	75%	Hong Kong	Investment holding
Fo Shan An Ying Property Development Co., Ltd.	PRC 8 January 2008	Registered and paid up capital RMB700,000,000	100%	100%	PRC	Property development
Fo Shan Rui Dong Property Development Co., Ltd.	PRC 25 April 2008	Registered capital RMB690,000,000 Paid up capital RMB280,744,034	100%	100%	PRC	Property development
Fo Shan Rui Fang Property Development Co., Ltd.	PRC 21 May 2008	Registered capital RMB690,000,000 Paid up capital RMB105,768,504	100%	100%	PRC	Property development
Fo Shan Rui Kang Tian Di Property Development Co., Ltd.	PRC 21 May 2008	Registered capital RMB690,000,000 Paid up capital RMB539,797,592	100%	100%	PRC	Property development
Fo Shan Shui On Property Development Co., Ltd.	PRC 8 January 2008	Registered and paid up capital RMB700,000,000	100%	100%	PRC	Property development
Fo Shan Yi Kang Property Development Co., Ltd.	PRC 8 January 2008	Registered and paid up capital RMB700,000,000	100%	100%	PRC	Property development
Fo Shan Yong Rui Tian Di Property Development Co., Ltd.	PRC 21 March 2008	Registered capital RMB690,000,000 Paid up capital RMB483,779,914	100%	100%	PRC	Property development

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2010	2009	Place of operation	Principal activities
Fo Shan Yuan Kang Property Development Co., Ltd.	PRC 29 February 2008	Registered and paid up capital RMB700,000,000	100%	100%	PRC	Property development
Fo Shan Shui On Tiandi Trading Co., Ltd.	PRC 3 August 2010	Registered and paid up capital RMB1,000,000	100%	–	PRC	Retail business
Fuhui Limited	BVI 1 April 2010	1 ordinary share of US$1	100%	–	Hong Kong	Investment holding
Galore Profits Limited	BVI 23 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Global Ocean Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Globaland Limited	Hong Kong 30 October 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Globe State Properties Limited	BVI 12 October 2005	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Glory Advance Investments Limited	BVI 18 August 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Glory Wing Holdings Limited	BVI 15 January 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Grand Hope Limited (Note 4)	Hong Kong 14 March 2003	100 A ordinary shares of HK$1 each and 2 B ordinary shares of HK$1 each	A shares: 80.2% B shares: 60.15%	A shares: 80.2% B shares: 60.15%	Hong Kong	Investment holding
Grand Rich Limited	Hong Kong 14 March 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Hangzhou Xihu Tiandi Management Co., Ltd.	PRC 6 March 2003	Registered and paid up capital US$1,400,000	100%	100%	PRC	Property management
Hangzhou Xihu Tiandi Property Co., Ltd.	PRC 12 June 2003	Registered and paid up capital US$51,800,000	100%	100%	PRC	Property development
Hing Tin Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Hollyfield Holdings Limited	Mauritius 19 April 2001	2 ordinary shares of US$1 each	75%	75%	Hong Kong	Investment holding
Infoshore International Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Info Union Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Innovate Zone Group Limited	BVI 3 January 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Intellect Profit Investments Limited	BVI 10 August 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Interchina International Limited	BVI 12 January 2001	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Join Legend Limited	Hong Kong 2 June 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2010	2009	Place of operation	Principal activities
Joyous Bond Limited	BVI 18 April 2008	1 ordinary share of US$1	75%	75%	Hong Kong	Investment holding
Keen Allied Investments Limited	BVI 18 September 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
King Concord Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Kinmax Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Land Pacific Limited	Hong Kong 2 November 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Legend City Limited	Hong Kong 4 June 1997	2 ordinary shares of HK$1 each	51%	51%	Hong Kong	Investment holding
Lucky Gain Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Magic Best Investments Limited	BVI 19 July 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Magic Bright Investments Limited	BVI 18 September 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Marble Way Limited	BVI 28 August 1996	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Merry Wave Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Modern Prosper Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Mount Eastern Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
New Asia Limited	Hong Kong 31 October 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
New Power Profits Limited	BVI 18 October 2005	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Nice In Investments Limited	BVI 18 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Onfair Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Onwin Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Oriental Gain Limited	Hong Kong 2 February 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Oriental Host Limited	Hong Kong 23 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Pacific Gain Limited	Hong Kong 11 September 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Portspin Limited	BVI 22 May 1997	100 ordinary shares of US$1 each	51%	51%	Hong Kong	Investment holding
Princemax Limited	Hong Kong 15 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Profitstock Holdings Limited	BVI 2 June 2005	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2010	2009	Place of operation	Principal activities
Regal Victory Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Rich Prime Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Rightchina Limited	BVI 2 July 2008	100 ordinary shares of US$1 each	60.15%	60.15%	Hong Kong	Investment holding
Rightidea Limited	BVI 2 July 2008	100 ordinary shares of US$1 each	80.2%	80.2%	Hong Kong	Investment holding
Rise Lake Investments Limited	BVI 23 August 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Score High Limited	BVI 12 February 2003	1,000 ordinary shares of US$1 each	80.2%	80.2%	Hong Kong	Investment holding
Selfers Limited	BVI 29 November 1995	1 ordinary share of US$1	75%	75%	Hong Kong	Investment holding
Shanghai Bai-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB151,300,000	97%	97%	PRC	Property development and property investment
Shanghai Fu Ji Properties Co., Ltd.	PRC 18 January 2004	Registered and paid up capital US$35,773,000	99%	99%	PRC	Property development
Shanghai Fu Xiang Properties Co., Ltd.	PRC 19 December 2001	Registered and paid up capital RMB645,000,000	99%	99%	PRC	Property development and property investment
Shanghai Ji-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB71,600,000	97%	97%	PRC	Property development and property investment
Shanghai Jing Fu Property Co., Ltd.	PRC 26 December 2001	Registered and paid up capital RMB400,000,000	99%	99%	PRC	Property development
Shanghai Jun Xing Property Co., Ltd.	PRC 5 March 2009	Registered and paid up capital RMB920,000,000	49.98%	49.98%	PRC	Property development
Shanghai Knowledge and Innovation Community Development Co., Ltd.	PRC 9 June 2010	Registered and paid up capital HK$1,550,000,000	99%	–	PRC	Property development
Shanghai Lakeville Properties Co., Ltd.	PRC 23 May 2001	Registered and paid up capital RMB165,000,000	99%	99%	PRC	Property development
Shanghai Le Fu Properties Co., Ltd.	PRC 20 February 2004	Registered and paid up capital US$130,500,000	99%	99%	PRC	Property development
Shanghai IPO Food & Beverage Co., Ltd.	PRC 6 September 2006	Registered and paid up capital US$1,890,000	100%	100%	PRC	Food and beverage services
Shanghai Rui Chen Property Co., Ltd.	PRC 6 May 1996	Registered and paid up capital RMB189,000,000	75%	75%	PRC	Property development and property investment
Shanghai Rui Qiao Property Development Co., Ltd.	PRC 28 December 2010	Registered capital RMB3,900,000,000 not yet paid up	100%	-	PRC	Property development

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2010	2009	Place of operation	Principal activities
Shanghai Rui Hong Xin Cheng Co., Ltd.	PRC 2 July 2001	Registered and paid up capital RMB3,300,000,000	74.25%	74.25%	PRC	Property development and property investment
Shanghai Rui Zhen Food & Beverage Co., Ltd.	PRC 7 November 2003	Registered and paid up capital US$2,100,000	99%	99%	PRC	Food and beverage services
Shanghai Shui On Club Business Management Co., Ltd.	PRC 29 July 2010	Registered and paid up capital RMB200,000	100%	–	PRC	Provision o f business management services
Shanghai Tai Ping Qiao Properties Management Co., Ltd.	PRC 31 August 2001	Registered and paid up capital US$200,000	99%	99%	PRC	Property management
Shanghai Xin-tian-di Plaza Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB101,300,000	97%	97%	PRC	Property development and property investment
Shanghai Xing Bang Properties Co., Ltd.	PRC 21 June 2001	Registered and paid up capital RMB290,500,000	99%	99%	PRC	Property development and property investment
Shanghai Xing-Qi Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB274,900,000	97%	97%	PRC	Property development and property investment
Shanghai Xing Qiao Properties Co., Ltd.	PRC 18 January 2004	Registered and paid up capital US$115,000,000	99%	99%	PRC	Property development
Shanghai Yang Pu Centre Development Co., Ltd.	PRC 26 August 2003	Registered and paid up capital US$137,500,000	86.8%	70%	PRC	Property development and property investment
Shui On Development (Holding) Limited	Cayman Islands 27 July 2005	22 ordinary shares of US$0.01 each	100%	100%	Hong Kong	Investment holding
Shui On Land Management Limited	Hong Kong 12 May 2004	1 ordinary share of HK$1	100%	100%	Hong Kong	Provision of management services
Shui On Resort Community (Dali) Holding Limited	BVI 6 May 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Dali) Limited	Hong Kong 13 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Lijiang) Holding Limited	BVI 28 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Lijiang) Limited	Hong Kong 5 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Shangri-La) Holding Limited	BVI 6 May 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Shangri-La) Limited	Hong Kong 13 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Kunming) Holding Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2010	2009	Place of operation	Principal activities
Shui On Resort Community (Kunming) Limited	Hong Kong 25 July 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Yunnan) Development Limited	Cayman Islands 17 July 2006	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
Shine First Limited	BVI 25 October 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shine Prime Investments Limited	BVI 2 November 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Secretaries & Nominees Limited	Hong Kong 30 November 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Provision of secretarial services
Silomax Limited	BVI 25 March 1996	1 ordinary share of US$1	75%	75%	Hong Kong	Investment holding
Sino Realty Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Sino Wisdom Investments Limited	BVI 12 May 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Sinoco Limited	Hong Kong 28 October 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Sinothink Holdings Limited	BVI 15 September 2000	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Smart Century Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Smart Silver Limited	BVI 18 December 2002	10 ordinary shares of US$1	100%	100%	Hong Kong	Investment holding
Super Field Limited	Hong Kong 25 February 2005	1 ordinary share of HK$1	75%	75%	Hong Kong	Investment holding
Timezone Management Limited	BVI 28 February 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Tip Profit Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Top Faith Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	75%	75%	Hong Kong	Investment holding
Top Victory Development Limited	Hong Kong 5 March 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Triumph Sky Group Limited	BVI 23 October 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Union Grow Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Victory Win Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Wuhan Shui On Tiandi Property Development Co., Ltd.	PRC 2 August 2005	Registered and paid up capital US$288,000,000	75%	75%	PRC	Property development and property investment

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2010	2009	Place of operation	Principal activities
上海百麗房地產開發有限公司 (Shanghai Baili Property Development Co., Ltd.*)	PRC 29 August 2002	Registered and paid up capital RMB100,000,000	75%	–	PRC	Property development and property investment
上海豐誠物業管理有限公司 (Shanghai Feng Cheng Property Management Co., Ltd.*)	PRC 18 January 2004	Registered and paid up capital RMB12,079,950	100%	100%	PRC	Property management
上海豐誠楊浦物業管理有限公司 (Shanghai Feng Cheng Yang Pu Property Management Co., Ltd.*)	PRC 21 July 2010	Registered and paid up capital RMB500,000	100%	–	PRC	Property management
上海瑞橋企業管理有限公司 (Shanghai Rui Qiao Enterprise Management Co., Ltd.*)	PRC 23 April 2009	Registered and paid up capital RMB1,000,000	86.8%	70%	PRC	Property development
上海瑞展教育信息咨詢有限公司 (Shanghai Rui Zhan Education Information Consultant Co., Ltd.*)	PRC 20 April 2010	Registered and paid up capital RMB100,000	75%	-	PRC	Provision of education information and consultancy services
上海新昌瑞安楊浦物業管理有限公司 (Shanghai Synergies Shui On Yang Pu Property Management Co., Ltd.*)	PRC 27 January 2006	Registered and paid up capital RMB450,000	100%	90%	PRC	Property management
上海瑞安房地產發展有限公司(Shui On Development Limited*)	PRC 14 June 2004	Registered and paid up capital US$28,000,000	100%	100%	PRC	Provision of management services
武漢瑞安天地商貿有限公司 (Wuhan Shui On Tian Di Trading Co., Ltd. *)	PRC 8 January 2007	Registered and paid up capital US$600,000	100%	100%	PRC	Retail business

Notes:

1. The Company directly holds the equity interest in Shui On Development (Holding) Limited. All other equity interests shown above are indirectly held by the Company.
2. All subsidiaries established in the PRC are either equity joint ventures or cooperative joint ventures except Dalian Yingjia Science and Technology Development Co., Ltd., Fo Shan An Ying Property Development Co., Ltd., Fo Shan Rui Dong Property Development Co., Ltd., Fo Shan Rui Fang Property Development Co., Ltd., Fo Shan Rui Kang Tian Di Property Development Co., Ltd., Fo Shan Shui On Property Development Co., Ltd., Fo Shan Yi Kang Property Development Co., Ltd., Fo Shan Yong Rui Tian Di Property Development Co., Ltd., Fo Shan Yuan Kang Property Devlopment Co., Ltd., Fo Shan Shui On Taindi Trading Co., Ltd., Hangzhou Xihu Tiandi Management Co., Ltd., Hangzhou Xihu Tiandi Property Co., Ltd., Shanghai IPO Food & Beverage Co., Ltd., Shanghai Rui Chen Property Co., Ltd., Shanghai Rui Qiao Property Development Co., Ltd., Shanghai Shui On Club Business Management Co., Ltd., Wuhan Shui On Tiandi Property Development Co., Ltd., 上海百麗房地產開發有限公司 (Shanghai Baili Property Development Co., Ltd.*), 上海豐誠物業管理有限公司 (Shanghai Feng Cheng Property Management Co., Ltd.*), 上海瑞安房地產發展有限公司 (Shui On Development Limited*) and 武漢瑞安天地商貿有限公司 (Wuhan Shui On Tian Di Trading Co., Ltd.*) which are wholly foreign owned enterprises.
3. Except for Shui On Development (Holding) Limited, none of the subsidiaries had any debt securities subsisting at 31 December 2010 or at any time during the year.
4. The holders of Class B ordinary shares of Grand Hope Limited have attributable interests in the Chongqing Super Rise Project whereas the holders of Class A ordinary shares of Grand Hope Limited have attributable interests in the Chongqing Shui On Tiandi Property Development Co., Ltd. other than the Chongqing Super High Rise Project.
5. The Group holds 51% equity interest in Portspin Limited, which holds 98% equity interest in Shanghai Jun Xing Property Co., Ltd. The Group's effective interest in Shanghai Jun Xing Property Co., Ltd. is therefore 49.98%.

* For identification purposes